



---

**Electronic Theses and Dissertations**

---

2024

# The Effect of servicescape on customer satisfaction: a study of tier one banks in Nairobi County.

Muiyuro, Mary Wambui  
*Strathmore Business School*  
*Strathmore University*

**Recommended Citation**

Muiyuro, M. W. (2024). *The Effect of servicescape on customer satisfaction: A study of tier one banks in Nairobi County* [Strathmore University]. <http://hdl.handle.net/11071/15637>

Follow this and additional works at: <http://hdl.handle.net/11071/15637>

**THE EFFECT OF SERVICESCAPE ON CUSTOMER SATISFACTION: A  
STUDY OF TIER ONE BANKS IN NAIROBI COUNTY**

**MARY WAMBUI MUIYURO**

**(MBA/066598)**



**THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER'S IN BUSINESS  
ADMINISTRATION AT STRATHMORE BUSINESS SCHOOL,  
STRATHMORE UNIVERSITY**

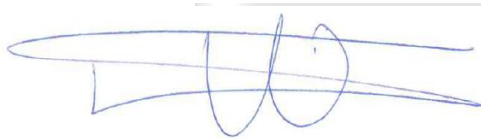
**NAIROBI, KENYA**

**MAY 2024**

## DECLARATION AND APPROVAL

I declare that this study has not been previously submitted or approved towards earning a degree from this institution or any other university. To the full extent of my knowledge and conviction, the proposal does not incorporate any content that has been previously published or authored by another individual, except in cases where proper citation and reference have been provided within the project itself.

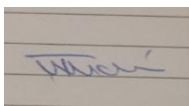
© No part of this proposal may be reproduced without the permission of the author and Strathmore University



Mary Muiyuro  
(MBA/066598)  
May 2024

Approval

The proposal of Mary Muiyuro was reviewed and approved by:

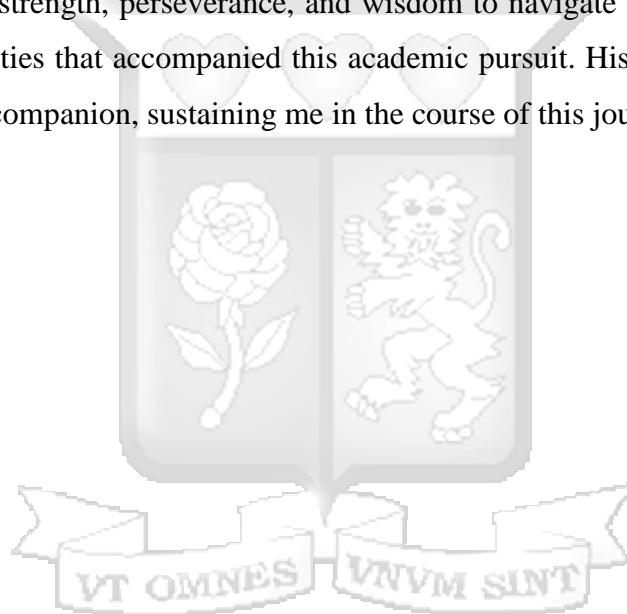


Dr. Tabitha Wangari Waithaka

Lecturer, Strathmore Business School

## ACKNOWLEDGEMENTS

First and foremost, I wish to convey my genuine appreciation to my supervisor and research guide, Dr. Tabitha Waithaka, for her priceless mentorship, patience, and steadfast backing throughout this research undertaking. Her perceptive critiques, constructive evaluations, and continual motivation have proven pivotal in molding this project into its culminating state. Furthermore, I extend my sincere gratitude to the Faculty of Strathmore Business School for furnishing me with an exceptional scholastic setting and the requisite resources to pursue this endeavor. Their commitment to academic excellence and their dedication to nurturing future leaders has been truly inspiring. Finally, I owe my sincere appreciation to God, for bestowing upon me the strength, perseverance, and wisdom to navigate through the challenges and uncertainties that accompanied this academic pursuit. His divine grace has been my constant companion, sustaining me in the course of this journey.



## DEDICATION

This research project is dedicated to the unwavering support system that has been my friends and family. To my friends, thank you for being my solace during the turbulent times, for lending an ear when I needed to vent, and for celebrating every small victory with me. Your encouragement kept me going. To my family, thank you for your unconditional love, belief in my abilities, and constant motivation. You were my pillar of strength through this arduous journey. Without your persistent backing, this accomplishment would not have been possible. This project is a testament to your affection and care.



## ABSTRACT

Customer satisfaction is a key driver of success for service-based businesses like banks. While product and service quality are well-known factors influencing satisfaction, the physical environment or "servicescape" in which the service is delivered can also significantly impact customers' perceptions and experiences. This study focused on Tier One banks in Nairobi County, pivotal due to their substantial market share and compliance with regulatory standards, and explored how improvements in both physical and virtual servicescapes can enhance customer satisfaction. Previously, these banks faced the challenge of integrating digital innovations with traditional banking environments to satisfy a dynamically changing customer base. This study addressed these challenges by examining the effects of three key dimensions of servicescape: self-servicescape, interpersonal servicescape, and remote servicescape. The research was guided by Bitner's Servicescape Model and the Stimulus-Organism-Response (SOR) theory. It identified significant gaps, such as the lack of integration between physical and digital servicescapes. Adopting a positivist philosophy, the study utilized a descriptive cross-sectional research design. Data was collected from customers of Tier One banks in Kenya. The analysis revealed that these servicescape dimensions profoundly influence customer perceptions and satisfaction levels. Findings from the research study indicated that the effective management of both physical and digital environments in banks substantially influences customer satisfaction. The conclusion drawn underscored that banks displaying a well-integrated servicescape saw greater customer loyalty and satisfaction. This research offers actionable insights for enhancing strategic service management and customer satisfaction within these institutions. This study recommends prioritizing the continuous development of digital platforms that complement the servicescape of physical environments, fostering a seamless customer experience.



## TABLE OF CONTENTS

<b>DECLARATION AND APPROVAL</b> .....	<b>ii</b>
<b>ACKNOWLEDGEMENTS</b> .....	<b>iii</b>
<b>DEDICATION</b> .....	<b>iv</b>
<b>ABSTRACT</b> .....	<b>v</b>
<b>LIST OF TABLES</b> .....	<b>ix</b>
<b>LIST OF ACRONYMS</b> .....	<b>xi</b>
<b>CHAPTER ONE</b> .....	<b>1</b>
<b>INTRODUCTION</b> .....	<b>1</b>
1.1 Background of the study .....	1
1.2 Problem Statement .....	9
1.3 Research objectives .....	10
1.4 Research questions .....	10
1.5 Scope of the study .....	10
1.6 Significance of the study .....	11
1.7 Chapter summary .....	13
<b>CHAPTER TWO</b> .....	<b>14</b>
<b>LITERATURE REVIEW</b> .....	<b>14</b>
2.1 Introduction .....	14
2.2 Theoretical Foundation of the Study .....	14
2.3 Empirical Review .....	17
2.4 Gaps in research .....	23
2.5 Conceptual framework .....	28
2.6 Operationalization of variables .....	30
2.7 Chapter Summary .....	33
<b>CHAPTER THREE</b> .....	<b>34</b>
<b>RESEARCH METHODOLOGY</b> .....	<b>34</b>
3.1 Introduction .....	34

3.2 Research philosophy .....	34
3.3 Research design.....	34
3.4 Population of the Study .....	35
3.5 Sampling Design .....	36
3.6 Data Collection.....	37
3.7 Data Analysis .....	38
3.8 Diagnostic tests .....	39
3.9 Research Quality .....	39
3.10 Ethical Considerations .....	40
CHAPTER FOUR.....	42
ANALYSIS AND PRESENTATION OF FINDINGS.....	42
4.1 Introduction .....	42
4.2 Response rate .....	42
4.3 Descriptive statistics.....	43
4.3.1 Respondents profile.....	43
4.3.2 Self Servicescape Factors.....	45
4.3.3 Interpersonal Servicescape Factors .....	45
4.3.4 Remote Servicescape Factors.....	46
4.3.5 Customer satisfaction.....	47
4.4 Objective One: Effect of Self-Servicescape on The Customer Satisfaction of Tier One Banks in Nairobi County .....	48
4.4.1 Test of Normality .....	48
4.4.2 Test of multicollinearity .....	50
4.4.3 Test of homoscedasticity.....	51
4.4.4 Regression findings.....	52
4.5 Objective two: effect of Interpersonal Servicescape on the customer satisfaction of tier one banks in Nairobi County.....	54
4.6 Objective three: effect of Remote Servicescape on the customer satisfaction of tier one banks in Nairobi County .....	55
4.7 Chapter summary .....	55

CHAPTER FIVE.....	57
DISCUSSION, CONCLUSION, AND LIMITATIONS .....	57
5.1 Introduction .....	57
5.2 Discussion .....	57
5.2.1 Impact of self servicescape on customer satisfaction .....	57
5.2.2 Impact of interpersonal servicescape on customer satisfaction .....	58
5.2.3 Impact of remote servicescape on customer satisfaction .....	59
5.3 Conclusion.....	61
5.4 Recommendations .....	61
5.4.1 Policy Recommendations.....	61
5.4.2 Managerial Recommendations.....	62
5.4.3 Theoretical Recommendations.....	62
5.5 Limitations .....	63
5.6 Areas for further study .....	63
5.7 Chapter summary .....	64
REFERENCES.....	65
Appendices.....	70
Appendix A: Introduction letter .....	70
Appendix B: Questionnaire.....	72
Appendix C: Sampling frame The researcher will undertake the following actions to develop the sampling frame: .....	78
Appendix D: ETHICAL Approval.....	80
Appendix E: NACOSTI Approval .....	81

## LIST OF TABLES

Table 2.1 Summary of research gaps .....	24
Table 2.2 Operationalization of variables. ....	30
Table 4.1 Respondent's profile .....	<b>Error! Bookmark not defined.</b>
Table 4.2 Self servicescape factors .....	45
Table 4.3 Interpersonal servicescape factors .....	46
Table 4.4 Remote Servicescape factors .....	47
Table 4.5 Test of normality .....	49
Table 4.6 Test of multicollinearity .....	51
Table 4.7 Model summary .....	53
Table 4.8 ANOVA .....	53



## LIST OF FIGURES

Figure 2.1 Conceptual Framework.....	28
Figure 4.1 Customer satisfaction histogram .....	63



## LIST OF ACRONYMS

**ATM:** Automated Teller Machine

**CSI:** Customer Service Index

**SOR:** Stimulus-Organism-Response

**CBK:** Central Bank of Kenya



# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

The servicescape framework, as introduced by Bitner (1992), revolutionized how service environments, including banking, influence customer satisfaction. Servicescape, as defined by Olabode (2020), refers to the physical and subjective elements within a business environment that businesses can manage to enhance customer satisfaction and patronage. This model illustrates the impact of physical environment on customer and employee behaviors, suggesting a direct correlation between well-designed servicescapes and positive customer experiences (Bitner, 1992). The global application of this framework, supported by subsequent research, underscores its relevance across diverse industries and cultures. It highlights the universal need for businesses to carefully consider their physical and virtual service environments to enhance customer satisfaction and loyalty (Bitner, 1992; Olabode, 2020). The integration of technology, particularly in self-service platforms like ATMs and online banking, reflects a global shift towards digitalization, emphasizing the need for banks to adapt to changing customer expectations and technological advancements (Asfour & Haddad, 2014).

Olabode's (2020) application of the servicescape model in African-based businesses in Ireland provides insights into its relevance within the African diaspora, suggesting its potential applicability in directly African contexts as well. This extension implies that the physical and interpersonal aspects of service environments are critical in shaping customer perceptions and satisfaction levels in African businesses, including banks. The emphasis on the interpersonal servicescape highlights the importance of human interactions within the banking sector, suggesting that employee professionalism and the quality of service interactions are paramount in achieving customer satisfaction. In Kenya, the banking sector's dynamics, including the performance of Tier One banks, are significantly influenced by macroeconomic factors, regulatory changes, and technological advancements (Jackson et al., 2019). The Central Bank of Kenya's annual report and the challenges highlighted, such as the increase in non-performing loans, underscore the need for banks to focus on enhancing

customer satisfaction through improved servicescapes. The adoption of the Customer Satisfaction Index model, validated by studies such as those by Ajami et al. (2018) and Suryadi et al. (2021), provides a robust framework for measuring and improving customer satisfaction in Kenyan banks. This approach, coupled with the servicescape model, offers a comprehensive strategy for banks to navigate the complexities of the Kenyan financial landscape, emphasizing the importance of both the physical and virtual service environment in driving customer satisfaction and loyalty (Suryadi et al., 2021). The integration of the servicescape framework and the customer satisfaction model offers a nuanced approach to understanding and enhancing customer satisfaction within the banking sector, from a global perspective down to the specific context of Kenya. This approach underscores the importance of considering both the physical and virtual aspects of service delivery and the pivotal role of customer satisfaction in achieving competitiveness and financial performance particularly given the dearth of findings about the interrelationship between the two constructs in the Kenyan context and more so among tier one banks.

### **1.1.1 Servicescape**

The concept of servicescape, as defined by Olabode (2020), encompasses the physical and subjective elements within a business environment that organizations can strategically manage to enhance customer satisfaction and foster patronage. This multifaceted concept encapsulates both tangible aspects, such as layout and design, and intangible elements, like ambiance, which collectively shape customer perceptions and behaviors. Bitner's (1992) seminal servicescape framework provides a pivotal lens for understanding how the physical environment within service organizations, such as banks, exerts a profound influence on customer and employee behaviors and attitudes, ultimately impacting customer satisfaction levels. The three servicescape dimensions applied to the current study are derived from Bitner's (1992) postulations and inferences drawn from Olabode's (2020) application of the same model in studying African-based businesses operating in Ireland.

The servicescape concept recognizes that the physical and subjective elements of a business environment are not merely passive backdrops but rather active contributors to the overall customer experience (Xuan, 2020). By carefully curating and managing these elements, businesses can create an immersive and engaging environment that

resonates with their customers' preferences and expectations. The Self Servicescape dimension captures the customer's direct interaction with the physical aspects of the banking environment without employee involvement. This includes interactions with ATMs and online banking platforms. These elements are operationalized by evaluating aspects like ATM Design & Accessibility, Online Banking Usability, and Mobile Banking Features. The measures focused on related to the design, functionality, and user-friendliness of these autonomous service touchpoints, reflecting the customer's independent service experience within the banking environment (Bitner, 1992; Olabode, 2020).

Recent research has expanded on the classic servicescape model to further understand the impact of service environment on customer emotions and behavior. Rosenbaum and Massiah (2011) extend the model by introducing the concept of social servicescape, which incorporates the influence of social interactions within the environment, not just between customers and service providers but also among customers themselves. They argue that social dynamics can significantly affect customer satisfaction and loyalty, particularly in high-interaction settings like banks where customer density and interaction are inevitable. Another addition by Humphreys and Han (2015) explores the role of ambient scent and music within the servicescape. Their findings suggest that these sensory elements can subtly enhance customer perceptions of service quality and increase the time spent in the banking environment, indirectly boosting satisfaction and the likelihood of positive word-of-mouth. Both studies emphasize the necessity of a holistic approach to designing banking environments that cater to both the functional and emotional needs of customers.

In the current study, conceptualization of the self servicescape includes elements such as the number of self-service kiosks per branch, average transaction time, percentage of customers using self-service technologies, frequency of technical issues, and customer satisfaction ratings. These measures operationalize the self servicescape by quantifying the efficiency and effectiveness of self-service options, reflecting the autonomous customer experience within the banking environment. Bitner's (1992) framework underscores the importance of physical aspects and technology in shaping customer interactions and satisfaction within service environments. Meuter et al. (2000) further emphasize the role of technology-based self-service options in

enhancing service delivery and customer satisfaction, suggesting that a well-designed self servicescape can significantly impact overall service quality and customer perceptions. Operationalizing these elements enables the assessment of the self servicescape's contribution to the banking experience, aligning with Parasuraman et al.'s (2005) assertion that technology's role in servicescapes is critical in satisfying digitally savvy customers.

The Interpersonal Servicescape dimension involves the part of the bank's environment where interactions between employees and customers take place. These areas include the teller counters, consultation spaces, and customer service desks. This dimension's constructs are In-Branch Service Interaction, and Employee Professionalism. These are quantified by looking at the design and environmental factors of service areas, the quality of direct customer service, and the professional conduct of bank staff on a Likert scale (Bitner, 1992; Olabode, 2020). This dimension reflects the customer's perceptions of the quality of human interactions within the banking servicescape.

The current study operationalizes the interpersonal servicescape dimension through metrics such as average wait time in queues, customer satisfaction with staff interactions, staff-related complaints or compliments, resolution rates during initial interactions, and employee engagement or turnover rates. This dimension focuses on the quality of human interactions within the banking environment, echoing Bitner's (1992) emphasis on social factors in the servicescape. Tombs and McColl-Kennedy (2010) highlight that interpersonal interactions significantly influence customer perceptions of service quality. Additionally, Heskett et al. (1994) suggest that employee satisfaction and engagement directly impact customer satisfaction, reinforcing the relevance of measuring staff behavior and interaction outcomes. By quantifying these aspects, the operationalization of the interpersonal servicescape captures the essence of service encounters, offering insights into how human elements enhance or detract from customer experiences within the banking context.

The Remote Servicescape dimension features a space where customers have little or no involvement with the physical environment, while employees operate primarily from behind the scenes (Bitner, 1992). This dimension is operationalized through constructs such as Interior Design and Comfort, Ambient Conditions, and Cleanliness and Maintenance (Bitner, 1992; Olabode, 2020). These are measured using a Likert

scale to evaluate the aesthetics, general environmental conditions like lighting and temperature, and the cleanliness and maintenance of the bank's facilities. This dimension reflects the customer's holistic perception of the banking environment.

The remote servicescape is conceptualized through average response times for inquiries, customer satisfaction with remote interactions, resolution success via remote channels, abandoned inquiries, and Net Promoter Score (NPS) for remote engagement. This dimension reflects the growing importance of digital and non-physical interactions in the customer service landscape, aligning with the expansion of servicescape theory to include virtual environments (Harris and Goode, 2004). Parasuraman et al. (2005) argue that responsiveness and effective resolution in remote services are critical to customer satisfaction and loyalty in digital channels. The operationalization of the remote servicescape through these metrics enables the evaluation of the bank's performance in virtual service delivery, capturing its ability to meet customer needs in an increasingly digital world. The inclusion of NPS further allows for the measurement of customer loyalty and advocacy, key indicators of the remote servicescape's impact on the overall customer relationship. The measures of self-service scape include the number of self-service kiosks per branch, average transaction time, percentage of customers using self-service technologies, frequency of technical issues, and customer satisfaction ratings.

### **1.1.2 Customer Satisfaction**

Suryadi et al. (2021), defines customer satisfaction as a quantitative measure that depicts a customer's post-consumption evaluation of the overall service quality compared to their expectations. Ajami et al. (2018) describes customer satisfaction in the context of the European Customer Satisfaction Index, where it is viewed as the end-result of the subjective evaluation of the perceived quality of services and products against the expectations of the customer. In the context of banking, customer satisfaction is often measured by evaluating specific dimensions of service quality such as empathy, reliability, tangibles, assurance, and responsiveness, which together shape the customer's overall perception of service and, consequently, their satisfaction (Paul et al., 2016).

In this study, customer satisfaction in the banking sector is defined as the customers' overall evaluation and emotional response to the quality of service provided by the bank, influenced by the alignment of perceived service performance with their expectations (Andri et al., 2022). This encompasses assessments of various service dimensions such as the physical and digital banking environment (servicescape), the effectiveness of self-service technologies, the quality of interpersonal interactions with bank staff, and the efficiency of remote service channels. Ultimately, customer satisfaction reflects the degree to which a bank's services meet or exceed the holistic needs and expectations of its customers.

Suryadi et al. (2021) investigate the application of the customer satisfaction method and Importance Performance Analysis (IPA) at PT. XYZ to measure and improve service quality. The study finds a customer satisfaction index of 73.228%, indicating satisfaction among the company's customers with room for improvement. The research underscores the significance of the customer satisfaction as a reliable measure, combining it with IPA to identify specific service attributes needing enhancement. This approach exemplifies a thorough methodology for assessing customer satisfaction, supporting the customer satisfaction's validity in evaluating service quality performance.

Eklof and Westlund (1998) highlight that Customer Satisfaction is crucial tool in quality management, focusing on its role within corporate levels. They outline how customer satisfaction contributes to strategy formulation, priority setting, benchmarking, and value analysis, emphasizing its integration into the company's quality management system. customer satisfaction is described as a system to model, measure, estimate, and analyze interactions between customer preferences, perceived quality, and company performance. The paper also discusses the implementation of customer satisfaction in Sweden and the United States, showcasing its value in enhancing competitiveness and financial performance through customer satisfaction studies.

Ajami et al. (2018) validate the European Customer Satisfaction Index for the Spanish wine sector, highlighting the importance of customer expectations and perceived quality in satisfaction (Ajami et al., 2018). Similarly, Johnson et al. (2001) discuss the

evolution of national customer satisfaction index models, emphasizing their role in strategic management and benchmarking (Johnson et al., 2001). Suryadi et al. (2021) apply the customer satisfaction method alongside Importance Performance Analysis to enhance service quality at PT. XYZ, illustrating the customer satisfaction's applicability and effectiveness in measuring and improving customer satisfaction (Suryadi, et al., 2021).

The justification for selecting customer satisfaction as the model for the current study is rooted in its comprehensive approach to understanding customer satisfaction, incorporating factors such as expectations, perceived quality, and loyalty (Suryadi et al., 2021). The adaptability of customer satisfaction to various sectors, including banking, its ability to provide actionable insights for service improvement, and its proven track record in different cultural contexts make it an ideal choice. This is supported by the findings of the reviewed articles, which collectively endorse the customer satisfaction's validity and effectiveness in capturing the nuances of customer satisfaction related to servicescapes in banking environments.

The thorough review of the attached journal articles, including the works of Ajami et al., (2018), Johnson et al. (2001), Suryadi et al. (2021), and Forouzani (2016), provides a comprehensive understanding of customer satisfaction measurement in the context of servicescape for Tier One banks in Nairobi County. Customer Satisfaction Index emerges as a superior and most valid model for this study due to its rigorous validation, adaptability, and demonstrated effectiveness in various sectors and geographical locations.

Adri and Mursadin (2024) explored the use of customer satisfaction in assessing user satisfaction in construction services, emphasizing the value of customer satisfaction in evaluating contractor performance in central Kalimantan's power projects. This study, although outside the banking sector, underlines the adaptability and comprehensive nature of customer satisfaction across different service industries, suggesting its potential applicability and relevance to banking services as well. Furthermore, Anggraeni and Faozan (2023) conducted a study on student satisfaction with the service quality of Bank Syariah Indonesia, utilizing both Importance-Performance Analysis (IPA) and customer satisfaction. Their findings affirm the utility of customer

satisfaction in conjunction with IPA for a detailed and holistic review of service quality and customer satisfaction in the banking sector. This dual approach allows for the identification and prioritization of areas for improvement, thereby enhancing service quality and customer satisfaction. To effectively gauge customer satisfaction, the present study employed a multidimensional approach by operationalizing it through several key measures: retention rate, positive reviews, acquisition of additional business from existing customers, customer referrals, and positive word-of-mouth. This comprehensive set of metrics captured the various facets of customer satisfaction, providing a holistic understanding of how well the organization is meeting and exceeding customer expectations.

### **1.1.3 Tier One Banks**

The CBK's annual report for the fiscal year 2022/2023 highlights the resilience and growth of Kenya's banking sector despite challenges (CBK, 2023). With a 14.0% increase in gross loans and advances, driven mainly by personal, manufacturing, trade, and financial sectors, the sector shows dynamic engagement in economic activities. However, the rise in non-performing loans (NPLs) to KSh 576.1 billion from KSh 514.4 billion underscores the economic pressures across several industries (CBK, 2023). Adjustments in regulatory and monetary policies, including increased lending and deposit rates, reflect the sector's adaptation to macroeconomic conditions.

The banking industry in Kenya is under significant influence from macroeconomic factors such as interest rates and inflation, which affect non-performing loans (Kigamwa & Mutwiri, 2023). Tier One banks, which are among the largest and most significant in Kenya's banking sector, have to navigate these factors carefully to maintain their loan performance and overall financial stability. Furthermore, Funding sources play a critical role in determining the competitiveness and performance of commercial banks in Kenya (Arodi et al., 2023). For Tier One banks, which have substantial access to diverse funding sources, this implies a strategic advantage in how they can leverage funds for operational and investment purposes, directly influencing their competitiveness in the market.

Business process outsourcing (BPO) practices are also relevant, particularly for the airline industry in Kenya, which shares a competitive and operational environment

with the banking sector (Muyesu & Kimaku, 2023). These practices can offer insights into how Tier One banks might improve their efficiency and customer service, crucial for enhancing customer satisfaction. The CBK's Bank Supervision Annual Report 2022 provides a regulatory perspective on the banking industry's health, including Tier One banks. It is therefore apparent that the gains of the industry can be enhanced by considering its servicescape as a means to improve customer satisfaction.

## **1.2 Problem Statement**

The servicescape concept has been recognized as critical in shaping customer satisfaction within the banking industry. However, existing literature reveals several gaps that limit the comprehensive understanding and application of servicescape strategies, especially in the context of Tier One banks in Nairobi County. Conceptually, Bitner's (1992) foundational framework offers insights into servicescape's impact. There is a notable lack of integration between physical and digital servicescape elements in Bitner's framework, despite the increasing digitalization of banking services (Olabode, 2020).

Contextually, much of the existing research is concentrated in Western or global contexts (Asfour & Haddad, 2014), with limited focus on the unique banking environment and customer expectations in Nairobi County, thereby overlooking regional specificities that may influence servicescape perceptions (Olabode, 2020). Furthermore, while some studies have explored servicescapes in different sectors (Line and Kim (2017); Boo, (2017)), there is a gap in research specifically targeting the banking sector, particularly Tier One banks in Nairobi County.

Methodologically, previous studies have predominantly employed qualitative approaches and often relied on small, non-representative samples, challenging the generalizability of their findings (Danaher & Haddrell, 1996; Taohai et al., 2010). Recent studies highlighting the integration of digital tools within bank servicescapes (Higgins & Lacey, 2017) and the impact of digital banking platforms on customer satisfaction in Kenya (Mwangi & Ouma, 2019) underscore the need for a comprehensive investigation that bridges the identified gaps.

This study seeks to address the conceptual gap by merging physical and digital aspects of banking servicescapes, reflecting the sector's ongoing evolution. It extends Bitner's

(1992) framework to encompass digital banking platforms, aiming for a holistic view of customer satisfaction in the digital era. Focusing on Nairobi County's Tier One banks, the research explores how local characteristics influence banking servicescape perceptions. The study also utilizes a quantitative approach with a representative sample to enhance the generalizability of the findings and address methodological limitations of previous studies.

### **1.3 Research objectives**

The main objective of the study was to determine the effect of servicescape on customer satisfaction of tier-one banks in Nairobi County.

#### **1.3.1 Specific research objectives**

The specific objectives were as follows:

- i. To determine the effect of Self Servicescape on the customer satisfaction of tier-one banks in Nairobi County.
- ii. To establish the effect of Interpersonal Servicescape on the customer satisfaction of tier one banks in Nairobi County.
- iii. To determine the effect of Remote Servicescape on the customer satisfaction of tier-one banks in Nairobi County.

### **1.4 Research questions**

The research questions forthcoming from the objectives were as follows:

- i. What is the effect of self servicescape on the customer satisfaction of tier one banks in Nairobi County?
- ii. What is the effect of Interpersonal Servicescape on the customer satisfaction of tier one banks in Nairobi County?
- iii. What is the effect of Remote Servicescape on the customer satisfaction of tier one banks in Nairobi County?

### **1.5 Scope of the study**

The scope of the study was focused on examining the influence of servicescape on customer satisfaction within Tier One banks in Kenya. According to the Central Bank of Kenya, Tier One banks are classified based on their market share, financial stability, and regulatory compliance, playing a pivotal role in the country's financial sector's resilience and growth (CBK, 2023). There are currently seven such banks in the

industry - Equity Bank Kenya Limited, Kenya Commercial Bank (KCB Group), Standard Chartered Bank Kenya Limited, Diamond Trust Bank Kenya Limited (DTB Kenya), and Cooperative Bank. These banks account for 75.14% market share (CBK, 2023). This study aimed to assess how the physical and virtual environments of these leading banks contribute to customer satisfaction, leveraging the Customer Satisfaction Index (customer satisfaction) as a measurement tool. The inclusion of Tier One banks, as identified by the CBK, underlines the significance of this research in addressing key players in the Kenyan banking industry, whose practices and customer satisfaction levels could set benchmarks for the entire sector.

## **1.6 Significance of the study**

The current study offers valuable insights to various stakeholder in the banking industry.

### **1.6.1 For Policymakers**

The significance of this study for policymakers lies in its potential to inform evidence-based regulatory frameworks that enhance the banking sector's service quality and customer satisfaction. By understanding the critical role of servicescapes in customer satisfaction within Tier One banks, policymakers can develop guidelines that encourage the creation of more customer-centric banking environments. This research could serve as a foundation for policies that promote investments in physical and virtual banking infrastructures, ensuring they are accessible, secure, and conducive to positive customer experiences. Additionally, the findings could help in the formulation of standards for digital banking services, considering the increasing shift towards online and mobile banking platforms. The study's insights could guide the development of comprehensive policies that address both the physical and digital aspects of banking servicescapes, aiming to improve customer satisfaction levels across the board. By fostering a competitive and customer-focused banking environment, policymakers can contribute to the overall stability and growth of the financial sector, ensuring it meets the evolving needs of its customers. Furthermore, the study could inform policy decisions related to consumer protection, digital security, and the integration of technology in financial services, aligning regulatory efforts with the goal of enhancing customer satisfaction and loyalty in the banking industry.

### **1.6.2 Practitioners in the Banking Industry**

For practitioners in the banking industry, this study offers valuable insights into how servicescapes influence customer satisfaction, providing a roadmap for enhancing physical and virtual banking environments. The research highlights the importance of creating welcoming, accessible, and efficient banking spaces that cater to the diverse needs of customers. By focusing on the servicescape dimensions—such as ATM design and accessibility, online and mobile banking usability, and the aesthetic and functional design of bank branches—banking professionals can identify areas for improvement and investment. The findings suggest that attention to detail in the servicescape can significantly impact customer perceptions and satisfaction, potentially leading to increased loyalty and retention. Practitioners can use this knowledge to prioritize investments in technology upgrades, branch renovations, and employee training programs aimed at delivering superior customer service. Moreover, the study underscores the need for a holistic approach to servicescape management, considering both the physical and digital interactions customers have with their banks. This approach can help banks differentiate themselves in a highly competitive market, fostering a reputation for excellence in customer service. Implementing the study's findings could also lead to improved operational efficiencies, as happy customers tend to share positive feedback and stick with a brand rather than switching to competitors. The research provides practitioners with evidence-based strategies for leveraging servicescapes as a key element of customer satisfaction and business success in the banking sector.

### **1.6.3 Academicians**

This study holds significant academic value by empirically assessing the impact of servicescapes on customer satisfaction within the banking sector, specifically focusing on Tier One banks in Nairobi County. For academicians, the research contributes to the existing works on servicescape theory and its application in the banking industry. The study's findings offer new insights into how different dimensions of the servicescape—self, interpersonal, and remote—affect customer perceptions and satisfaction levels, providing a nuanced understanding of the complex interactions

between physical and virtual banking environments and customer satisfaction. Academicians can use this research as a basis for further exploration into the specific elements of banking servicescapes that most significantly influence customer satisfaction, potentially leading to the development of new theoretical frameworks or the extension of existing ones. Additionally, the study's focus on Tier One banks in a specific geographical location adds to the comparative analysis of servicescape impacts across different markets and banking tiers, enriching the global discourse on financial services marketing. The research methodology and findings could serve as a reference for future studies aiming to explore similar themes in other sectors or contexts, facilitating cross-disciplinary research collaborations. Furthermore, the emphasis on the Customer Satisfaction Index (customer satisfaction) as a measurement tool provides academicians with a validated approach to quantitatively assess customer satisfaction, encouraging its application in other research areas. By integrating servicescape theory with practical measures of customer satisfaction, the study bridges the gap between theoretical postulations and their practical implications, enhancing the relevance and applicability of academic research in real-world settings.

### **1.7 Chapter summary**

Chapter One introduces the study on the impact of servicescapes on customer satisfaction within Nairobi's Tier One banks, setting the context at a time when technological advancements and shifting customer expectations are influencing the banking sector. It outlines the research objectives and questions, aiming to explore how different servicescape dimensions affect customer perceptions and satisfaction. This chapter highlights the study's relevance for stakeholders like policymakers, practitioners, and academicians, emphasizing its potential to inform industry practices and academic discourse on enhancing customer experiences in the banking sector.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter establishes the theoretical and empirical framework of the study, discussing relevant theories and key empirical findings that inform the research objectives. It details the operationalization of study variables, their interrelationships, and identifies literature gaps that define the study's focus. The chapter concludes by presenting the conceptual framework and how the variables are operationalized, setting the stage for the subsequent analysis.

#### **2.2 Theoretical Foundation of the Study**

Two main theories are considered of relevance to the current study – Bitner's (1992) Servicescape model and the Stimulus-Organism-Response (SOR) theory. The entails of the theories and their relation in way of informing the current study are subsequently discussed.

##### **2.2.1 Stimulus-Organism-Response (SOR) theory**

The originators of the SOR model, Mehrabian and Russell (1974), introduced it to explain how environmental stimuli could affect an individual's internal emotional state, which in turn influences their response behavior. This theory has been pivotal in consumer research, allowing for a deeper understanding of the psychological mechanisms that mediate the effects of various stimuli on consumer responses. SOR provides a robust framework for understanding the dynamics between servicescape (stimulus) and customer satisfaction (response), mediated by the customer's psychological state (organism) in the context of tier-one banks in Nairobi County. These studies collectively illustrate the adaptability of SOR in exploring consumer behavior across different contexts, including virtual reality tourism, online review impact, Generation Y's online repurchase intentions, and purchasing behavior during the COVID-19 pandemic.

Critiques of the SOR model often center on its simplicity and the challenge of quantifying the organism component. However, its relevance to the current study lies in its ability to conceptualize how the servicescape of tier-one banks in Nairobi

influences customer satisfaction through emotional and cognitive mediations. The critiques, while valid, highlight the need for a nuanced application of the model, ensuring that the organism's component adequately captures the complexity of consumer psychological processes.

In the context of this research, the various servicescape dimensions under investigation – self-servicescape, interpersonal servicescape, and remote servicescape – can be viewed as environmental stimuli (S) that customers encounter during their banking experiences. These stimuli may elicit cognitive and emotional reactions (O) within customers, such as perceptions of convenience, efficiency, or frustration, depending on the quality and coherence of the servicescape elements (Zhu et al., 2020).

The cognitive and affective responses triggered by the servicescape stimuli are then hypothesized to influence customer behaviors and attitudes, including their overall satisfaction levels (R). For instance, a well-designed self-servicescape with intuitive layout and functionality may evoke positive cognitive evaluations and pleasant emotions, leading to higher customer satisfaction (Arora et al., 2020). Conversely, inadequate or inconsistent servicescape elements could provoke negative emotions and dissatisfaction.

By grounding the study within the SOR framework, it becomes possible to explore the intricate relationships between specific servicescape factors (stimuli), customer cognitive and emotional states (organisms), and their ultimate satisfaction levels (responses). This theoretical lens provides a systematic approach to understanding how environmental cues within the banking context can shape customer experiences and satisfaction, thereby offering valuable insights for service providers aiming to enhance their servicescape strategies.

### **2.2.2 Bitner's Servicescape Model**

The quest to understand the influence of servicescape on customer satisfaction, particularly in the context of tier one banks in Nairobi County necessitates exploration of Bitner's Servicescape Model comprehensively. Originating from Mary Jo Bitner's work in 1992, the model introduces the concept of 'servicescape', a term that encapsulates the physical environment's role in shaping service experiences (Bitner, 1992). This theoretical framework posits that the physical setting where service

interactions occur—encompassing aspects like design, layout, signage, and ambient conditions—significantly influences customer perceptions, emotions, and behaviors, thereby impacting overall satisfaction.

Bitner's model meticulously outlines the multifaceted nature of the servicescape, which is categorized into three primary dimensions: ambient conditions (e.g. lighting, temperature, noise), functionality and spatial layout (e.g., furniture arrangement, equipment), and symbols, signs, and artifacts such as décor and signage) (Taylor & Baker, 1994). Each of these components plays a crucial role in crafting the service environment, with the potential to either enhance or diminish customer satisfaction levels. For instance, in the banking sector, a well-designed, comfortable, and aesthetically pleasing environment can foster positive customer perceptions, encouraging trust and loyalty, while a poorly designed space may lead to discomfort, dissatisfaction, and ultimately, customer attrition.

However, while Bitner's model offers profound insights into the physical aspects of service environments, it is not without its limitations and criticisms (Koay et al., 2020). One notable critique is the model's primary focus on the physical environment, potentially overlooking the significance of social interactions within the servicescape. This includes interactions among customers and between employees and customers, which can also profoundly affect the service experience and satisfaction. This aspect suggests a broader conceptualization of the servicescape, encompassing not only the physical but also the social environment, as highlighted by Tombs and McColl-Kennedy (2002) who extended the model to include customer-to-customer dealings in the social servicescape.

Further, scholarly discourse, such as that by Ezeh and Harris (2007), calls for a more expansive research agenda that examines the comprehensive effects of the servicescape on consumer behaviors, including both physical and social dimensions. This underscores a need for ongoing exploration and refinement of the servicescape model to fully understand its implications in various service settings, including banking.

Bitner's Servicescape Model provides a robust theoretical underpinning for this study investigating the effect of servicescape on customer satisfaction in Tier One banks in Nairobi County. Firstly, the model introduces the concept of servicescape, which refers to the physical environment where services are delivered and consumed (Bitner, 1992). This concept serves as a well-established framework for comprehending how various environmental factors can influence customer perceptions and, consequently, satisfaction levels. Secondly, the model delineates three key dimensions of the servicescape: ambient conditions (e.g., temperature, lighting), spatial layout and functionality, and signs, symbols, and artifacts. These dimensions align seamlessly with the study's examination of self-servicescape (e.g., layout, functionality), interpersonal servicescape (e.g., employee behavior, social interactions), and remote servicescape (e.g., digital signage, online platforms).

Bitner's model highlights the significance of the service encounter, which is the period during which a customer interacts with the servicescape. This emphasis on service encounters highlights the relevance of studying servicescape elements that shape customer experiences and, ultimately, their satisfaction within the banking context. Finally, while Bitner's model was initially developed in the context of service industries such as hotels and restaurants (Boo, 2017), its principles can be applied to the banking sector, where the physical and digital environments play a crucial role in shaping customer experiences. By grounding the study in Bitner's Servicescape Model, the research can build upon a well-established theoretical foundation, utilize its conceptual dimensions, and extend its application to the specific context of the banking industry in Nairobi County.

### **2.3 Empirical Review**

The Empirical Review section assesses previous research studies that have explored the relationships between the variables of interest in the current study – servicescape and customer satisfaction. It highlights the findings and methodological approaches used in prior research related to the interrelationships among the study variables.

### **2.3.1 Self servicescape and customer satisfaction**

Self-servicescape refers to the physical and digital environments that allow customers to serve themselves without direct employee involvement (Nyrhinen et al., 2022). The concept of servicescape, as defined by Olabode (2020), encompasses the physical and subjective elements within a business environment that organizations can strategically manage to enhance customer satisfaction and foster patronage. This multifaceted concept encapsulates both tangible aspects, such as layout and design, and intangible elements, like ambiance, which collectively shape customer perceptions and behaviors. Suryadi et al. (2021) define customer satisfaction as a quantitative measure that depicts a customer's post-consumption evaluation of the overall service quality compared to their expectations. Ajami et al. (2018) describe customer satisfaction in the context of the European Customer Satisfaction Index, where it is viewed as the end-result of the subjective evaluation of the perceived quality of services and products against the expectations of the customer.

In the bank sector, self- service scape can be in the use of Automated Teller Machines (ATMs) and Online banking platforms. Danaher and Haddrell (1996) focuses on comparing different question scales used for measuring customer satisfaction. It addresses the increased application of customer satisfaction surveys across various service industries and highlights the diversity in the measurement scales used. The study aims to evaluate the merits of common scales to determine their effectiveness in accurately capturing customer satisfaction. It also discusses the inherent distribution characteristics of customer satisfaction self-reports, which tend to show a majority of customers as satisfied, potentially skewing data analysis and interpretation. The research methodology involves examining the reliability, validity, and managerial value of these scales, aiming to provide insights that could help in selecting the most appropriate scales for measuring customer satisfaction in a precise and meaningful way. The study is relevant to the current study as it validates the selection of the customer satisfaction to assess the impact of servicescape among tier one banks in Kenya.

Asfour and Haddad (2014) investigate the impact of mobile banking on enhancing customer e-satisfaction in Jordanian commercial banks. Their study emphasizes the importance of mobile banking attributes such as flexibility, reliability, accessibility,

privacy, ease of navigation, efficiency, and safety in influencing customer satisfaction. Utilizing a sample of 360 mobile banking users from various banks, the study employs simple regression analysis to assess the relationship between mobile banking service dimensions and customer e-satisfaction. Findings indicate that privacy and accessibility are the most influential factors, suggesting banks should focus on these areas to improve e-satisfaction. The study contributes valuable insights into the mobile banking sector, recommending banks invest more in mobile banking services to meet customer expectations and enhance e-satisfaction. This inference is of pertinence to the study as the researcher seeks to assess the validity of the relationship between servicescape and customer satisfaction in Kenya's banking industry and specifically among tier one banks.

The study by Taohai et al (2010) investigates the usability of Automated Teller Machine (ATM) banking services among five major banks in Thailand, focusing on seven main functions. Through a comprehensive analysis involving 200 participants, the study utilizes usability criteria such as effectiveness, efficiency, satisfaction, and error rates to evaluate the performance of each bank's ATM services. The findings highlight differences in usability based on menu structures and user types, suggesting that customization of ATM interfaces could significantly enhance user satisfaction and efficiency.

The study by Paul et al (2016) investigates the impact of service quality on customer satisfaction in both private and public sector banks. It emphasizes the significance of service quality dimensions such as assurance, reliability, tangibles, empathy, and responsiveness in shaping customer perceptions and satisfaction levels. Utilizing a quantitative methodology, the research assesses customer perceptions through surveys, highlighting the direct relationship between high-quality service delivery and enhanced customer satisfaction. The findings suggest that banks that excel in these service quality dimensions are likely to achieve higher customer satisfaction, which is pivotal for sustaining competitiveness and customer loyalty in the banking sector. This study offers valuable insights into the critical role of service quality in the banking industry, providing a robust framework for banks aiming to improve their customer satisfaction levels.

The studies by Toahari et al (2010) and Paul et al (2016) together provide a nuanced understanding of how both the physical and digital components of the servicescape influence customer satisfaction in the banking sector. For Nairobi's Tier One banks, focusing on improving ATM usability and service quality across key dimensions can lead to significant gains in customer satisfaction, aligning with broader objectives of enhancing the overall banking experience.

### **2.3.2 Interpersonal servicescape and customer satisfaction**

The interpersonal servicescape refers to the environment and interactions that involve direct contact between customers and employees within the service setting (Lin et al., 2019). At a global level, research on the servicescape and its impact on customer satisfaction and loyalty has been conducted across various industries and regions. For example, Zayar Soe's (2022) doctoral dissertation explored the impact of servicescape and hospitality on customer loyalty at AYA Bank in Nay Pyi Taw, Myanmar. The study found that space/function, symbols, ambient conditions, signs, and artifacts significantly influenced customer satisfaction, while hospitality factors, excluding personalization, also played a crucial role.

Regionally, studies have delved into the nuances of the servicescape and its effects on customer perceptions. Hanks, Line, and Kim (2017) conducted research in the United States, investigating the complex interplay between density, social servicescape, and restaurant type on perceptions of interpersonal service quality. Their findings highlighted the need for tailored management strategies to optimize the servicescape and enhance interpersonal service quality.

Locally, Line and Hanks (2019) examined the social servicescape within the hospitality industry in the United States, emphasizing the importance of social interactions and their perceived quality in the service environment. Their research introduced a multidimensional framework for understanding how the presence and behavior of other customers, along with the density of the social environment, influence individual consumer experiences.

The findings from these global, regional, and local studies provide valuable insights that can be applied to Tier One banks in Nairobi County, Kenya. Banks in this region

can enhance customer satisfaction and loyalty by focusing on improving both their physical environment and the quality of hospitality provided by their staff, as suggested by Zayar Soe's (2022) study.

The research by Hanks, Line, and Kim (2017) also highlights the potential application of their insights to banking environments, particularly in optimizing physical and social spaces to improve customer satisfaction. Understanding the impact of environmental density and the broader servicescape can guide banks in designing more effective customer service strategies that consider both the physical layout and the perceived social environment.

The multidimensional framework introduced by Line and Hanks (2019) suggests that banks in Nairobi County can enhance customer satisfaction by managing the social aspects of their servicescape. This includes considering the layout of physical spaces to facilitate positive social interactions, controlling the density to avoid overcrowding, and training staff to positively contribute to the social environment. By drawing upon these global, regional, and local studies, Tier One banks in Nairobi County can gain a comprehensive understanding of the servicescape's impact on customer satisfaction and loyalty, enabling them to develop tailored strategies that optimize both the physical and social aspects of their service environments.

### **2.3.3 Remote Servicescape and Customer Satisfaction**

The remote servicescape refers to the service environment and touchpoints that customers interact with remotely, without physically being present at the service location (Willems et al., 2021). Dong and Siu (2013) investigate the influence of servicescape elements and customer predispositions on service experience evaluation within the context of theme park visitors. Employing a mixed-methods approach that includes both qualitative and quantitative analyses, the research finds that both the physical and communicative aspects of the servicescape significantly impact visitors' service experience evaluations. Furthermore, customer predispositions, such as a desire for active participation and a fantastic imaginary orientation, moderate these effects. This study's insights are particularly relevant to the banking sector in Nairobi County, suggesting that the design and management of the physical and virtual banking environment (remote servicescape) can significantly influence customer

satisfaction. Banks can enhance customer satisfaction by focusing on both the tangible aspects of their servicescape and the intangible elements that contribute to the overall service experience.

Zomerdijk and Voss (2010) delve into the design of experience-centric services, focusing on creating a comprehensive customer experience through the strategic design of service elements and customer journeys. By examining 17 case studies across various industries, they identify key practices in designing services that proactively shape customer experiences to foster loyalty and differentiate offerings. Their research underscores the importance of sensory design, the management of customer journeys and touchpoints, and the integration of both physical and relational elements to create engaging, memorable service experiences. This approach is especially relevant for Tier One banks in Nairobi County, suggesting that a focus on the remote servicescape—encompassing digital platforms and virtual interactions—can significantly impact customer satisfaction. By applying these principles, banks can enhance their service delivery to create positive, engaging customer experiences in the digital realm.

The study by Hightower et al. (2002) examines the role of the physical environment, or “servicescape,” in hedonic service consumption, specifically within the context of sporting events. Using an exploratory study, the research investigates how the servicescape influences consumer behavioral intentions, including loyalty and word-of-mouth communication. The findings suggest that a well-designed servicescape can enhance consumer perceptions of service quality, value, and overall satisfaction, leading to increased behavioral intentions to repatronize and recommend the service. This research is particularly relevant to Tier One banks in Nairobi County, as it highlights the importance of the physical environment in service delivery and customer satisfaction. By applying these insights, banks can improve their remote servicescape to enhance customer experiences and satisfaction in digital banking environments.

Lin and Worthley’s (2012) research investigates the moderating effects of servicescape on the relationship between personality traits, emotions, satisfaction, and behaviors in hospitality settings. Utilizing an experimental design with manipulated ambient stimuli to create different servicescape situations, the study explores how personality traits like extroversion, openness to experience, and arousal-seeking tendency interact with these environments to influence emotional responses, satisfaction, and approach-

avoidance behaviors. The findings highlight the significance of matching servicescape attributes with customer personality traits to enhance satisfaction and positive behaviors. This research offers valuable insights for Tier One banks in Nairobi County on the importance of designing remote servicescapes that cater to the diverse personality traits of their customers, potentially leading to improved customer satisfaction and loyalty in digital banking environments.

Carù et al., (2016) investigates the pivotal role of the servicescape in innovating services through experiences. It emphasizes the transformation of servicescapes to enhance customer experiences, drawing on multiple case vignettes to illustrate how physical and virtual servicescapes can be strategically redesigned to create value. This research is pertinent to Tier One banks in Nairobi County, suggesting that reimagining the remote servicescape can significantly impact customer satisfaction. By innovating the digital banking environment, banks can offer enriched customer experiences, aligning with the dynamic nature of consumer expectations and technological advancements.

#### **2.4 Gaps in research**

The current body of scholarly works unveils multiple significant gaps in research, encompassing both contextual and conceptual aspects, across all three independent variables under examination. In terms of self-servicescape, the physical environment within bank premises, encompassing ambient conditions, spatial layout, signs, and symbols, plays a crucial role in shaping customer experiences and perceptions. However, there are few studies specifically examining the effect of these physical elements on customer satisfaction in Tier One banks in Nairobi County. This gap in the literature highlights the need for empirical research to understand how the tangible aspects of the servicescape influence customer satisfaction levels in this specific context. Key references, such as Asfour & Haddad (2014), Taohai et al. (2010), and Paul et al. (2016), provide valuable insights into the self-servicescape dimension but do not directly address the unique dynamics of Tier One banks in Nairobi County.

While the physical environment is undoubtedly important, the interpersonal aspect of the servicescape, involving social interactions and human density within the bank environment, also significantly impacts customer satisfaction. Limited research has

been conducted to examine how factors like built density, human interactions, and staff behavior affect customer satisfaction in Tier One banks in Nairobi County. This gap in the literature underscores the need for empirical evidence to understand the role of interpersonal dynamics in shaping customer experiences and satisfaction levels. Studies by Zayar Soe (2022), Hanks et al. (2017), and Line & Hanks (2019) provide valuable insights into the interpersonal servicescape dimension but do not specifically address the context of Tier One banks in Nairobi County.

In terms of remote servicescape, the virtual environment and remote interactions offered by banks have become increasingly important in influencing customer satisfaction. However, there is a scarcity of studies investigating the impact of the digital environment, including website usability, mobile app functionality, and virtual customer service channels, on customer satisfaction in Tier One banks in Nairobi County. This research gap highlights the need for empirical investigations to understand how the digital servicescape affects customer experiences and satisfaction levels in this specific context. References such as Dong & Siu (2013), Lin & Worthley (2012), and Zomerdijk & Voss (2010) provide valuable insights into the remote servicescape dimension but do not directly address the unique dynamics of Tier One banks in Nairobi County.

Table 2.1 Provides a summary of the literature identified gaps in the study.

**Table 2.1 Summary of research gaps**

<b>Author</b>	<b>Title of Study</b>	<b>Findings</b>	<b>Research Gap</b>	<b>How the Current Study Addressed the Gap</b>
Asfour & Haddad, 2014	The impact of Mobile Banking on enhancing customers' E-satisfaction: An empirical study on commercial banks in Jordan	The study unveiled that the utilization of mobile banking services exerts an impact on customer electronic satisfaction. Factors such as privacy and accessibility were determined to wield a more substantial influence in	Empirical studies exploring the impact of the tangible servicescape elements, in customer satisfaction within the context of	This study focuses on the Kenyan banking sector particularly tier one banks.

		comparison to other aspects of mobile banking services.	Tier One banks in Nairobi County are lacking.	
Paul et al., 2016	Impact of service quality on customer satisfaction in private and public sector banks	The study might reveal differences in customer satisfaction levels between private and public sector banks, potentially due to differences in service quality.	There is a scanty of research that explicitly investigates the influence of the physical environment within bank premises, encompassing factors such as ambient conditions, spatial layout, signs, and symbols, on customer satisfaction levels in Tier One banks operating in Nairobi County.	This study addresses all those factors focusing on tier one banking in Kenya
Soe, 2022	The Effect of Servicescape and Hospitality on Customer Loyalty at AYA Bank	The study suggested that AYA Bank should concentrate on improving its servicescape, including factors like ambient conditions, spatial functionality, symbols, signage, and artifacts.	There is a lack of studies investigating the impact of servicescape and hospitality on customer loyalty in the context of Tier One banks in Nairobi County.	This study aims to fill this gap by examining the effect of servicescape on customer satisfaction in Tier One banks in Nairobi County.
Hanks et al., 2017	The impact of the social servicescape,	The research identified a complex	There is a scarcity of research	This study aims to fill this gap by

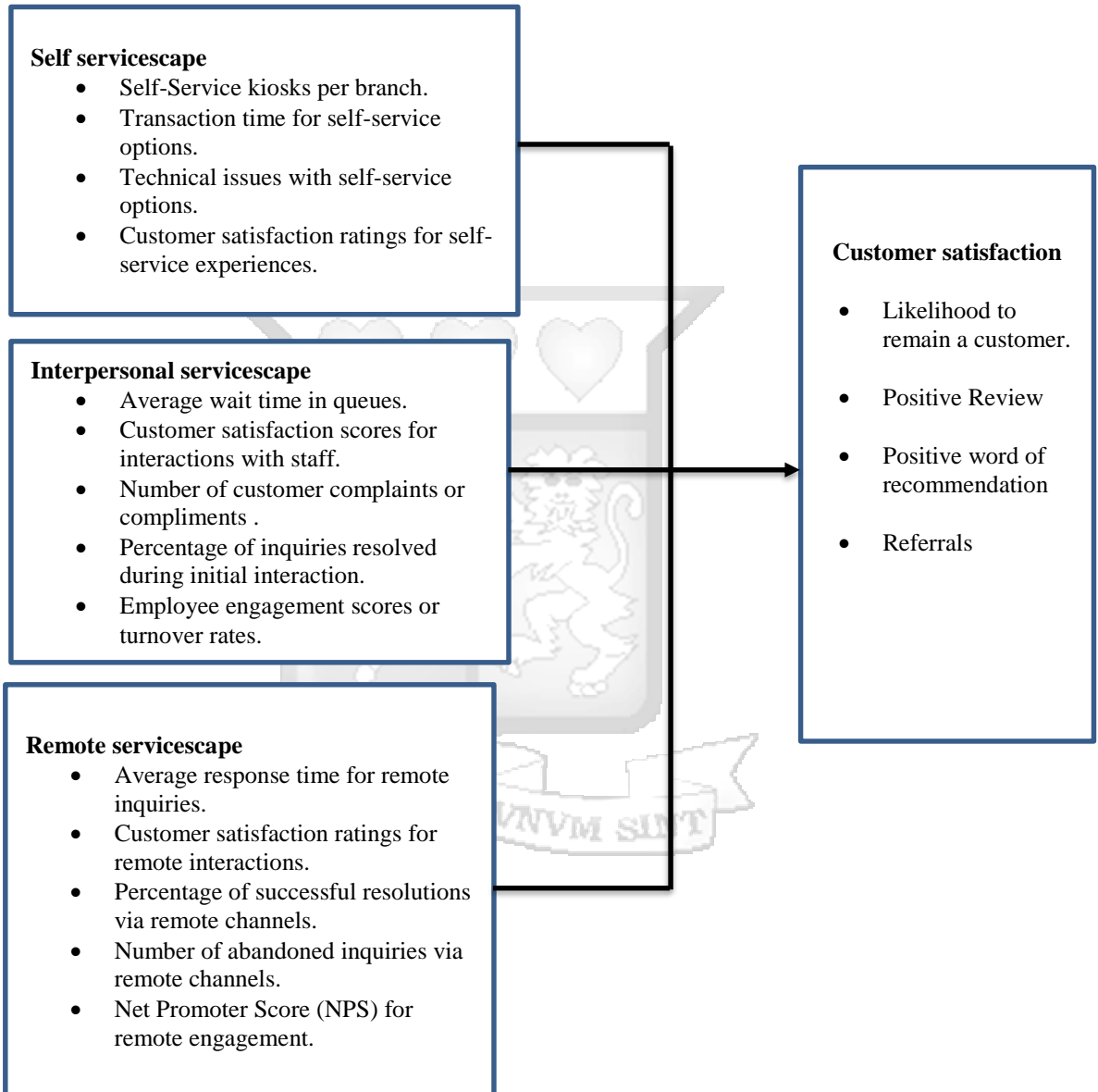
	density, and restaurant type on perceptions of interpersonal service quality	relationship involving built density, human density, and restaurant type, indicating that the specific type of restaurant significantly influences how density affects potential customers' perceptions of it.	exploring the impact of social servicescape, density, and bank type on perceptions of interpersonal service quality in Tier One banks in Nairobi County.	establishing the effect of Interpersonal Servicescape on the customer satisfaction of tier one banks in Nairobi County.
Line & Hanks, 2019	The impact of the social servicescape, density, and restaurant type on perceptions of interpersonal service quality	The study could reveal that elements of the servicescape have a notable impact on customers' assessments of interpersonal service quality.	There is a scarcity of research exploring the impact of social servicescape, density, and bank type on perceptions of interpersonal service quality in Tier One banks in Nairobi County.	This study aims to fill this gap by establishing the effect of Interpersonal Servicescape on the customer satisfaction of tier one banks in Nairobi County.
Dong & Siu, 2013	Servicescape elements, customer predispositions and service experience: The case of theme park visitors	The study found that servicescape elements and customer predispositions significantly affect the service experience of theme park visitors.	There is a scarcity of research investigating the impact of servicescape elements and customer predispositions on service experience in the context of Tier One banks in Nairobi County.	This study aims to fill this gap by determining the effect of Remote Servicescape on the customer satisfaction of tier one banks in Nairobi County.

Lin & Worthley, 2012	The social servicescape: A multidimensional operationalization	The paper found that while there's agreement on the conceptual and operational aspects of the physical environment, there's comparatively less comprehension regarding the social dimensions of the servicescape.	There is a scarcity of research investigating the social aspects of the servicescape in the context of Tier One banks in Nairobi County.	This study aims to fill this gap by determining the effect of Remote Servicescape on the customer satisfaction of tier one banks in Nairobi County.
Zomerdijs & Voss, 2010	Service design for experience-centric services	The research revealed that service organizations are progressively strategizing to enhance customer experiences as a means of distinguishing themselves and fostering customer loyalty.	There is a scarcity of research investigating the impact of service design for experience-centric services on customer satisfaction in the context of Tier One banks in Nairobi County.	This study aims to fill this gap by determining the effect of Remote Servicescape on the customer satisfaction of tier one banks in Nairobi County.

## 2.5 Conceptual framework

This section provides a diagrammatic representation of the variables considered in the study mainly Servicescape and Customer Satisfaction.

**Independent Variables** → **Dependent Variable**



Source: Researcher (2024)

The conceptual framework diagram above illustrates the relationships between the independent variables (servicescape dimensions) and the dependent variable (customer satisfaction) in this study. The two theories discussed earlier, Bitner's Servicescape Model and the Stimulus-Organism-Response (SOR) theory, fit well within this conceptual framework.

Bitner's Servicescape Model provides the overarching conceptual foundation for the study, as it establishes the importance of the physical and non-physical environment (servicescape) in shaping customer perceptions and experiences. The three servicescape dimensions (self-servicescape, interpersonal servicescape, and remote servicescape) included in the conceptual framework align with Bitner's model, which recognizes the impact of various environmental factors on customer perceptions and satisfaction.

The Stimulus-Organism-Response (SOR) theory complements Bitner's model by offering a theoretical lens for understanding the underlying mechanisms through which servicescape elements influence customer satisfaction. According to the SOR theory, the servicescape dimensions (self-servicescape, interpersonal servicescape, and remote servicescape) act as environmental stimuli (S) that customers encounter during their banking experiences. These stimuli evoke cognitive and emotional responses (O) within customers, such as perceptions of convenience, efficiency, or frustration, depending on the quality and coherence of the servicescape elements.

The cognitive and affective responses triggered by the servicescape stimuli are then hypothesized to influence customer behaviours and attitudes, including their overall satisfaction levels (R), which is the dependent variable in this study. For instance, a well-designed self-servicescape with intuitive layout and functionality may evoke positive cognitive evaluations and pleasant emotions, leading to higher customer satisfaction (positive reviews, likelihood to remain a customer, etc.). Conversely, inadequate or inconsistent servicescape elements could provoke negative emotions and dissatisfaction.

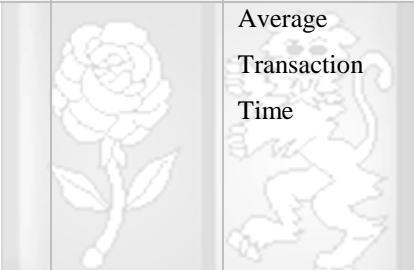
By integrating Bitner's Servicescape Model and the SOR theory, the conceptual framework provides a comprehensive and theoretically grounded approach to examining the relationships between servicescape dimensions and customer satisfaction in the context of Tier One banks in Nairobi County.

## 2.6 Operationalization of variables

The operationalization of the study variable is presented in table 2.2 below.

**Table 2.2 Operationalization of variables.**

Source: Researcher (2024)

Variable Type	Variable	Concept Applied	Construct	Operational Composition	Measurement Scale	Source
Independent	Self Servicescape	Integration of physical and digital service elements reflecting current banking interactions.	Number of Self-Service Kiosks	Number of self-service kiosks available per branch.	Likert Scale (1-5)	Mason et al., 2022
			Average Transaction Time	Average time taken to complete transactions using self-service options.	Likert Scale (1-5)	Basu & Mandal, 2020
			Self-Service Usage Rate	Percentage of customers utilizing self-service technologies.	Likert Scale (1-5)	Yin et al., 2023
			Self-Service Technical Issues	Frequency of technical issues encountered with self-service options.	Likert Scale (1-5)	Mason et al., 2022
			Self-Service Satisfaction	Customer satisfaction ratings for experiences with self-service options.	Likert Scale (1-5)	Yin et al., 2023

<b>Independent</b>	Interpersonal Servicescape	Quality of human interactions within the banking environment.	Queue Wait Time	Average time customers wait in queues within the bank.	Likert Scale (1-5)	Line & Hanks, 2018
			Staff Interaction Satisfaction	Customer satisfaction scores for interactions with bank staff.	Likert Scale (1-5)	Hanks et al., 2020
			Staff Behavior Feedback	Number of customer complaints or compliments regarding staff behavior.	Likert Scale (1-5)	Hanks et al., 2020
			Inquiry Resolution Rate	Percentage of inquiries resolved during the initial interaction with staff.	Likert Scale (1-5)	Hanks et al., 2020
			Employee Engagement	Employee engagement scores or turnover rates as indicators of service quality.	Likert Scale (1-5)	Line & Hanks, 2018
<b>Independent</b>	Remote Servicescape	Effectiveness and efficiency of digital and non-physical interactions.	Remote Inquiry Response Time	Average response time to customer inquiries via remote channels.	Likert Scale (1-5)	Schenkman, 2021
			Remote Interaction Satisfaction	Customer satisfaction ratings for remote interactions.	Likert Scale (1-5)	Torrens, 2022

			Remote Resolution Success Rate	Percentage of successfully resolved issues via remote channels.	Likert Scale (1-5)	
			Abandoned Remote Inquiries	Number of inquiries abandoned in remote channels.	Likert Scale (1-5)	Torrens, 2022
			Remote Engagement NPS	Net Promoter Score (NPS) for engagement through remote channels.	Likert Scale (1-5)	Schenkman, 2021
<b>Dependent</b>	Customer Satisfaction	Overall assessment of service quality and customer experience.	Likelihood to remain a customer.	Number of positive reviews from customers.	Likert Scale (1-5)	Bueno et al., 2019
			Positive Review	Number of positive reviews received.	Likert Scale (1-5)	Sukendia & Harianto, 2021
			Positive word of recommendation	approval of a product or service	Likert Scale (1-5)	Torrens, 2022
			Referrals	Number of new customers acquired through referrals from existing customers.	Likert Scale (1-5)	Lin et al., 2019

**Source: Researcher (2024)**

## 2.7 Chapter Summary

This chapter provides a comprehensive review of the theoretical foundations and empirical studies relevant to the research. The chapter examines previous literature on the relationships between the study variables, including self-servicescape, interpersonal servicescape, remote servicescape, and customer satisfaction in the banking sector. Additionally, it identifies gaps in the existing literature, highlighting the need for further research in the specific context of Tier One banks in Nairobi County. The chapter concludes by presenting the conceptual framework and operationalization of variables guiding the current study.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter addressed the methodology utilized in addressing the research objectives. The sections covered include the research philosophy, research design, population of study, sampling design, data collection, analysis and presentation, and finally, research quality.

#### **3.2 Research philosophy**

The study embraced a positivist research philosophy, rooted in the belief that knowledge is best acquired through empirical observation and the application of scientific methods (Cooper, 2020). Positivism emphasizes the objectivity of reality and seeks to uncover universal truths about phenomena through systematic inquiry. It also supports cause and effect analysis of the link between variables under observation. By adopting this philosophy, the study aims to establish causal relationships between servicescape dimensions and customer satisfaction within tier one banks in Nairobi County, thus contributing to a deeper understanding of consumer behavior in the banking sector.

#### **3.3 Research design**

The study employs a descriptive cross-sectional research design, methodically chosen to investigate the interplay between servicescape dimensions and customer satisfaction within Tier One banks in Nairobi County. A descriptive cross-sectional research design is a type of study design that aims to describe and analyze the relationship between variables of interest at a specific point in time, without any manipulation or intervention (Wang & Cheng, 2020). It involves collecting data from a sample or cross-section of the population under study. This research design falls under the observational research paradigm, where variables are not manipulated, adhering to the principles of examining phenomena in their natural settings (Lewis, Saunders, & Thornhill, 2019).

A descriptive cross-sectional design is particularly well-suited for this study as it allows for the description and analysis of relationships between variables at a specific

point in time (Setia, 2016). By capturing data from a cross-section of bank customers, the study can provide a comprehensive snapshot of the prevailing servicescape perceptions and their association with customer satisfaction levels. Employing this research design facilitates a comprehensive examination of how specific elements of the self, interpersonal, and remote servicescapes influence customer satisfaction. For instance, the study quantified how the number of self-service kiosks or the professionalism of bank staff correlates with customer satisfaction levels, among other factors. This approach is invaluable in identifying significant predictors of customer satisfaction and understanding how these variables interact within the banking environment.

The descriptive correlational design's capacity to explore patterns and associations among variables is particularly beneficial in the banking context. It enables the investigation of how changes in the servicescape might align with shifts in customer satisfaction, thus providing empirical evidence to support or refine theoretical models of servicescape effectiveness. Furthermore, this design's non-intrusive nature ensures that the findings are reflective of real-world customer experiences, enhancing the applicability of the research outcomes.

By offering insights into the nature and strength of the relationships between servicescape components and customer satisfaction, the study aims to contribute to a deeper, evidence-based understanding of servicescape management. The findings are expected to inform strategic decision-making for banking practitioners, guiding the optimization of physical and digital service environments to enhance customer satisfaction. The study's outcomes will also provide policymakers with data-driven insights into the banking sector's operational dynamics, potentially influencing regulatory practices and standards to improve customer experiences in Tier One banks.

### **3.4 Population of the Study**

The population of the study comprised of customers of tier one banks in Nairobi County, selected due to their significant market presence and customer base and hence representation. According to the Central Bank of Kenya, Tier One banks are classified based on their market share, financial stability, and regulatory compliance, playing a pivotal role in the country's financial sector's resilience and growth (CBK, 2023).

There are currently seven such banks in the industry - Equity Bank Kenya Limited, Kenya Commercial Bank (KCB Group), Standard Chartered Bank Kenya Limited, Diamond Trust Bank Kenya Limited (DTB Kenya), Cooperative Bank of Kenya Limited, Barclays Bank of Kenya Limited, and Bank of Africa Kenya Limited.

Tier One banks, also known as large commercial banks, typically have a significant market share and customer base in the Kenyan banking industry (Statista, 2023). By focusing on these major players, the study can capture the servicescape experiences and customer satisfaction levels of a substantial portion of the banking population in Nairobi County. Sampling from this population enables the study to capture diverse perspectives and experiences, enhancing the validity and applicability of findings to the target population (Lewis et al, 2019). According to Muiruri (2023), there are over 1.9 million accounts with deposits of over KES 100,000. Given that tier one banks account for 75.2 market share (CBK, 2023), it suffices to infer that the total number of customers served by the banks exceeds 10,000 users.

### **3.5 Sampling Design**

The study employed a judgmental sampling technique, as only customers of Tier One banks in Nairobi County were considered relevant for the research. This non-probability sampling approach was deemed appropriate given the specific focus on evaluating servicescape elements and customer satisfaction within the context of Tier One banks operating in Nairobi County. Customers of these banks were deemed to possess the requisite knowledge and experiences necessary to provide valuable insights into the research objectives. Given the huge population of these customers – 1.9 million of Kenyan adults are banked (CBK, 2019) – the study used a formula to get a sample size to work with.

The sample for the study was derived using Cochran's formula.

Sample size formula:

$$z^2 * p(1 - p) / (1 + ((z^2 * p(1 - p)) / e^2 N))$$

Where:

N = size of population (>10,000)

$p$  = population reliability (or frequency estimated for a sample of size  $n$ ), where  $p$  is 0.5 which is taken for all population

$e$  = margin of error considered as 5% for 95% confidence level

$z$  = value for the selected alpha level (at 0.05 level of significance),  $Z$  is 1.96

$$z^2 * p(1 - p) = 384.1568$$

$$1 + \left( \frac{z^2 * p(1-p)}{e^2 N} \right) = 1.013$$

$$384.16 / 1.442581 = 384 \text{ respondents}$$

The sample size was therefore 384 respondents. A simple random sampling approach was applied in selection of bank subscribers by region and by market share as stipulated by the Central bank of Kenya and population data.

### **3.6 Data Collection**

The study aimed to collect primary data using a closed-ended structured questionnaire. The structured questions included a 5-point Likert scale to measure different aspects of the variables under study. The questionnaire was designed in different sections, each focusing on specific variables and their respective dimensions. The questionnaires were distributed using a self-administered method, facilitated by the researcher and three research assistants. The data collection process involved approaching potential respondents, who were customers of Tier One banks in Nairobi County. The request for participation was accompanied by an introductory letter that provided an explanation of the data collection purpose and assured the participants of the confidentiality of their responses.

Once consent was obtained, the questionnaire was administered using the drop-and-wait method. This approach involved providing the respondents with the questionnaire and allowing them to complete it at their convenience, while the research team waited nearby. This method ensured that respondents had sufficient time to provide thoughtful responses without feeling rushed or pressured. The research assistants played a crucial role in the data collection process, assisting the researcher in approaching potential respondents, distributing the questionnaires, and ensuring that the completed questionnaires were collected promptly. Their presence and support were instrumental

in streamlining the data collection process and ensuring a consistent approach across different locations and respondents. Throughout the data collection process, the researcher and research assistants adhered to ethical principles, ensuring that participation was voluntary and that respondents' privacy and confidentiality were maintained. The introductory letter and verbal explanations provided clarity on the purpose of the study and the measures taken to protect the respondents' information.

### **3.7 Data Analysis**

The data collected from the field were checked through for errors, incompleteness and irrelevance's before embarking on the analysis. The data was then analyzed using the descriptive statistics mainly the Mean and Standard Deviation. To establish the relationship between the study variables regression analysis was also carried out.

Multiple linear regression is a widely used statistical technique that allows researchers to analyze the linear association between one or more independent variables and a continuous dependent variable (Hair et al., 2019). In this context, the independent variables would be the different dimensions of the servicescape (e.g., self servicescape, interpersonal servicescape, remote servicescape), while the dependent variable would be customer satisfaction.

Multiple linear regression is suitable analysis method for this study because it aims to investigate the effects of three servicescape dimensions - self-servicescape, interpersonal servicescape, and remote servicescape. Multiple linear regression allows for the inclusion of multiple predictor variables simultaneously, making it appropriate for analyzing the combined and individual impacts of these servicescape factors.

The details of which are indicated below.

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \varepsilon$$

Where:

Y is the dependent variable – customer satisfaction of tier one banks

$\beta_0$  is the constant.

$\beta_1$ ,  $\beta_2$ ,  $\beta_3$  and  $\beta_4$  are the regression coefficients for the variables self servicescape, interpersonal servicescape, remote servicescape.

$x_1$ ,  $x_2$ ,  $x_3$  are the aforementioned independent variables.

E is the error.

### **3.8 Diagnostic tests**

A comprehensive set of diagnostic tests was employed to ensure the reliability and validity of the research findings. In this study, these tests will include checks for multicollinearity, normality, and homoscedasticity (Kothari, 2004). By conducting diagnostic tests, the study can identify and address potential threats to the validity and reliability of the data, enhancing the robustness of the research outcomes and strengthening the credibility of the findings.

### **3.9 Research Quality**

The researcher took appropriate measures to uphold the quality of the research by evaluating the reliability and validity of the research instruments employed in the study.

#### **3.9.1 Validity Test**

A validity test was conducted to assess the extent to which the research measures what it intends to measure (Tyhs, 2017). This involves examining the alignment between the operationalization of variables and the theoretical constructs they represent. By conducting validity tests, the study can ensure that its findings accurately reflect the underlying concepts and phenomena of interest, thus enhancing the validity and reliability of the research outcomes.

To ensure the accuracy and precision of the research, the study incorporated a validity test as outlined by Tyhs (2017). This critical assessment aims to ascertain the extent to which the research instruments genuinely measure the intended concepts and constructs. The process involves a thorough examination of how variables are operationalized, ensuring their alignment with the theoretical constructs they are supposed to represent. By meticulously conducting these validity tests, the study aims to guarantee that the findings accurately mirror the underlying concepts and phenomena being investigated. This meticulous approach is fundamental to enhancing the overall validity and reliability of the research outcomes, thereby ensuring that conclusions drawn from the study are both credible and defensible.

### 3.9.2 Reliability Tests

Reliability in research refers to the consistency and stability of a study's results, ensuring that the findings are not influenced by random errors or biases and can be replicated if the study is repeated (Mohajan, 2017). In this study, reliability was assessed by measuring the internal consistency of the questionnaire, which evaluates the degree to which the items measure the same underlying concept consistently.

One widely used method for assessing internal consistency is the Cronbach's alpha test. This test calculates the average inter-item correlation of the questionnaire items, providing a coefficient ranging from 0 to 1, where higher values indicate greater internal consistency. A Cronbach's alpha value of 0.7 or above is generally considered acceptable, suggesting that the items are measuring the same underlying concept reliably (Taber, 2018).

To ensure the reliability of the research instrument, a cut-off point of 0.7 and above was applied to test the internal consistency of the four variables under investigation. The Cronbach's alpha values for each variable were as follows;

Variable	Cronbach's alpha
Self-Servicescape variable	0.738
Interpersonal Servicescape variable	0.865
Remote Servicescape variable	0.762
Customer Satisfaction variable	0.792

**Table 3.1: Cronbach's alpha values**

By adhering to the recommended Cronbach's alpha threshold of 0.7 or higher, the study ensured that the questionnaire items were consistent and reliable in measuring their respective constructs. This approach enhanced the overall reliability and credibility of the research findings, providing confidence in the consistency and replicability of the results.

### 3.10 Ethical Considerations

This study was conducted with utmost care and precautions to ensure that all ethical considerations were prioritized throughout the research process, from initiation to completion. The critical ethical issues revolved around safeguarding the privacy and confidentiality of both data and participants. The researcher diligently obtained informed consent from respondents, allowing them to participate voluntarily and

withdraw at any point during the research without consequence. Participants were explicitly informed that the collected data would be utilized only for academic purposes, and the researcher upheld this commitment to maintaining the integrity and confidentiality of the information gathered. Anonymity was ensured by not requiring respondents to disclose their positions or personal identities, and the age group range was expanded to further protect their privacy.

The researcher also implemented stringent measures to securely store and restrict access to the collected survey data, ensuring its protection and preventing any unauthorized or unintended use. Access to the data was limited to authorized personnel directly involved in the research process. To ensure compliance with ethical guidelines and regulations, the necessary approvals were obtained from relevant authorities. This included obtaining approval from the National Commission for Science Technology and Innovation (NACOSTI), and ethical clearance from Strathmore University ethical committee (SU-IERC). Additionally, an introductory letter from Strathmore University was provided, detailing the researcher's full name, institution of study, and the purpose of the survey. By adhering to these ethical principles and protocols, the researcher demonstrated a commitment to conducting research with the highest standards of integrity, transparency, and respect for the rights and privacy of all participants involved.

### **3.11 Chapter Summary**

This chapter details the methodological framework of the study, starting with its positivist research philosophy for empirical investigation (Cooper, 2020). The research employs a descriptive correlational design to examine how servicescape dimensions affect customer satisfaction, focusing on tier one bank customers in Nairobi County due to their prominence (CBK, 2023). Using Cochran's formula, the study targets 384 respondents through simple random sampling. Questionnaires were used for data collection, emphasizing reliability and validity (Kothari, 2004; Saunders et al., 2019). Linear regression analysis explored the relationship between servicescape dimensions and customer satisfaction, supplemented by diagnostic, reliability, and validity tests to ensure research integrity (Hair et al., 2019). Ethical considerations, including participants' rights and confidentiality, was upheld throughout (Strathmore Ethics Board, 2014).

## **CHAPTER FOUR**

### **ANALYSIS AND PRESENTATION OF FINDINGS**

#### **4.1 Introduction**

This chapter presents the analysis and findings related to the impact of servicescapes on customer satisfaction in Tier One banks in Nairobi County. It covers the survey response rate, descriptive statistics, and detailed analyses corresponding to each of the study's three objectives: self-servicescape, interpersonal servicescape, and remote servicescape. The chapter aims to empirically examine how the physical and virtual environments of these banks influence customer satisfaction levels.

#### **4.2 Response rate**

In this study, an 82.29% response rate was achieved, calculated from 316 actual respondents out of a planned 384. This is notably high given the typically lower engagement levels in banking sector research, where the target audience often includes busy professionals (Saunders et al., 2019). The robust response rate can be attributed to several key factors outlined in the study's methodological approach. Initially, a detailed compilation of Tier One banks and their branches across Nairobi County was prepared, using data from the Central Bank of Kenya to ensure comprehensive coverage and accuracy (Kothari, 2004). This extensive listing helped in reaching a relevant and diverse group of respondents, enhancing the overall survey participation.

Banks from these branches were anonymized and consolidated into a unified sampling frame of targeted customers, maintaining strict confidentiality and compliance with data protection laws, which improved customer-reach spread. Anonymizing organizations is a common practice in research to protect the privacy and confidentiality of the participating organizations (Petrova et al., 2014). This approach aligns with ethical principles and guidelines for conducting research, which prioritize the protection of participants' identities and sensitive information. Proactive strategies were employed to adjust for non-responses and difficulties in reaching selected participants, adhering closely to ethical standards concerning participant consent and privacy (Saunders et al., 2019). These measures not only facilitated higher response rates but also ensured the integrity of the data collection process.

With a response rate of 82.29%, the findings are expected to be both robust and indicative of the broader customer base of Tier One banks in Nairobi County. However, the potential for non-response bias remains, which could be explored in future research by comparing the characteristics of respondents and non-respondents to identify any systematic differences that might influence the results (Kothari, 2004).

### **4.3 Descriptive statistics**

This segment presents the descriptive statistical analysis of the data collected from the respondents of Tier One banks in Nairobi County. Descriptive statistics provide simple summaries about the sample and the measures. Through an examination of central tendency and variability, this analysis offers valuable insights into the distribution and patterns of the surveyed data, helping to set the stage for more detailed inferential statistical tests. Initially, descriptive statistics on the qualitative data gathered was presented after which the analysis covered measures of central tendency including the mean, median, and mode, which denote the average, middle, and most frequently occurring values in the data set, respectively. Measures of dispersion, such as the standard deviation and range, were also detailed to describe the variability within respondents' answers.

#### **4.3.1 Respondents profile**

As indicated in table 4.1, the survey included 316 observations with no missing data for the question on the primary bank of the respondents. There were nine categories represented, which are the banks in question. The mode of the data was Equity Bank Kenya Limited, with 66 respondents (20.89%) identifying it as their primary banking institution. This was followed closely by Kenya Commercial Bank (KCB Group), with 65 respondents (20.57%), and Cooperative Bank of Kenya Limited, with 53 respondents (16.77%). DTB Kenya and I & M Bank Limited had a relatively lower share of respondents, 22 (6.96%) and 24 (7.60%) respectively. The least represented were Stanbic Bank Kenya Ltd and Standard Chartered Bank Kenya Limited with 10 (3.16%) and 18 (5.70%) respondents, respectively.

**Table 4.1 Primary bank of respondents**

<b>Bank</b>	<b>Frequency</b>	<b>Relative Frequency (%)</b>
Absa Bank Kenya Ltd	21	6.65%
Cooperative Bank of Kenya Limited	53	16.77%
Diamond Trust Bank Kenya Limited (DTB Kenya)	22	6.96%
Equity Bank Kenya Limited	66	20.89%
I & M Bank Limited	24	7.60%
Kenya Commercial Bank (KCB Group)	65	20.57%
NCBA Bank Kenya Limited	37	11.71%
Stanbic Bank Kenya Ltd	10	3.17%
Standard Chartered Bank Kenya Limited	18	5.70%

For the question regarding the position of respondents within their organizations, out of 316 observations, there were 2 missing values, with four categories of employment status identified. The category with the highest frequency was ‘Non-Managerial’ with 162 respondents, constituting a substantial 51.59% of the total responses. This was followed by ‘Unemployed’, which accounted for 73 respondents or 23.25% of the survey participants. ‘Managerial’ positions were held by 46 respondents, making up 14.65% of the total. ‘Owners’ formed the smallest group, with 33 respondents representing 10.51% of the sample.

**Table 4.2 Respondent’s employment position**

<b>Position</b>	<b>Frequency</b>	<b>Relative Frequency (%)</b>
Managerial	46	14.65%
Non-Managerial	162	51.59.2%
Owner	33	10.51%
Unemployed	73	23.24.8%

### 4.3.2 Self Servicescape Factors

The objective was to determine the effect of Self-Servicescape on customer satisfaction in tier one banks in Nairobi County. Respondents were asked to indicate the extent to which they agreed with statements by ticking (√) once, using the following options: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly Agree. The data was analyzed, and the mean scores were interpreted as follows: 1.0 – 1.50 = strongly disagree, 1.50 – 2.50 = disagree, 2.50 – 3.50 = moderately agree, 3.5 – 4.20 = agree, and 4.21 – 5.0 = strongly agree. The results are highlighted in Table 4.2 below.

**Table 4.3 Self servicescape factors**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
I am satisfied with the number of self-service kiosks available at my bank’s branches.	316	3.713	1.015
The transaction time at the self-service kiosks meets my expectations for speed and efficiency.	316	3.746	1.003
I frequently use self-service technologies provided by my bank.	316	3.813	1.056
I rarely encounter technical problems with self-service options at my bank.	316	3.586	1.114
Overall, I am satisfied with my experiences using self-service technologies at my bank.	316	3.819	1.017
<b>Overall score</b>		<b>3.735</b>	<b>1.041</b>

The overall mean score for all statements was 3.793, which falls within the “Agree” range (3.5 - 4.2) based on the interpretation scale provided. The overall standard deviations for all statements ranged from 1.041, indicating a moderate level of variation in responses.

### 4.3.3 Interpersonal Servicescape Factors

The objective was to establish the effect of Interpersonal Servicescape on the customer satisfaction of tier one banks in Nairobi County. Respondents were asked to indicate the extent to which they agreed with statements by ticking (√) once, using the following options: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly Agree. The data was analyzed, and the mean scores were interpreted as

follows: 1.0 – 1.50 = strongly disagree, 1.50 – 2.50 = disagree, 2.50 – 3.50 = moderately agree, 3.5 – 4.20 = agree, and 4.21 – 5.0 = strongly agree. The result are highlighted in Table 4.3 below.

**Table 4.4 Interpersonal Servicescape Factors**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The waiting time in queues at my bank is reasonable.	316	3.487	1.189
I am highly satisfied with the quality of interactions I have with the bank staff.	316	3.872	0.932
I have often felt compelled to compliment the bank staff for their excellent service.	316	3.785	0.997
My inquiries or issues are usually resolved during my initial interaction with the bank staff.	316	3.825	0.951
<b>Overall score</b>		3.742	1.017

The overall mean score for all Interpersonal Servicescape Factors was 3.742, which falls within the “Agree” range (3.5 - 4.2) based on the interpretation scale provided. The standard deviation for the overall score was 1.017, indicating a moderate level of variation in responses.

#### **4.3.4 Remote Servicescape Factors**

The objective was to determine the effect of Remote Servicescape on the customer satisfaction of tier one banks in Nairobi County. Respondents were asked to indicate the extent to which they agreed with statements by ticking (√) once, using the following options: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly Agree. The data was analyzed, and the mean scores were interpreted as follows: 1.0 – 1.50 = strongly disagree, 1.50 – 2.50 = disagree, 2.50 – 3.50 = moderately agree, 3.5 – 4.20 = agree, and 4.21 – 5.0 = strongly agree. The results are highlighted in Table 4.5 below.

**Table 4.5 Remote Servicescape factors**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The response time for my remote inquiries is usually fast and satisfactory.	316	3.718	0.995
I am satisfied with the quality of remote interactions I have with my bank.	316	3.809	0.950
Most of my issues or inquiries resolved through remote channels meet my satisfaction.	316	3.791	0.973
I seldom abandon my inquiries because of unsatisfactory responses or long wait times in remote channels.	316	3.541	1.102
I am likely to recommend my bank's remote services to friends and family based on my experience.	316	3.892	0.912
<b>Overall score</b>		<b>3.750</b>	<b>0.990</b>

The overall mean score for all Remote Servicescape Factors was 3.750, which falls within the “Agree” range (3.5 - 4.2) based on the interpretation scale provided. The standard deviation for the overall score was 0.990, indicating a moderate level of variation in responses.

#### **4.3.5 Customer satisfaction**

Regarding customer satisfaction, respondents were asked to indicate the extent to which they agreed with statements by ticking (√) once, using the following options: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly Agree. The data was analyzed, and the mean scores were interpreted as follows: 1.0 – 1.50 = strongly disagree, 1.50 – 2.50 = disagree, 2.50 – 3.50 = moderately agree, 3.5 – 4.20 = agree, and 4.21 – 5.0 = strongly agree. The results are highlighted in Table 4.6 below.

**Table 4.6 Customer satisfaction**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
I am generally satisfied with the entirety of the 316 interactions and services provided by the bank.	316	3.990	0.981
I find the customer service at the bank to be effective, and responsive, and it adds a personal touch to my banking experience.	316	3.959	0.946
I feel that the value I receive from transactions with the 316 bank is fair and meets my financial needs.	316	3.895	0.988
Conducting transactions with the bank is straightforward and user-friendly.	316	3.952	0.972
My overall perception of the bank, including its trustworthiness and reliability, is positive.	316	4.027	0.862
<b>Overall score</b>		3.965	0.950

The overall mean score for Overall Customer Satisfaction was 3.965, which falls within the “Agree” range (3.5 - 4.2) based on the interpretation scale provided. The standard deviation for the overall score was 0.950, indicating a moderate level of variation in responses.

#### **4.4 Objective One: Effect of Self-Servicescape on The Customer Satisfaction of Tier One Banks in Nairobi County**

Multiple linear regression analysis was proposed to assess the relationship between the variables in question. Prior to conducting this test, prerequisites tests in way of test of normality, multicollinearity and homoscedasticity were conducted. Findings forthcoming from these tests are subsequently discussed prior to presentation of findings on the regression model developed for the study.

##### **4.4.1 Test of Normality**

The results from the tests of normality for the ‘Customer Satisfaction’ variable, as presented in table 4.5, utilizing both the Kolmogorov-Smirnov and the Shapiro-Wilk tests, suggest that the distribution of customer satisfaction scores does not follow a

normal distribution. The Kolmogorov-Smirnov statistic is .291 with a significance level of less than .001 for 316 degrees of freedom. The test, which is sensitive to deviations from normality, indicates a statistically significant difference from a normal distribution. This is further confirmed by the Lilliefors Significance Correction, a modification of the K-S test that adjusts for the test's tendency to be overly sensitive with large sample sizes.

The Shapiro-Wilk test yields a statistic of .800 with the same significance level, again pointing to a non-normal distribution of the customer satisfaction data. The Shapiro-Wilk test is known for its power in detecting departures from normality, especially with sample sizes as large as 316. Given both tests indicate p-values less than .001, the null hypothesis of normality can be rejected for the distribution of customer satisfaction scores. This non-normality could be due to several factors, including the presence of outliers, the tendency of survey respondents to avoid extreme ratings (leading to a concentration of scores in the middle of the scale), or an actual non-normal distribution of satisfaction levels in the population.

**Table 4.7 Test of normality**

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Customer_Satisfaction	.291	316	.000	.800	316	.000

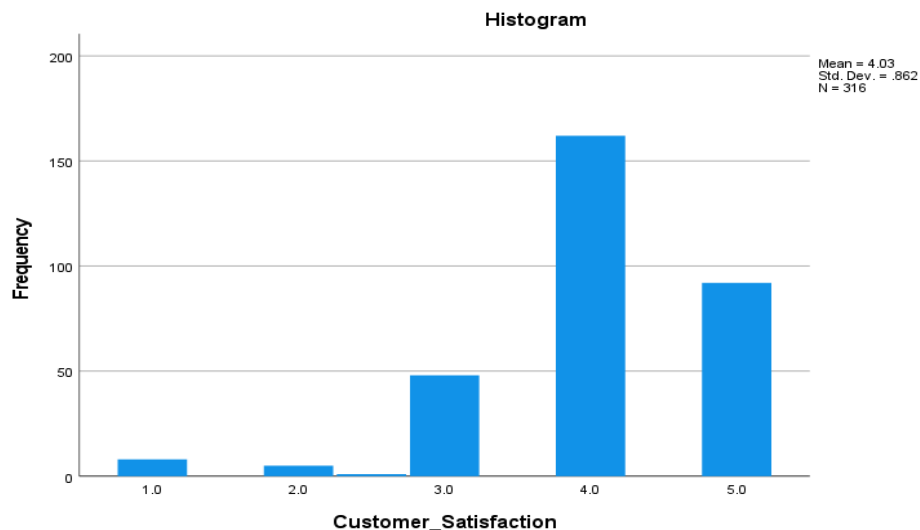
a. Lilliefors Significance Correction

The data was further assessed via a histogram (figure 4.1). The distribution peaks at the fourth category, with the majority of customers indicating high satisfaction (a score of 4 out of 5). This mode aligns with the mean score of 4.03, suggesting that overall, customers are leaning towards the higher satisfaction end of the spectrum. The standard deviation is relatively small at 0.862, which indicates that responses tend to cluster around the mean, signifying less variability in the customer satisfaction ratings.

However, the shape of the histogram also reveals that the data is not symmetric, as would be expected in a normal distribution, and is skewed towards the higher satisfaction levels. This skewness is a common characteristic in customer satisfaction

data where customers often refrain from using the extremes of the scale, leading to a concentration of scores in the upper-mid range. It's also typical of service-related evaluations where a good experience is expected as standard, and thus the distribution of satisfaction scores can be left-skewed.

**Figure 4.1 Customer satisfaction histogram**



#### 4.4.2 Test of multicollinearity

An assessment of multicollinearity within the regression model (table 4.6), which predicts customer satisfaction, indicates the presence of intercorrelations among the independent variables. The diagnostic test provides two key indicators: condition indices and variance proportions.

The condition index for the fourth dimension surpasses the threshold of 10, with a value of 16.321, pointing to potential multicollinearity. However, it falls below the more stringent cutoff of 30, often considered a more definitive indicator of severe multicollinearity issues.

The critical insight comes from the variance proportions. Values greater than 0.50 can signal multicollinearity concerns when paired with high-condition indices. 'Interpersonal\_Service\_Scape' displays a very high variance proportion of 0.93 in the fourth dimension, while 'Remote\_Service\_Scape' registers at 0.65 in the third dimension. These proportions suggest multicollinearity, but because they are below the stricter correlation cutoff of 0.8, they may not represent a critical problem in the model.

Consequently, while there is evidence of multicollinearity, it may not be severe enough to significantly impair the model’s validity, given a more conservative correlation cutoff of 0.8. Nevertheless, caution is advised in the interpretation of the regression coefficients for these variables, and further analysis could be performed to confirm their individual contributions to the model. Techniques such as calculating the Variance Inflation Factor (VIF) could provide additional clarification on the degree of multicollinearity present in the model.

**Table 4.8 Test of multicollinearity**

**Collinearity Diagnostics<sup>a</sup>**

Model	Dimension	Eigenvalue	Condition Index				
			1	2	3	4	5
1	1	3.925	1.000	.00	.00	.00	.00
	2	.036	10.438	.76	.26	.05	.00
	3	.024	12.759	.24	.38	.02	.65
	4	.015	16.321	.00	.36	.93	.35

a. Dependent Variable: Customer Satisfaction

**4.4.3 Test of homoscedasticity**

As indicated in figure 4.2,

The scatterplot examining homoscedasticity in the regression analysis, where customer satisfaction serves as the dependent variable, reveals a distinct pattern in the distribution of residuals. This pattern suggests that the assumption of equal variance (homoscedasticity) across the range of predicted values is not met, as indicated by the funnel shape where the spread of residuals increases with the predicted values — a condition known as heteroscedasticity.

The presence of heteroscedasticity in a regression model that includes ordinal Likert-scale data is not uncommon. Given the nature of Likert-scale data, which does not meet the interval data requirements that underpin many parametric statistical tests, it is essential to consider that the application of linear regression may not be fully appropriate. The ordinal nature of the data implies that the distances between points on the scale are not equal and thus variance can naturally increase between categories as one moves from lower to higher values.

#### **4.4.4 Regression findings**

This section provides findings on the relationship between the variables and presented in the regression equation. The presentation of findings in this section centers on the first objective of the study.

##### **4.4.4.1 Model summary**

The R value of .824 (table 4.7) indicates a strong correlation, suggesting that a significant proportion of variance in customer satisfaction can be explained by the model's predictors. The R Square value of .679 denotes that approximately 67.9% of the variance in customer satisfaction is accounted for by the combination of Remote\_Service\_Scape, Self\_Servicescape\_Factors, and Interpersonal\_Service\_Scape. This is a substantial figure, highlighting the robust explanatory power of the model.

The Adjusted R Square value, standing at .676, represents a refined iteration of the R Square, adjusting for the predictors' quantity within the model to offer a more precise estimation of the explained variance for the population. The slight decrease from R Square to Adjusted R Square indicates that the model is not overly complex given the number of predictors. The Standard Error of the Estimate at .4904 is relatively low, which suggests that the observed values of customer satisfaction are, on average, close to the predicted values provided by the model, and there is a small dispersion of the observed from the predicted values.

The Change Statistics further validate the model, with an R Square Change of .679 and a significant F Change (220.310) at a significance level less than .001. This indicates that the predictors significantly improve the model's ability to predict customer satisfaction over a model with no predictors.

**Table 4.9 Model summary**

**Model Summary<sup>b</sup>**

Model	R	Adjusted R Square	Std. Error Change Statistics				Sig. F	
			of the Estimate	R Square Change	F Change	df1		df2
1	.824 <sup>a</sup>	.679	.676	.4904	.679	220.3103	312	.000

a. Predictors: (Constant), Remote\_Service\_Scape, Self\_Servicescape\_Factors, Interpersonal\_Service\_Scape

b. Dependent Variable: Customer\_Satisfaction

**4.4.4.2 ANOVA**

The ANOVA results indicate the statistical significance of the regression model used to predict customer satisfaction. The Regression Sum of Squares at 158.975, with 3 degrees of freedom, represents the explained variance by the model, while the Residual Sum of Squares at 75.046, with 312 degrees of freedom, represents the unexplained variance. The model's F statistic is 220.310, with a p-value less than .001, suggesting that the model significantly predicts customer satisfaction. The large F value, alongside the significant p-value, implies that the variation explained by the model is not due to chance, and the independent variables collectively have a substantial impact on customer satisfaction.

**Table 4.10 ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	158.975	3	52.992	220.310	.000 <sup>b</sup>
	Residual	75.046	312	.241		
	Total	234.021	315			

a. Dependent Variable: Customer\_Satisfaction

b. Predictors: (Constant), Remote\_Service\_Scape, Self\_Servicescape\_Factors, Interpersonal\_Service\_Scape

#### **4.4.4.3 Relationship between self servicescape and customer satisfaction**

As indicated from the tabulated coefficients in table 4.9, The Self\_Servicescape\_Factors possess an unstandardized coefficient of .062, which reflects the change in the dependent variable (customer satisfaction) for each unit change in Self\_Servicescape\_Factors. The associated standard error of .039 indicates the average distance that the observed values fall from the regression line. Despite the positive direction of the relationship, the statistical significance is not achieved ( $p = .118$ ), indicating that within the current model, Self\_Servicescape\_Factors such as ATM accessibility or online platform usability do not have a significant individual impact on the customer satisfaction scores. This is also evident in the standardized coefficient (Beta) of .073, which when compared to other variables in the model, shows a relatively minor influence. The correlation coefficients suggest a moderate relationship with customer satisfaction (zero-order correlation of .615), yet the partial correlation of .088, which accounts for the presence of other variables, is quite low, signaling that its unique contribution to explaining customer satisfaction is limited when other variables are considered. The VIF of 2.092, although higher than the ideal of 1, does not exceed the common threshold of 10 which indicates serious multicollinearity. Nonetheless, it suggests a mild inflation of the standard error due to overlapping variance with other predictors.

#### **4.5 Objective two: effect of Interpersonal Servicescape on the customer satisfaction of tier one banks in Nairobi County**

The coefficient for Interpersonal\_Service\_Scape stands notably higher at .418, with a standard error of .048 (table 4.9), offering strong evidence that the quality of interpersonal interactions within the bank, such as courteousness and helpfulness of staff, is a critical determinant of customer satisfaction. The t-value of 8.657 is highly significant ( $p < .001$ ), reinforcing the robustness of this predictor's impact on customer satisfaction. The substantial standardized coefficient (Beta) of .449 underlines that this variable holds the greatest relative importance in the model compared to the others. The high zero-order correlation of .766 signifies a strong direct relationship with

customer satisfaction, and even when adjusting for other variables, the partial correlation remains significant at .440. Although the VIF for Interpersonal\_Service\_Scape is 2.614, indicating a moderate rise in variance due to collinearity, it does not approach critical levels that would undermine the validity of the regression results. This suggests that while the variable shares some variance with others in the model, it retains a unique and significant contribution to explaining customer satisfaction.

#### **4.6 Objective three: effect of Remote Servicescape on the customer satisfaction of tier one banks in Nairobi County**

Remote\_Service\_Scape also displays a significant coefficient of .376 (table 4.9), with a relatively low standard error of .042, demonstrating the increasing importance of remote banking services such as mobile banking and online transactions in shaping customer satisfaction. The significant t-value of 8.978 ( $p < .001$ ) affirms the strength of this variable in the predictive model. Its Beta value of .394 shows that it is nearly as impactful as interpersonal services in influencing customer satisfaction. This is corroborated by the zero-order correlation of .737 and partial correlation of .453, suggesting that customers' remote interactions with their bank are almost as vital as face-to-face interactions in determining their satisfaction levels. The Remote\_Service\_Scape's VIF of 1.877 is well below the threshold of concern, suggesting a minor concern regarding multicollinearity. This implies that while it shares some variance with other independent variables, it also contributes uniquely to the model, providing distinct and valuable predictive power regarding customer satisfaction.

#### **4.7 Chapter summary**

This chapter provides an analytic overview of how the servicescape elements influence customer satisfaction within Nairobi's Tier One banks. With an 82.29% response rate, the study ensures a representative sample and robust findings. The data indicates a preference for Equity Bank Kenya Limited among a largely non-managerial customer base.

Descriptive analysis reveals moderate satisfaction with self-service facilities, while interactions with bank staff and remote services significantly impact overall customer

satisfaction. The regression model highlights that nearly 68% of the variance in customer satisfaction is explained by the model, with interpersonal and remote servicescape factors as strong predictors, contrasting the lesser impact of self-servicescape factors. The chapter concludes that while all servicescape components are relevant, it is the quality of interpersonal relationships and the efficiency of remote services that predominantly shape customer satisfaction in the sector.



## CHAPTER FIVE

### DISCUSSION, CONCLUSION, AND LIMITATIONS

#### 5.1 Introduction

This chapter presents and discusses the empirical findings of the study, examining the impact of the three core servicescape dimensions – self-servicescape, interpersonal servicescape, and remote servicescape – on customer satisfaction within Nairobi’s Tier One banks. The analysis synthesizes the study’s data with existing literature to provide insights into how each servicescape facet contributes to shaping customer experiences and satisfaction levels.

#### 5.2 Discussion

The discussion section critically examines the results of this study within the broader context of existing research, delving into the nuances and implications of how servicescape elements impact customer satisfaction in Nairobi’s Tier One banks. This section will explore the significance of the findings, contrast them with established theories and empirical literature, and address the study’s limitations. By integrating the empirical data with scholarly discourse, the discussion aims to offer a thorough understanding of the interplay between physical, interpersonal, and remote aspects of banking services and their collective influence on customer perceptions and experiences.

As observed from the previous chapter, the regression model highlights that nearly 68% of the variance in customer satisfaction is explained by the model, with interpersonal and remote servicescape factors as strong predictors, contrasting the lesser impact of self-servicescape factors. The chapter concludes that while all servicescape components are relevant, it is the quality of interpersonal relationships and the efficiency of remote services that predominantly shape customer satisfaction in the sector.

##### 5.2.1 Impact of self servicescape on customer satisfaction

The empirical findings from the current study unveil a nuanced and intricate connection between Self Servicescape factors and customer satisfaction. On regression findings, Self-Servicescape factors had an insignificant and positive effect on customer satisfaction ( $\beta = 0.073$ ,  $p\text{-value} = 0.118$ ). This implies that a unit increase in Self-

Servicescape factors did not significantly impact customer satisfaction levels. This revelation stands in stark contrast to the assertions put forth by earlier studies, which posited a robust linkage between the usability of self-service technology (SST) and customer satisfaction (Meuter et al., 2000).

The discrepancy could be attributed to an ever-evolving consumer landscape, wherein SSTs have transitioned from a value-added service to a basic expectation. Furthermore, the existing literature indicates that while the availability of SSTs is undoubtedly crucial, it is the quality and reliability of these services that create a differential impact on satisfaction levels (Lin & Hsieh, 2011). This suggests that the mere presence of self-service options is insufficient; ensuring their efficacy and optimal functionality is paramount.

The study's findings challenge the conventional wisdom that Self Servicescape factors are inextricably linked to customer satisfaction. Instead, it posits that these factors may not hold the same profound influence as previously believed, and that their impact is contingent upon their seamless integration and consistent performance. As consumer expectations continue to evolve, the banking industry must adapt and refine its approach, ensuring that self-service technologies not only exist but also deliver an exceptional and reliable experience to truly foster customer satisfaction.

### **5.2.2 Impact of interpersonal servicescape on customer satisfaction**

In contrast, the Interpersonal Servicescape factors have been identified as significant determinants of customer satisfaction in the current study. On regression findings, Interpersonal Servicescape had a significant and positive effect on customer satisfaction ( $\beta = 0.449$ ,  $p\text{-value} = 0.000$ ). This implies that a unit increase in the quality of interpersonal service interactions significantly improved customer satisfaction levels. The positive and substantial coefficient associated with this variable reflects the enduring importance of human elements in the banking experience. This finding aligns harmoniously with the service-dominant logic in marketing literature, which posits that the interactions between service employees and customers play a pivotal role in value creation and satisfaction (Vargo & Lusch, 2004).

The crucial role of staff in customer satisfaction has been widely supported by a multitude of empirical studies, where the affective quality of service encounters has been demonstrated to influence customer evaluations more profoundly than the tangible aspects of the service environment (Bitner, 1992; Brady & Cronin, 2001). The findings of the current study underscore this notion, suggesting that despite the remarkable advancements in technology, the interpersonal facet remains a cornerstone of customer satisfaction in the banking industry.

The human element, characterized by the interactions between customers and service personnel, has proven to be a powerful force in shaping the overall experience and fostering satisfaction. The warmth, empathy, and personalized attention provided by knowledgeable and attentive staff members can create a lasting impression, cultivating a sense of trust and loyalty that transcends the mere functionality of the services offered.

In an era where automation and digitalization have become the norm, the Interpersonal Servicescape serves as a reminder that the banking industry's success is not solely contingent upon technological advancements but also hinges on the ability to nurture meaningful connections with its customers. By striking a harmonious balance between cutting-edge technology and genuine human interactions, banks can create a truly exceptional experience that not only meets but exceeds customer expectations, solidifying their position as industry leaders in a highly competitive landscape.

### **5.2.3 Impact of remote servicescape on customer satisfaction**

The Remote Servicescape, encompassing digital channels like mobile and online banking, has emerged as a significant influencer of customer satisfaction, as evidenced by the current study. Remote Servicescape had a significant and positive effect on customer satisfaction ( $\beta = 0.394$ ,  $p\text{-value} = 0.000$ ). This implies that a unit increase in the efficiency and quality of remote banking services significantly enhanced customer satisfaction levels. This impact resonates with the shifting trends towards digital banking, where convenience and continuous availability are highly valued by customers (Shankar et al., 2011). The existing literature suggests that remote service quality, including website design and service recovery mechanisms, directly correlates with customer satisfaction and loyalty (Bauer et al., 2005; Jun & Cai, 2001).

Moreover, the principles of the Technology Acceptance Model (Davis, 1989) propose that the ease of use and perceived usefulness of digital platforms may amplify the impact of the Remote Servicescape on customer satisfaction levels. The substantial coefficient associated with the Remote Servicescape in the current study aligns harmoniously with these theoretical frameworks, reflecting the critical role of digital interaction quality in fostering customer satisfaction.

In the modern era, where digital interactions have become an integral part of daily life, the Remote Servicescape has emerged as a crucial touchpoint in the banking industry's pursuit of customer satisfaction. Customers increasingly demand seamless and user-friendly digital experiences, with the ability to conduct transactions, access information, and resolve queries at their convenience, regardless of physical location or time constraints.

The Remote Servicescape's significance extends beyond mere functionality; it encompasses the entire digital ecosystem, including intuitive navigation, visually appealing interfaces, and robust security measures. These elements collectively contribute to a sense of trust, reliability, and ease of use, which are essential in cultivating a positive customer experience and driving satisfaction.

The Remote Servicescape also represents a paradigm shift in customer expectations, wherein digital channels are no longer perceived as supplementary services but rather as a central component of the banking experience. Customers demand seamless integration across multiple platforms, enabling them to transition effortlessly between physical and digital touchpoints without compromising on quality or consistency.

As the digital landscape continues to evolve rapidly, banks must remain agile and responsive, continuously enhancing and optimizing their Remote Servicescape to meet the ever-changing needs and preferences of their customer base. By embracing innovation and leveraging cutting-edge technologies, banks can create a superior digital experience that not only meets but exceeds customer expectations, solidifying their position as industry leaders in an increasingly competitive and technology-driven era.

### **5.3 Conclusion**

The analysis of the relationships between the study variables, as detailed in the research objectives, reveals a nuanced interplay among the servicescape factors and their influence on customer satisfaction. While all three servicescape dimensions are pertinent, their degrees of impact vary, with Interpersonal Servicescape and Remote Servicescape factors exerting a more significant influence on customer satisfaction compared to Self-Servicescape factors.

This finding suggests a transitional shift within the banking sector, where digital and human elements have become more integral to customer satisfaction than the functional aspects of service provision alone. It highlights the evolving expectations of customers, who now place greater emphasis on seamless digital experiences and personalized interactions with knowledgeable and empathetic employees. Consequently, banks must strike a careful balance between investing in technology and fostering meaningful employee-customer relationships. While self-service technologies and functional servicescape elements remain important, they are no longer the sole determinants of customer satisfaction. Banks must prioritize developing robust digital platforms, ensuring user-friendly interfaces, and offering convenient remote banking options to meet the growing demand for digital experiences.

Simultaneously, banks must invest in comprehensive training programs for frontline staff, cultivating exceptional interpersonal skills, problem-solving abilities, and a customer-centric mindset. Creating conducive physical environments that facilitate positive interactions and efficient service delivery is also crucial. By strategically allocating resources to enhance both digital and human touchpoints, banks can effectively cater to the evolving needs and preferences of their customers, thereby maintaining and elevating customer satisfaction levels in an increasingly competitive landscape.

### **5.4 Recommendations**

#### **5.4.1 Policy Recommendations**

Based on the study findings, policymakers and regulatory bodies in the Kenyan banking sector should consider developing guidelines and frameworks that emphasize the importance of servicescapes in enhancing customer satisfaction. These policies

could encourage banks, particularly Tier One institutions, to prioritize investments in self-service technologies, interpersonal service training, and digital/remote banking platforms. Additionally, policies could mandate regular audits or assessments of banks' servicescapes to ensure compliance with customer experience standards. Incentives or recognition programs could be introduced for banks that excel in delivering exceptional servicescapes and maintaining high customer satisfaction levels. Policymakers should also collaborate with industry stakeholders to develop best practices and benchmarks for servicescapes tailored to the unique needs and preferences of Kenyan banking customers. These guidelines could cover aspects such as user-friendly interface design, efficient service delivery processes, and effective employee training for interpersonal interactions.

#### **5.4.2 Managerial Recommendations**

Based on the findings, bank managers, particularly those in Tier One banks, should prioritize investments and strategic initiatives to enhance their servicescapes. For self-servicescapes, banks should focus on improving the user experience, accessibility, and reliability of ATMs, online banking platforms, and mobile apps. Regular updates, intuitive interfaces, and robust security measures are crucial. Regarding interpersonal servicescapes, managers should invest in comprehensive training programs for frontline staff, emphasizing empathy, problem-solving skills, and effective communication. Additionally, creating a conducive physical environment with comfortable waiting areas and efficient queuing systems can significantly improve interpersonal interactions. For remote servicescapes, banks should leverage digital technologies to offer seamless experiences across multiple channels, such as chatbots, virtual assistants, and social media support. Ensuring consistent service quality and prompt responses across these remote touchpoints is vital. Managers should also establish robust feedback mechanisms to continually monitor and improve customer satisfaction levels. Regular employee evaluations, mystery shopping exercises, and customer surveys can provide valuable insights for servicescape enhancements.

#### **5.4.3 Theoretical Recommendations**

The findings of the current study underscore the significance of both physical and interpersonal aspects of the servicescape in influencing customer satisfaction. This aligns with Bitner's (1992) Servicescape model and the Stimulus-Organism-Response (SOR) theory, which emphasize the interplay between tangible and intangible elements of the service environment, as well as the role of emotions in shaping

customer behavior and satisfaction. Moving forward, future research should build upon these existing theories and frameworks to develop a more comprehensive understanding of customer satisfaction in the servicescape context. Specifically, it is recommended to adopt a holistic approach that integrates the physical layout, ambient conditions, functionality of the servicescape, and the quality of interpersonal interactions. Strategies to evoke positive emotional responses, such as creating a welcoming atmosphere and fostering trust through personalized attention, should be emphasized. Future research should also focus on continuous improvement and adaptation processes that regularly assess and address the evolving needs and expectations of customers. This can involve incorporating emerging technologies, design trends, and soliciting customer feedback to enhance the overall service experience. Aligning the servicescape with the brand identity and positioning is also crucial to strengthen the emotional connection between customers and the organization.

### **5.5 Limitations**

The current study's limitations are primarily methodological. The non-normal distribution of Likert-scale responses challenges the assumptions underpinning the linear regression model used. Additionally, while multicollinearity was within acceptable bounds, its presence suggests that the relationships between variables could be more complex than presented. The high response rate is promising, yet the possibility of non-response bias cannot be entirely ruled out, potentially affecting the generalizability of the findings. To overcome the methodological limitations of the current study, several approaches can be implemented. Firstly, given the non-normal distribution of Likert-scale responses challenging the linear regression model assumptions, alternative regression techniques such as generalized linear models can be explored. Secondly, to address the issue of multicollinearity, methods like ridge regression or principal component analysis can be employed to uncover more nuanced relationships among variables.

### **5.6 Areas for further study**

Future research should explore the nuanced dynamics of servicescape factors using models tailored for ordinal data, such as ordinal logistic regression. Studies could also investigate the potential moderating effects of demographic factors on the relationships

studied here. Furthermore, longitudinal research could provide insights into how changes in servicescape factors over time affect customer satisfaction.

### **5.7 Chapter summary**

In summary, this chapter has articulated the extent to which various dimensions of the servicescape influence customer satisfaction, revealing a clear hierarchy among them. It underscores the necessity for banks to integrate personal and digital banking services effectively to meet customer satisfaction demands. The limitations and areas for further research identified highlight the ongoing need to refine our understanding of the complex interactions between servicescape elements and customer satisfaction. This body of work provides a foundation for both academic inquiry and practical application in the pursuit of enhanced customer experiences in the banking sector.



## REFERENCES

- Ajami, M. P., Navarro Elola, L., & Pastor, J. (2018). Validation and improvement of the European customer satisfaction index for the Spanish wine sector. *The TQM Journal*, 30(2), 133-152.
- Andri, P., Jasfar, F., & Kristaung, R. (2022). Effect Of Product, Distribution And Service Quality on Customer Loyalty Through Customer Satisfaction At Indonesian Marketplace. *Devotion: Journal of Community Service*, 3(4), 321–335.
- Arora, S., Parida, R. R., & Sahney, S. (2020). Understanding consumers' showrooming behaviour: a stimulus–organism–response (S-O-R) perspective. *International Journal of Retail & Distribution Management*, 48(11), 1157–1176.
- Arodi, J. O., Nyamute, W. I., Okiro, K. O., & Angima, C. M. (2023). Funding Sources, Competitiveness and Performance of Commercial Banks in Kenya. *European Journal of Business and Management Research*, 8(3), 270-278.
- Asfour, H. K., & Haddad, S. I. (2014). The impact of Mobile Banking on enhancing customers' E-satisfaction: An empirical study on commercial banks in Jordan. *International Business Research*, 7(10), 145.
- Basu, R., & Mandal, S. (2020). E-Servicescape in Service: Theoretical Underpinnings and Emerging Market Implications. *Services Marketing Issues in Emerging Economies*, 75–88.
- Boo, H. Voon. (2017). Service Environment of Restaurants: Findings from the youth customers. *Journal of ASIAN Behavioural Studies*, 2(2), 67.
- Bueno, E. V., Weber, T. B. B., Bomfim, E. L., & Kato, H. T. (2019). Measuring customer experience in service: A systematic review. *The Service Industries Journal*, 39(11-12), 779–798.
- Carù, A., Colm, L., & Cova, B. (2016). Innovating services through experiences: an investigation of servicescape's pivotal role. *Service innovation: novel ways of creating value in actor systems*, 149-170.
- Central Bank of Kenya. (2023). Banking supervision reports.  
<https://www.centralbank.go.ke/>
- Central Bank of Kenya. (2023, May 15). Bank Supervision Annual Report 2022.

<https://www.centralbank.go.ke/2023/05/15/bank-supervision-annual-report-2022/>

- Chang, T. Y., Kung, S. F., & Luh, D. B. (2012). The innovative service model: A study on tour guide service design in Taiwan by ICT application. *Academic Research International*, 2(1), 192-198.
- Cooper, D. R. (2020). *Business research methods*. McGraw-Hill Education.
- Danaher, P. J., & Haddrell, V. (1996). A comparison of question scales used for measuring customer satisfaction. *International Journal of Service Industry Management*, 7(4), 4-26.
- Dong, P., & Siu, N. Y. M. (2013). Servicescape elements, customer predispositions and service experience: The case of theme park visitors. *Tourism management*, 36, 541-551.
- Ezeh, C., & Harris, L. C. (2007). Servicescape research: a review and a research agenda. *The Marketing Review*, 7(1), 59-78.
- Forouzani, S. (2016). Using social media and machine learning to predict financial performance of a company.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2019). *Multivariate data analysis* (8th ed.). Cengage Learning.
- Hammoud, J., Bizri, R. M., & El Baba, I. (2018). The impact of e-banking service quality on customer satisfaction: Evidence from the Lebanese banking sector. *Sage Open*, 8(3), 2158244018790633.
- Hanks, L., Line, N., & Kim, W. G. W. (2017). The impact of the social servicescape, density, and restaurant type on perceptions of interpersonal service quality. *International Journal of Hospitality Management*, 61, 35-44.
- Hightower Jr, R., Brady, M. K., & Baker, T. L. (2002). Investigating the role of the physical environment in hedonic service consumption: an exploratory study of sporting events. *Journal of Business research*, 55(9), 697-707.
- Ishaq, M. I., Bhutta, M. H., Hamayun, A. A., Danish, R. Q., & Hussain, N. M. (1995). Importance of servicescape in services industries. *Journal of Service Research*, 4(2.13).
- Jackson, M. I., Jacob, O. O., & Wawire, N. H. (2019). Bank competitive landscape and competition in the banking sector in Kenya. *African Review of Economics and Finance*, 11(1), 220–251.
- <https://www.ajol.info/index.php/aref/article/view/187630>

- Johnson, M. D., Gustafsson, A., Andreassen, T. W., Lervik, L., & Cha, J. (2001). The evolution and future of national customer satisfaction index models. *Journal of Economic Psychology*, 22(2), 217-245.
- Koay, K. Y., Khoo, K. L., & Soh, P. C.-H. (2020). The Impact of Servicescape and Employee Service Quality in the KTV Industry. *Asian Journal of Business Research*, 9(3).
- Lin, H., Gursoy, D., & Zhang, M. (2019). Impact of customer-to-customer interactions on overall service experience: A social servicescape perspective. *International Journal of Hospitality Management*, 87, 102376.
- Line, N. D., & Hanks, L. (2018). The Social Servicescape: A Multidimensional Operationalization. *Journal of Hospitality & Tourism Research*, 43(2), 167–187.
- Mason, M. C., Massara, F., & Raggiotto, F. (2022). An analysis of the relationships between human, technological and physical factors in the retail banking sector. *Italian Journal of Marketing*.
- Muiruri, K., (2023). Bank accounts with over Sh100,000 hit 1.9 million. *Business Daily*. <https://www.businessdailyafrica.com/bd/corporate/companies/bank-accounts-with-over-sh100-000-hit-1-9-million--4238618>
- Nyrhinen, J., Uusitalo, O., Frank, L., & Wilska, T.-A. (2022). How is social capital formed across the digital-physical servicescape? *Digital Business*, 100047.
- Kigamwa, J. N., & Mutwiri, N. M. (2023). Macro-economic factors and non-performing loans in the Kenyan banking industry. *International Academic Journal of Economics and Finance*, 3 (8), 279, 291, 2.
- Kim, M. J., Lee, C. K., & Jung, T. (2020). Exploring consumer behavior in virtual reality tourism using an extended stimulus-organism-response model. *Journal of travel research*, 59(1), 69-89.
- Kothari, C. R. (2004). *Research methodology: Methods and techniques* (2nd ed.). New Age International.
- Laato, S., Islam, A. N., Farooq, A., & Dhir, A. (2020). Unusual purchasing behavior during the early stages of the COVID-19 pandemic: The stimulus-organism-response approach. *Journal of Retailing and Consumer Services*, 57, 102224.
- Lewis, P., Saunders, M., & Thornhill, A. (2019). *Research methods for business students* (8th ed.). Pearson Education Limited.
- Lin, I. Y., & Worthley, R. (2012). Servicescape moderation on personality traits, emotions, satisfaction, and behaviors. *International Journal of Hospitality*

- Management*, 31(1), 31-42.
- Line, N. D., & Hanks, L. (2019). The social servicescape: A multidimensional operationalization. *Journal of Hospitality & Tourism Research*, 43(2), 167-187.
- Mari, M., & Poggesi, S. (2013). Servicescape cues and customer behavior: a systematic literature review and research agenda. *The Service Industries Journal*, 33(2), 171-199.
- Muyesu, G. K., & Kimaku, P. (2023). Business Process Outsourcing Practices And Performance Of The Airline Industry In Kenya. *International Journal of Management and Business Research*, 5(1), 195-204.
- Olabode, O. A. (2020). *The Impact of Servicescapes on Customer Satisfaction: A Study on African Service-Based Small and Medium-Sized Enterprises (SMES) in Ireland* (Doctoral dissertation, Griffith College).
- Parish, J., Berry, L., & Shun Yin Lam, . (2008). The Effect of the Servicescape on Service Workers. *Journal of Service Research*, 10(3), 220-238.
- Paul, J., Mittal, A., & Srivastav, G. (2016). Impact of service quality on customer satisfaction in private and public sector banks. *International Journal of Bank Marketing*, 34(5), 606-622.
- Petrova, E., Dewing, J., & Camilleri, M. (2014). Confidentiality in participatory research. *Nursing Ethics*, 23(4), 442-454.
- Ramos, Q. (2022). Business Intelligence Approach and Sentiment Analysis as a Management Strategy Applied to Study Customer Satisfaction in the Hospitality Sector. *Smart Innovation, Systems and Technologies*, 537-547.
- Schenkman, O. (2021). Customer Experience: an exploratory study into the drivers of flow in virtual wine-tasting experiences. Theses.ubn.ru.nl.  
<https://theses.ubn.ru.nl/handle/123456789/11593>
- Soe, Z. (2022). *The Effect of Servicescape and Hospitality on Customer Loyalty at AYA Bank, Nay Pyi Taw* (Doctoral dissertation, MERAL Portal).
- Statista. (2023). Kenya: market share of commercial banks. Statista.  
<https://www.statista.com/statistics/1231563/market-share-of-major-commercial-banks-in-kenya/>
- Strathmore Ethics Board. (2014). Research ethics guidelines. Strathmore University.
- Sukendia, J., & Harianto, N. (2021). The Impact of E-Service Quality On Customer Engagement, Customer Experience and Customer Loyalty in B2c E-Commerce. *Turkish Journal of Computer and Mathematics Education (TURCOMAT)*,

12(3), 3170–3184. <http://nn-pub.com/index.php/turkbilmat/article/view/1556>

- Supriyanto, A., Wiyono, B. B., & Burhanuddin, B. (2021). Effects of service quality and customer satisfaction on loyalty of bank customers. *Cogent Business & Management*, 8(1), 1937847. tandfonline.
- Suryadi, A., Islami, M. C. P. A., Taufiq, S. I., & Santoso, B. (2021). Company Quality Performance Using Customer Satisfaction Index Methods and Importance Performance Analysis at PT. XYZ. *Nusantara Science and Technology Proceedings*, 244-250.
- Taohai, K., Phimoltares, S., & Cooharajanane, N. (2010, March). Usability comparisons of seven main functions for automated teller machine (ATM) banking service of five banks in Thailand. In *2010 International Conference on Computational Science and Its Applications* (pp. 176-182). IEEE.
- Taylor, S. A., & Baker, T. L. (1994). An assessment of the relationship between service quality and customer satisfaction in the formation of consumers' purchase intentions. *Journal of Retailing*, 70(2), 163–178.
- Tombs, A., & McColl-Kennedy, J. R. (2002, December). Beyond the servicescape: Customer to customer interactions in the social servicescape. In *ANZMAC Conference Proceedings*.
- Torrens, P. M. (2022). Smart and Sentient Retail High Streets. *Smart Cities*, 5(4), 1670–1720.
- Wang, X., & Cheng, Z. (2020). Cross-sectional studies: Strengths, weaknesses, and Recommendations. *Chest*, 158(1), 65–71. NCBI. <https://doi.org/10.1016/j.chest.2020.03.012>
- Willems, K., Verhulst, N., & Brengman, M. (2021). How COVID-19 Could Accelerate the Adoption of New Retail Technologies and Enhance the (E-)Servicescape. *The ICT and Evolution of Work*, 2, 103–134. [https://doi.org/10.1007/978-981-33-4134-0\\_6](https://doi.org/10.1007/978-981-33-4134-0_6)
- Xuan, Q. T. (2020, December 10). The role of servicescape and social interaction towards the experience of customers and employees in the café setting. A study in Vietnam. *Theses.hal.science*. <https://theses.hal.science/tel-03141600/>
- Yin, D., Li, M., Qiu, H., Bai, B., & Zhou, L. (2023). When the servicescape becomes

intelligent: Conceptualization, assessment, and implications for hospitableness.  
*Journal of Hospitality and Tourism Management*, 54, 290–299.  
<https://doi.org/10.1016/j.jhtm.2023.01.001>

Zhu, B., Kowatthanakul, S., & Satanasavapak, P. (2020). Generation Y consumer online repurchase intention in Bangkok: Based on Stimulus-Organism-Response (SOR) model. *International Journal of Retail & Distribution Management*, 48(1), 53-69.

Zhu, L., Li, H., Wang, F. K., He, W., & Tian, Z. (2020). How online reviews affect purchase intention: a new model based on the stimulus-organism-response (S-O-R) framework. *Aslib Journal of Information Management*, 72(4), 463-488.

Zomerdijk, L. G., & Voss, C. A. (2010). Service design for experience-centric services. *Journal of service research*, 13(1), 67-82.



## APPENDICES

### Appendix A: Introduction letter

Dear recipient,

I hope this letter finds you well. My name is Mary Muiyuro from Strathmore Business School reg no. 066598 pursuing Master in Commerce. I am conducting a research

study entitled “Exploring the Impact of Servicescape on Customer Satisfaction in Nairobi’s Tier One Banks.” The purpose of this study is to assess how the various dimensions of a bank’s servicescape - including physical layout, interpersonal interactions, and digital service channels - contribute to overall customer satisfaction.

As a key stakeholder in the banking sector, your institution’s participation would provide invaluable insights into the customer experience and satisfaction levels within the industry. The findings from this study aim to not only advance academic understanding but also offer actionable recommendations for service improvement and customer experience strategies.

I am writing to respectfully request your permission to distribute surveys among your customers. I assure you that all collected data will be handled with the strictest confidentiality and will be used solely for academic purposes. Participation is entirely voluntary, and respondents will have the option to withdraw at any time.

Enclosed with this letter, you will find a detailed research proposal, an overview of the survey, and a consent form outlining the terms of participation. Your approval to proceed with this study at your convenience would be greatly appreciated.

I am available at your earliest convenience to discuss this request further. Please feel free to contact me directly at 0710 888787 or [mary.muiyuro@strathmore.edu](mailto:mary.muiyuro@strathmore.edu) should you have any questions or require additional information.

Thank you for considering this request. I look forward to the opportunity to work with [Bank Name] and contribute positively to enhancing customer service within the banking sector.

Warm regards,  
Mary Muiyuro.



## Appendix B: Questionnaire

### Section A: Demographic information

#### 1. Gender

Male

Female

#### 2. Bank Preference

Absa Bank Kenya Ltd

Cooperative Bank of Kenya

DTB Kenya

Equity Bank Kenya Limited

I & M Bank Limited

KCB Group

NCBA Bank Kenya Limited

Stanbic Bank Kenya Ltd

Standard Chartered Bank

#### 3. Employment Status

Managerial

Non-Managerial

Owner

Unemployed

#### 4. Physical visit to the bank

Frequently

Sometimes

Rarely

#### 5. How many years you have been with the bank?

Less than 1 year

1-5 years

6-10 years

11-15 years

More than 15 years

### Section B: Self Servicescape factors

Please indicate the extent to which you agree with the following statements by ticking (✓) once, using the options provided: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly Agree.

	1 (Strongly disagree)	2 (Disagree)	3 (Neutral)	4 (Agree)	5 (Strongly Agree)
I am satisfied with the number of self-service kiosks available at my bank's branches.					
The transaction time at the self-service kiosks meets my expectations for speed and efficiency					
I frequently use self-service technologies provided by my bank.					
I rarely encounter technical problems with self-service options at my bank.					

Overall, I am satisfied with my experiences using self-service technologies at my bank.					
---	--	--	--	--	--

**Section C: Interpersonal Service Scape**

Please indicate the extent to which you agree with the following statements by ticking (√) once, using the options provided: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly Agree.

	1 (Strongly disagree)	2 (Disagree)	3 (Neutral)	4 (Agree)	5 (Strongly Agree)
The waiting time in queues at my bank is reasonable.					
I am highly satisfied with the quality of interactions I have with the bank staff.					
I have often felt compelled to compliment the bank staff for their excellent service.					
My inquiries or issues are					

usually resolved during my initial interaction with the bank staff.					
---	--	--	--	--	--

**Section D: Remote service scape**

Please indicate the extent to which you agree with the following statements by ticking (√) once, using the options provided: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly Agree.

	1 (Strongly disagree)	2 (Disagree)	3 (Neutral)	4 (Agree)	5 (Strongly Agree)
The response time for my remote inquiries is usually fast and satisfactory.					
I am satisfied with the quality of remote interactions I have with my bank.					
Most of my issues or inquiries resolved through remote channels meet my satisfaction.					
I seldom					

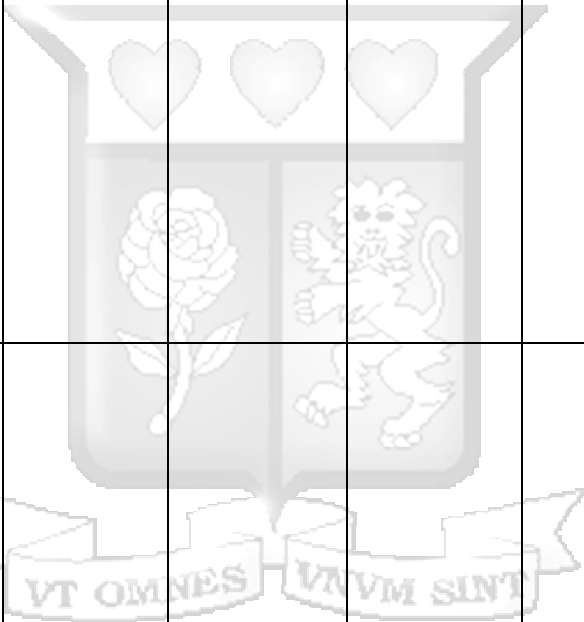
abandon my inquiries because of unsatisfactory responses or long wait times in remote channels.					
I am likely to recommend my bank's remote services to friends and family based on my experience.					

**Section E: Customer Satisfaction**

Please indicate the extent to which you agree with the following statements by ticking (√) once, using the options provided: (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, and (5) Strongly Agree.

	1 (Strongly disagree)	2 (Disagree)	3 (Neutral)	4 (Agree)	5 (Strongly Agree)
I am generally satisfied with the entirety of interactions and services provided by the bank.					
I find the					

<p>customer service at the bank to be effective, responsive, and it adds a personal touch to my banking experience.</p>					
<p>I feel that the value I receive from transactions with the bank is fair and meets my financial needs.</p>					
<p>Conducting transactions with the bank is straightforward and user-friendly.</p>					
<p>My overall perception of the bank, including its trustworthiness and reliability, is positive.</p>					



## **Appendix C: Sampling frame**

**The researcher will undertake the following actions to develop the sampling frame:**

1. **Compile a List of Tier One Banks in Nairobi County:** The researcher will start by gathering information on all tier one banks operating within Nairobi County. This information will be sourced from the Central Bank of Kenya (CBK) or available banking sector reports to ensure accuracy and completeness.
2. **List Bank Branches:** For every tier one bank identified, the researcher will compile a detailed list of its branches across Nairobi County. This list will include the name and location of each branch, taking into account geographic diversity to enhance the representativeness of the sampling frame.
3. **Acquire Customer Lists:** Adhering to ethical and legal standards, the researcher will seek to obtain lists of customers from each bank branch. This process will involve negotiating with the banks, emphasizing the academic nature of the research and the strict observance of confidentiality and data protection laws.
4. **Create the Sampling Frame:** The researcher will merge the customer lists from all tier one bank branches in Nairobi County into a unified sampling frame. This frame will anonymize individual identifiers and, where allowed and available, incorporate relevant demographic information of the customers.
5. **Implement the Sampling Methodology:** Employing simple random sampling, the researcher will select 384 respondents from the sampling frame. Random selection methods will be used to ensure every customer in the frame has an equal opportunity to be chosen.
6. **Make Adjustments Based on Ethics and Practicality:** The researcher will rigorously follow ethical guidelines, particularly in terms of participant consent and privacy. The sampling frame will be adjusted as necessary to manage non-responses or challenges in contacting selected individuals, maintaining the integrity and ethical standards of the research process.



## Appendix D: ETHICAL Approval



9<sup>th</sup> April 2024

Mrs Muiyuro Mary,  
mary.muiyuro@strathmore.edu

Dear Mrs Muiyuro,

### **RE: The Impact of Servicescape on Customer Satisfaction: A Study of Tier One Banks in Nairobi County**

This is to inform you that SU-ISERC has reviewed and approved your above SU-masters research proposal. Your application reference number is SU-ISERC2140 /24. The approval period is from 9<sup>th</sup> April 2024 to 8<sup>th</sup> April 2025.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Ambrose Rachier".

**Mr Ambrose Rachier,**  
Chairperson; SU-ISERC



## Appendix E: NACOSTI Approval

 <b>REPUBLIC OF KENYA</b>	 <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
<b>Ref No: 846853</b>	<b>Date of Issue: 17/April/2024</b>
<b>RESEARCH LICENSE</b>	
	
<b>This is to Certify that Ms. Mary Wambui Muiyuro of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: THE IMPACT OF SERVICESCAPE ON CUSTOMER SATISFACTION: A STUDY OF TIER ONE BANKS IN NAIROBI COUNTY for the period ending : 17/April/2025.</b>	
<b>License No: NACOSTI/P/24/34744</b>	
<b>846853</b>	
<b>Applicant Identification Number</b>	<b>Director General</b>
	<b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
	<b>Verification QR Code</b>
	
<b>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</b>	
<b>See overleaf for conditions</b>	