

CHAPTER 6: CUSTOMER RELATIONSHIP

6.1 Introduction of the Unit of Learning/Unit of Competency

Customer relations is a unit of competency covered in TVET level 6 banking and finance course qualification. This unit specifies the competencies required to manage customer relationship. It involves managing customers' communication, segmenting bank customers, inducting customer into loyalty program and monitoring customer satisfaction. The significance of customer relations to TVET level 6 banking and finance curriculum is to equip learners with knowledge and skills to demonstrate computer packages skills, bank operational procedures, legal operating environment, banking policies and procedures and customer service so as to fit well in the workplace.

The critical aspects of competency to be covered include demonstrated ability to manage customers communication, segment customers, induct customer loyalty programmes and monitor customers satisfaction. The basic resources required include computers, phones, stationery, furniture and customer database.

The unit of competency covers 4 learning outcomes. Each of the learning outcome presents; learning activities that covers performance criteria statements creating trainees an opportunity to demonstration competencies stipulated in the occupational standards and content in curriculum. Information sheet provides; definition of key terms, content and illustration to guide in training. The competency may be assessed through written test, demonstration, practical assignment, interview/oral questioning and case study. Self assessment is provided at the end of each learning outcome. Holistic assessment with other units relevant to the industry sector workplace and job role is recommended.

6.2 Performance Standard

Customer's communication, bank customers, customer loyalty program, and customer satisfaction as per organizational service charter, customer service charter, and the nature of customer.


6.3 Learning Outcomes

6.3.1 List of Learning Outcomes

- a) Manage customer's communication
- b) Segment bank customers
- c) Induct customer loyalty programmes
- d) Monitor customer satisfaction

6.3.2 Learning Outcome No. 1: Manage Customer's Communication

6.3.2.1 Learning Activities

Learning Outcome No. 1: Manage Customer's Communication	
 Learning Activities	Special Instructions
1.1 Develop communication strategy as per organizational service charter	Oral assessment
1.2 Identify Communication channels as per the customer service charter	Written assessment
1.3 Develop communication content as per nature of the customer	
1.4 Develop Feedback mechanism as per customer service charter	

6.3.2.2 Information Sheet NO6/LO1: Managing Customer's Communication



Introduction

This learning outcome covers; defining communication, channels of communication, communication process, importance of effective communication, storage of communication records, confidentiality of communication process and records.

Definition of key terms

Communication channels: These are means through which information is sent from the sender to the receiver.

Service charter: It is a written scheme that shows how an organization aims to work with its clients providing guides into how a firm operates.

Feedback mechanism: This is a repetitive system where it responds to a sent message.

Communication: It is the transfer of ideas and information from the sender to the receiver with the aim of getting feedback from the receiver.

Communication strategy: It is a policy to accomplish communication objectives

Content/Procedures/Methods/Illustrations

1.1 Communication strategy is developed as per organizational service charter

Customer charter as a tool is used for instilling confidence in customers and establishing a commitment to healthy interpersonal relationship which is an effective way to develop a communication strategy within an organization.

The following are the principles implemented by customer service charter:

- Identification of channels of communication
- Response plan to customer's compliments and complaints formulation
- Customer feedback considerations

Importance of communication strategy

- Ensures good inter-personal relationship.
- Facilitates unity of authority.
- Ensures media channels are identified and the impact of them to employees and customers.
- A good communication strategy helps to maintain a good organizational image.
- It enhances motivation from the highest level of management to the lowest since information is shared equally across the firm.

Examples of communication strategy

- **Communication plan.** It is a blueprint of how exchange of ideas and information approach will be achieved, adding in time plan and roles.
- **Target audience.** It is anyone a person seeks to communicate with as part of the communication approach. It may include customers, target market or stake holders.

Ways to develop a communication strategy

- Setting communication objectives
- Developing key messages for target audience
- Establishing a time schedule/plan
- Identifying media channels
- Identifying and selecting strategic approaches in relation to communication

1.2 Communication channels are identified as per the customer service charter

Communication channels are the ways through which personnel in a firm exchange ideas and information. Hence, complicated information/messages need richer means of communication that ease synergy to ensure clarity.

Ways to identify a good communication channel

- Experimenting with new communication channels to test if they are of benefit to the firm and if they ensure organizational objectives are met.
- Performing a communication feasibility/ viability.
- Channel options evaluation and selecting the channel mix that is appropriate communication objective and target audience.

Channels of communication

There are several channels of communication, these include:

- Broadcast media
- Electronic communication
- Written communication
- Face to face communication
- Mobile channels

Broadcast media communication

This is a type of channel that is used when addressing mass audience. They include television, radio, blogs, websites, advertisements, loud speakers etc. For example, a firm seeking to inform customers of a new or recommended product, may advertise using a broadcast channel so as to reach the targeted audience.

Importance of broadcast media communication

- It is an effective communication channel when an organization needs to address mass customers about a product or service.
- Broadcast media provides messages/information that can educate the target audience more so the clients/customers

Limitations of Broadcast Media Communication

- Maintenance cost of broadcast media is high as compared to written communication.

Electronic communication

Electronic communication is a type of media channel that can be used for individual to individual, group or mass audience. Care must be taken when establishing information with precision so as to avoid the use of irony/sarcasm. Electronic communication may also be defined as the medium of communication through which information is sent and received via computers, internet etc.

Importance of electronic communication

- Since electronic communication involves the use of laptops and mobiles, there is movability of information and ideas therefore facilitating message mobility.
- Majority of electronic communication have a storage capacity and therefore, a person may save his/her information for future retrieval.

Written communication

It is a type of communication channel that uses paper to send and receive information in writing.

Importance of written communication

- Written communication is durable in life span as compared to electronic communication since electronics may face faults which may affect communication.
- Since the messages/information stored in written form is permanent, it is not prone to distortion.
- It is an effective monitoring and controlling tool in an organization.

Disadvantage of written communication

- Since it is manual, it may consume time to communicate with other personnel.

Face to face communication

This is direct individual to individual exchange of ideas and information.

Importance of face to face communication

- Since it is a direct communication, there is assurance of feedback from both sides of communication (senders and receivers).

Mobile channels

Not different from electronic communication which uses media like mobile phones and laptops.

1.3 Communication content is developed as per nature of the customer

Nature of the customer in relation to good communication system assumes that customers are positive and helpful by nature. They do not come to the organization as neutral parties but rather are consumers of service and products hence coming from perspective of connection, knowledge and skills.

Social styles that group customers according to their behavioral styles

- **Responsiveness.** Ways in which customer express their feelings when communicating with others.
- **Assertiveness.** It is the degree we affect others.

Content is the fact and figures, ideas and opinions that are transmitted through communication media

How to create (develop) content in relation to communication

- i. **Content brainstorming:** Ensuring the person establishing the brainstorm has access to flip charts to capture essential words and explanation that can be used in the content.
- ii. **Draft content refining:** Refining the draft version of the content by rechecking them with the following questions:
 - a) If they support communication objectives
 - b) If they motivate the target audience

- iii. **Testing finalizing content:** Testing the content to ensure that they conform to internal and external target audience and also incorporating the feedback from the target audience so as to finalize the content.

Barriers to effective communication

- Physical disabilities. For example, hearing and speech problems
- Cultural differences
- Lack of attention and interest
- Emotional barriers

Overcoming barriers

- Giving constructive feedback
- Use of simple language
- Active listening

Communication process

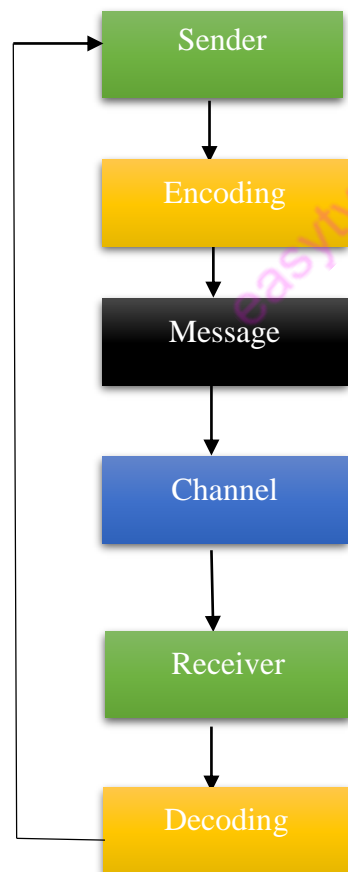


Figure 25: Communication process

- a) **Sender:** This is the personnel who starts the conversations and is responsible for transmitting the message.
- b) **Encoding:** It is the process initiated by the sender where he/she uses specific words or symbols in the message to be sent.
- c) **Message:** Combination of words, symbols, group of characters, ideas to be sent.
- d) **Channel:** It is the medium through which the sender uses to transmit the message to the receivers.
- e) **Receiver:** This is the recipient of the message sent.
- f) **Decoding:** It is the process of converting the encoded message from the sender so as to be understood by the receiver.
- g) **Feedback (output):** Once the receiver decodes the message and understands the communication chain is complete.

Importance of effective communication

- Increases efficiency. When communication is done poorly, it affects efficiency and also quality of work.
- Facilitates coordination. Good communication enables the manager to coordinate his/her employee.
- It facilitates a good flow of unity of authority from the high level management to the lowest.
- Basis of good decision making. Good communication brings about ideas, thoughts and information to the high level management which is useful for making decisions within the firm.
- Provides good interpersonal relationship between managers and employees.

1.4 Feedback mechanism is developed as per customer service charter

Ways to develop effective feedback mechanism

- **Two-way system:** Communication system should always encourage dialogues across all levels of management within the organization.
- **Acknowledging:** If the employees or customer's contributions are heard and acknowledged, it enhances good feedback mechanism.
- **Anonymity:** This means where customers can anonymously ask questions. It creates a comfort level among customers and employees to be able to communicate freely.

Process of feedback

- i. Understanding the encoded message.
- ii. If not understandable, clarification is requested and questions are asked.
- iii. When clarified, message is understood as it was originally intended.
- iv. Reaction of the sender is conveyed.

Types of feedback

- **Positive feedback:** Kind of output that is satisfactory to the sender.
- **Negative feedback:** Sent when the message cannot be understood by the receiver.

Effective feedback need not be:

- Specific
- Informative
- Bearing right attitude

Conclusion

This learning outcome covered; defining communication, channels of communication, communication process, and importance of effective communication, storage of communication records, confidentiality of communication process and records and feedback mechanism.

Further Reading



1. Read and make notes on storage of communication records and confidentiality of communication processes and records.
2. Read and make notes on barriers of communication as per the nature of customer.

6.3.2.3 Self-Assessment



1. Which of the following is not one of the steps in communication process?
 - a) Decoding
 - b) Encoding
 - c) Feedback
 - d) Networking
2. The following are channels of communication except?
 - a) Face to face
 - b) Mobile communication
 - c) Written communication
 - d) Television communication
3. The following are types of feedback except?
 - a) Output
 - b) Positive feedback
 - c) Negative feedback

4. Is encoding and decoding done by the sender?
 - a) Yes
 - b) No
5. Is electronic communication different from mobile communication?
 - a) Yes
 - b) No
6. Elaborate the meaning of communication strategy.
7. State two importance of face to face communication.
8. Identify types of feedback.
9. Summarize communication plan.
10. State three types of communication channels.

Oral Assessment

1. How would you describe effective communication?
2. How important is a good feedback to the sender?

Case Study Assessment

Dan, a manager at Wamkufu Company needs to train his staff members on how to establish effective communication on the customers to ensure good interpersonal relationship between the employees and the customers.

- a) As the manager, how can this be implemented?

6.3.2.4 Tools, Equipment, Supplies and Materials

- Writing materials
- Projector
- Computer
- Flip chart/white board
- Stationaries
- Furniture
- Phones
- Laptops

6.3.2.5 References




Agus, A., & Hassan, Z. (2010). The Structural Influence of Entrepreneurial Leadership, Communication Skills, Determination and Motivation On Sales and Customer Satisfaction

Baumgartner, F.R., & Jones, B.D. (2002). Positive and Negative Feedback

Hargie, O.(Ed.). 2006.The Handbook of Communication Skills

6.3.3 Learning Outcome No. 2: Segment Bank Customers

6.3.3.2 Learning Activities

Learning Outcome No. 2: Segment Bank Customers	
 Learning Activities	Special Instructions
2.1 Classify customers as per bank policy 2.2 Assign customer's products as per bank policy 2.3 Recognize customers as per product type 2.4 Inform customers on their segment as per bank policy 2.5 Obtain customer feedback on their segment as per bank policy	Group discussions Lecture method Field excursions

6.3.3.2 Information Sheet No.6/LO2: Segment Bank Customers



Introduction

This learning outcome covers; importance of customer segmentation, basis of customer classification, recognition, importance of recognition, types of recognition, process of serving the bank customers, segmentation is very important to ensure that each particular need is effectively met.

Definition of key terms

Product: It is a manufactured or produced material for sale by a business entity and in this case a bank.

Segment: This refers to a group of individuals who share common features and are grouped together for marketing needs by the bank. Each group is unique and different from the rest.

Content/Procedures/Methods/Illustrations

2.1 Customers are classified as per bank policy

Customer classification is the grouping of customers such that those with similar features belong to one distinct group. They are categorized according to the details they give to the bank. Each client making a transaction in a bank on the financial products is given any of the following categories;

- a) **Retail customers:** These are the majority of the bank's customers who receive the general and broad protection cover from the bank.
- b) **Professional customers:** They are the clients who have the knowledge and experience on risks involved in various investments and are given narrowed protection by the bank.

- c) **Corporate customers:** These are the customers who do bulk transactions with the bank at any given time and require direct access to the bank and its management.
- d) **Eligible counterparties:** They are the bank customers who have the broadest knowledge and experience in dealing with financial instruments thus the bank gives them the narrowest scope of protection.

Importance of customer classification

Classification, which can also be referred to as segmentation, is an important market practice which helps the bank to move from 'one-size-fits-all' approach into specified personalization approach of serving its customers. Below is the importance;

- For marketing efficiency as the customers are broken down to manageable groups.
- It makes it easier to determine new market opportunities as each segment is independently served.
- It leads to better branding strategy as products are designed to meet the needs of each segment.
- It improves distribution strategies by placing products to the close access of the customers that need them.
- Enhances customer retention since customers are served to satisfaction.

Classification basis

- **Customer type:** This forms the four categories of customers who are retail, corporate, professional and eligible counterpart customers.
- **Industry of working:** Customers are classified according to the field of business they operate such as manufacturing customers, professionals such as lawyers.
- **Income level:** Here the customers are classified to their bank balances and the transactions they do. They therefore fall into retail or corporate customers.
- **Demographic factors:** Aspects such as age, education, gender and marital status can be used to classify customers thus they have customer classes such as student customers and normal working customers.
- **Customer needs:** The customers are classified according to their wants thus we can have loan customers, investor customers and general transaction customers.

2.2 Customers are assigned products as per bank policy

Customers have different consumption needs, thus the array of products assigned to them should meet their consumption needs. Product assigning therefore is done after assessing the customer needs and identified the specific products that will quench the need.

Procedure

- i. Understand customer drive:** Talk to the customers, watch how they act, conduct surveys to understand the customers and the opportunities they can be helped in.
- ii. Comprehend your value proposition:** In the market, determine the value that the customer gets after consuming the product in regard to its cost.
- iii. Determine customer segments that can yield more value:** Various customers have different perceptions of the value they receive from the bank products those that segment with high perceptions forms the segment that can yield more value.
- iv. Create a win-win price:** Set product prices according to market prevailing conditions and expectations to enhance a take situation for the customers.
- v. Focus investments on the valuable customers:** Assign the bank product to the group of customers who can yield more value according to their needs and features.

Importance of product assigning

- High value for the products is able to be derived from the placement of the products to the right customers.
- Customer satisfaction is able to be achieved, since specific group needs are met by right product assigning.
- It facilitates great market entry with new products, since customer needs are well known and new products are developed addressing their needs.

2.3 Customers are recognized as per product type

The product type that a customer consumes makes the customer be recognized for it and thus service delivery becomes easier. The bank has sections in which various customers are served as recognized. This improves efficiency.

Importance of customer recognition

- It is for easy product availability since the product that the customer is recognized with is highly made available for them at all times.
- Puts the bank at a profitable advantage than the competitors since such a recognized customer is able to do much business with the bank.
- It increases customer loyalty since the customer feels a sense of pride banking with the bank.
- It makes it easy to project customer behavior and transactions since product steps are known.
- It facilitates lead customer as the existing customer feels there is great service in the bank thus brings over friends to bank with the bank.

Types of customer recognition

- **Driver customers:** These are the dynamic and active personality clients of the bank whose motto is always “Let’s go right now!” They easily get irritated with petty issues happening within the bank. They should be professionally and humbly being handled to retain them.
- **Analyst customers:** These are the customers focused on details of the bank and their transactions. They can even tell that some cents were deducted from their account and demand for an explanation. They should be handled with data and figures to convince them.
- **Amiable customers:** These are customers with great sociability and good in making relationships. Such customers go along well with everybody and are easy to serve and retain for the bank. They can however be difficult to formally deal with and since they are informal.
- **Expressive customers:** These are the emotional type of clients who have high positive energy and always love to be accorded great attention. They can easily lose focus from business talks as they are being served thus as a banker you should serve them by politely reminding them to stay on course of the business talk.

2.4 Customers are informed on their segment as per bank policy

Despite the fact that it is not obligated to the bank to inform each customer on the segment they belong to, it is important as per bank policy to inform the customers of their segments. This comes along with the explanation of the benefits attached to each segment such that if such a customer decides to belong to a different classification, he/she is aware of what it entails.

Instances of when to inform customers of their segment

- **At customer enrollment stage:** When the customer is signing up to become the bank’s customer, they can be informed of their segment as per the information they have been provided. It is the most appropriate stage.
- **When serving the customer:** The customer can find themselves in a different section of the bank for service. They can be informed of their segment and be directed where they can be served better.
- **During customer centrist sessions:** Annually, financial institutions have customer centrist exercise thus during that exercise the banker should interact with their customers and inform them of their segments.

Importance of informing customers of their segments

- Facilitates orderly service for the customer at the right section of the bank.
- Enhances customer involvement in the process of sharing such information.
- Builds customer confidence by knowing where they belong in the bank and their level of recognition.
- Customer knowledge is increased as such details are shared with the client and other necessary details.

2.5 Customer feedback on their segment is obtained as per bank policy

Customer feedback is important in determining the gaps of services and products offered by the bank. When feedback is obtained effectively, necessary adjustments are able to be made to better serve the customers. Channels of obtaining feedback should therefore be developed and put to use to obtain the right feedback at the right time.

Ways of obtaining feedback

- a) **Engaging the customers:** Talking to the customers and asking them about the bank products can give the right feedback.
- b) **Evaluation of the segments:** The customer segments can be scanned to determine the results of the product offering thus feedback.
- c) **Making use of feedback channels:** Feedback points such as suggestion boxes should be put to use to obtain feedback.
- d) **Inferences from customer behavior:** Feedback can be deduced from the way the customers behave and act towards a certain bank product.

Importance of customer feedback obtaining

- Helps to rectify deviations existing in bank products.
- Enhances customer service delivery as problems are identified and ironed out.
- It shows that customers actually are making use of the bank products.
- Proves to the customers that their grievances are considered once the feedback has been worked on.

Conclusion

This learning outcome covered; importance of customer segmentation, basis of customer classification, (customer type, industry, income level, demographical factors, customer needs), recognition, importance of recognition, types of recognition, process of serving the bank customers, segmentation is very important to ensure that each particular need is effectively met.

Further Reading



1. Read on customer service by Shire, K. Holtgrewe, U. & Kerst, C. (2017). Re-organizing customer service work: an introduction. (*In re-organizing service work; Call centers in Germany and Britain*) (pp. 1-16). Routledge.

6.3.3.3 Self-Assessment



Written Assessment

1. Which of these is not a customer classification?
 - a) Retail customers
 - b) Corporate customers
 - c) Loan customers
 - d) Professional customers
2. Which is not a basis for customer classification?
 - a) Customer type
 - b) Demographic factors
 - c) Customer needs
 - d) Customer banking history
3. Which of these is a benefit of customer classification?
 - a) It leads to better strategies of product branding
 - b) It helps to know each customer by name
 - c) It is a management directive that has to be done
 - d) It helps the customer to get large amounts of loans
4. Which of these is not a demographic factor required by banks?
 - a) Education
 - b) Age
 - c) Gender
 - d) Health status
5. Which of the following is not a type of customer according to recognition?
 - a) Driver customer
 - b) Amiable customer
 - c) Nominal customer
 - d) Analyst customer
6. When is the best instance to inform the customer of their segment?
 - a) At the enrollment stage
 - b) During customer centrisms sessions
 - c) When serving the customer
 - d) On the way when you meet him/ her
7. Elaborate on the importance of customer classification
8. Analyse the procedures of assigning bank products to customers
9. Summarize the importance of product assigning to customers.
10. Discuss the importance of customer recognition to the bank.
11. Highlight the ways of obtaining customer feedback

Oral Assessment

1. How do we assign customer product?
2. What are the four types of customer according to customer recognition?

Practical Assessment

Students to visit a local bank and learn how the bank has segmented its customers and how each section serves its segment. Then try to find out the features of each segment and what makes them be in one common segment.

6.3.3.4 Tools, Equipment, Supplies and Materials

- Writing materials
- Projector
- Computer
- Flip chart/white board
- Stationaries
- Furniture
- Phones


6.3.3.5 References



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- Shire, K. Holtgrewe, U. & Kerst, C. (2017). Re-organizing customer service work: an introduction. (*In re-organizing service work; Call centers in Germany and Britain*) (pp. 1-16). Routledge.

6.3.4 Learning Outcome No. 3: Induct Customer Loyalty Program

6.3.4.1 Learning Activities

Learning Outcome No. 3: Induct Customer Loyalty Program	
 Learning Activities	Special Instructions
3.1 Identify loyal customers as per banking policy 3.2 Inform Customers of the loyalty programme as per banking policy 3.3 Register loyal customers in loyalty programme as per banking policy	Written assessment Presentation

6.3.4.2 Information Sheet No. 6/ LO3: Induct Customer Loyalty Program



Introduction

This learning outcome covers: define loyalty programs, importance of loyalty, loyalty level measurement tools, loyalty level determination process, pros and cons of the loyalty program.

Definition of key terms

Loyalty programme: It is a programme run by an organization or business with an aim to provide additional benefits to their frequent customers. The benefit may be discounts for the products. Loyalty programmes aim to maintain customer retention as well as attract additional customers.

Banking policy: These are procedures that are applied by the bank to run its operations. They differ from bank to bank however they must be within the regulations of the Central Bank of Kenya (CBK).

Content/Procedures/Methods/Illustrations

3.1 Loyal customers are identified as per banking policy

Loyal customers are customers who have regularly purchased different products provided by the bank.

Loyalty level determination

- Identify the reasons of carrying out the loyalty assessment.
- Identify categories of the customers that the bank would wish to establish loyalty level.
- Draft questionnaires with a few questions. For example:
 - a) How much have you transacted for the specified period e.g. year?
 - b) For how long have you been a customer to the bank?
 - c) What product have you purchased from the bank in the past years?

- Issue the questionnaires.
- Assess the customers' level of satisfaction by analyzing the questionnaire.

Importance of loyalty programmes

- The bank may carry out loyalty programmes to increase business. This means the programme can attract new customers because of benefits for instance free products that come with it.
- The banks may improve sales. If the programmes being carried out has a discount offer, then more sales will occur as the customers will utilize the chance of making purchases in the bank at the lower price.
- When loyalty programmes are carried out the relationship between the bank and the customers is strengthened. This means the closer the bank is to its customers the higher the chances of customer retention.
- The programme may make the customer keep coming back to transact with the bank. This happens when the programme is centered on the number of transactions done by the customer. For instance, a customer may accrue more benefits each time they make a deposit or a withdrawal.
- The bank is able to gather more data on marketing from loyalty programmes e.g. new customer preference or gap in the market.
- Through loyalty programmes the bank may engage in corporate social responsibility (CSR). This is beneficial to the whole society e.g. making a charity donation in the name of the most loyal customer.
- Loyalty programmes, makes the bank be in a competitive edge. This means that the bank that engages in these programmes is known by the public and appears more appealing than other banks.

3.2 Customers are informed of the loyalty programme as per banking policy

The bank should ensure that all customers are aware of the programme. This can be achieved through advertisement on the media or billboards.

Pros of a loyalty programme

The aim of loyalty programme is to ensure that the customers are satisfied. The following are the benefits of a loyalty programme.

- Loyalty programmes assists to retain good customers. This means that customers will not be contemplating to moving to the competitors.
- Loyalty programme assists to scale out unwanted customers. This happens because the process of identifying customers to participate in the program is done diligently.
- Most of loyalty programme are advertised to reach the bank customers, when this happens other potential customers hear about the bank hence creating a wide brand awareness.

- The customers who experience and participate through this programme may put in a good word for the bank to their family and friends, hence trying in new customers.
- When loyalty programme are carried out frequently it improves the level of engagement between the bank and the customers.

Cons of loyalty programme

The disadvantages of loyalty programme include:

- Carry out loyalty programme requires a lot of money to make it effective. This may be very costly for small banks.
- Customer loyalty is matter of personal choice which may tend to change from time to time.
- Loyalty programme does not guarantee that the bank will retain its customers because in the long run the customers may switch to other brands.
- Different customers have variant tastes and preferences hence it's difficult for the bank to come up with loyalty programmes that address all these needs and preferences because they have many customers.
- Carrying out a loyalty programme from the assessment stage is time consuming. Gathering data from customers to determine their level of loyalty takes time.
- Focusing all the bank resources to loyalty programmes can be detrimental to other bank operation.
- Loyalty programmes may sometimes be effective i.e. not achieving the objective that it was meant to especially when all banks engage in regular loyalty programmes.
- Digitalization of the bank system from the traditional bank system as reduced the instances that require a customer to physically visit the bank. As a result, the bank may face challenges on getting information to assess customer loyalty level.

3.3 Loyal customers are registered in loyalty programme as per banking policy

Loyalty level measurement tools

- **Net promoter score (NPS)**

NPS is a measure the chances of customer referring the bank to their family and friends.

The answers should be in a range of 1-10 as shown below.

How likely are you to recommend this bank?

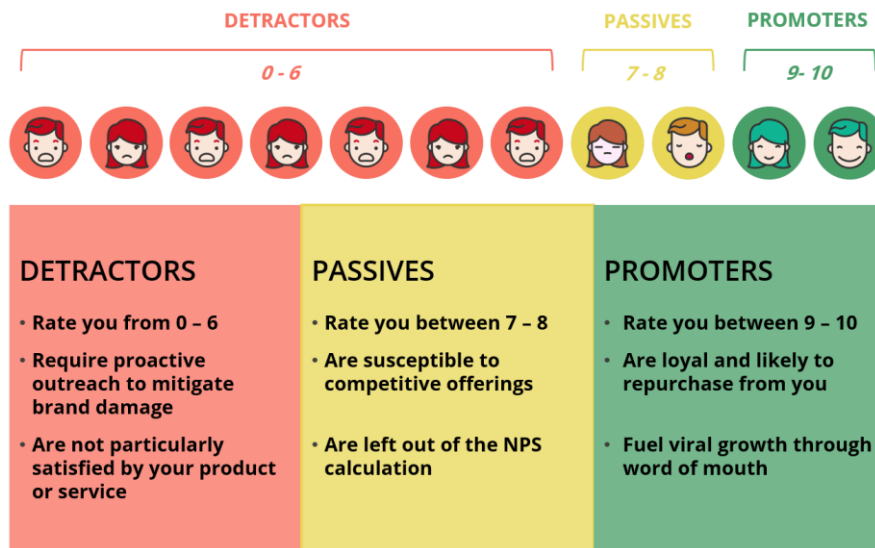


Figure 26: Net promote score

$$NPS = \text{Highest Score} - \text{Lowest score}$$

- **Repurchase ratio**

This is a ratio done for regular (repeat) customers over once time customers. It is done by dividing the number of accounts that are active by the number of dormant accounts or closed accounts over a period of time. The higher the ratio, the higher the loyalty level.

- **Upselling ratio**

This is a ratio of the number of customers that have more than one bank products e.g. they have a personal account as well as the savings accounts divided by the customers with only one bank products. The higher the ratio the better.

Importance of registering loyal customer in loyalty programme

- It encourages customer and bank relationship. The customer feels valued and appreciated.
- It improves customer relations especially where the loyalty program will take into account discounts.
- It enables the bank to have new customers in this case it means that a customer registered in a loyalty program will tell their friends and relative.
- By calculating the loyalty matrix, the bank is able to tell the loyalty level of its customers and the area of improvement.
- Through registering loyal customers to loyalty programmes hence creating public awareness and increasing more customers.

Conclusion

This learning outcome covered; define loyalty programs, importance of loyalty, loyalty level measurement tools, loyalty level determination process, Pros and cons of the loyalty program.

Further Reading



1. Read on loyalty assessment and factors hindering loyalty programme

6.3.4.3 Self-Assessment



Written Assessment

1. Which among the following are not benefits of loyalty programme?
 - a) Increased sales
 - b) No new clients
 - c) Customer retention
 - d) Makes the company known
2. What makes the bank carry out loyalty programmes?
 - a) To enhance sales
 - b) To reduce number of customers
 - c) New customers
 - d) All the above
3. Which among the following are not the tools for measuring the customer loyalty?
 - a) Down selling ratio
 - b) Upselling ratio
 - c) Net promoter score
 - d) Repurchase ratio
4. Why should the bank advertise the loyalty programme?
 - a) To inform the customers
 - b) To sell more products
 - c) To launch new programmes
 - d) To retain customers
5. Which among the following are not disadvantages of a loyalty programme?
 - a) Carry out the loyalty programme requires a lot of money to make it effective
 - b) Customer loyalty is a matter of personal choice which may tend to change from time to time
 - c) Loyalty programme does not guarantee customer retention
 - d) To encourage more sales

6. What among the following is not importance of loyalty programme?
 - a) The bank may carry out loyalty programmes to increase business
 - b) The bank may improve sales
 - c) May make customers keep coming back to transact with bank
 - d) Reduce make reach
7. Which among the following procedures of loyalty programme is not true?
 - a) Identify the reason for loyalty assessment
 - b) Identify the categories of the customers that the bank would wish to maintain loyalty with
 - c) Issue the questionnaires
 - d) None of the above
8. Outline the pros and cons of loyalty programme.
9. Analyse the measurement tools of loyalty programmes.
10. Discuss the benefits of loyalty programmes.
11. Evaluate on net promote score.

Oral assessment

1. What is customer loyalty?
2. How is customer loyalty programme importance?

Practical Assessment

Assuming you work in customer relation team of a big company in Kenya. You have been tasked by the head of customer relation to formulate a customer loyalty programme which the company intends to roll out at the end of the year. In a group of at least three, formulate the loyalty programme. Also proceed to advice the head of customer relation on the most appropriate customer loyalty measurement tools the company can employ.

6.3.4.4 Tools, Equipment, Supplies and Materials

- Projector
- Computer
- Flip chart/white board
- Stationaries
- Furniture
- Phones

6.3.4.5 References



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6.3.5 Learning Outcome No. 4: Monitor Customer Satisfaction

6.3.5.1 Learning Activities

Learning Outcome No. 4: Monitor Customer Satisfaction	
 Learning Activities	Special Instructions
4.1 Inform customers of feedback mechanism as per banking policy	Oral tests
4.2 Analyze customer feedback as standard operating procedures	Discussion
4.3 Determine course of action as per nature of the feedback	Lecture method Projects

6.3.5.2 Information Sheet No 6/ LO4: Monitor Customer Satisfaction



Introduction

This learning outcome covers; define customer satisfaction, importance of customer satisfaction, customer satisfaction matrix, customer satisfaction indices, customer satisfaction monitoring process, customer satisfaction improvement, customer satisfaction maintenance, handling dissatisfied customers and causes of customers' dissatisfaction.

Definition of key terms

Feedback mechanism: It refers to transmission of information from the recipient and back to the sender once again. Feedback mechanism ensures there is flow of information from the sender to the recipient i.e. from the banks to the customers and vice versa.

Customer feedback: This is ideas, compliments and information given by the client about a service or product.

Content/Procedures/Methods/Illustrations

4.1 Customers are informed of feedback mechanism as per banking policy

Customer satisfaction refers to the extent to which the products and services of a given firm yields experiences that exceed the expectation of the customers. It also refers to the proportion of the customers whose experiences have exceeded the underlined known or set goals by the firm. It is also the feeling of happiness in a customer when he/she interacts with the products of the firm.

Customer satisfaction plays an integral role not only in the sound growth of the firm, but also on the consumer's increased loyalty to a firm. Thus, customer satisfaction metrics is vital in the management and monitoring aspects of a given firm or firms in a given industry.

Importance of customer satisfaction

- It is a differentiation point between firms.
- It plays an integral role in the reduction of consumer churn.
- It is an indication of consumer loyalty and subsequent repurchase intention.
- It is a cheaper method of retaining customers as opposed to advertisement to obtain new ones.
- It reduces negativity about a given business through the word of mouth.
- It is an incremental strategy to the customers' lifetime value.

Why customers need to be informed of the feedback mechanism

The feedback mechanism as per the bank policy ensures that customers have an opportunity to not only vent their opinions but also to ensure the organization develop goods based on the needs of the customers. The feedback mechanism ensures there is creation of a feedback loop that warrants a bank is able to act appropriately. The feedback loop comprises of 3 aspects i.e. listen, analyse and act.

Importance of feedback to a bank

- Improvement of banks products and services based on the customer's feedback.
- The bank can measure the customers' satisfaction rate or level based on the feedback.
- The customers' feedback portrays the fact that the bank values the opinions of the customers.
- Customer feedback aids in the creation of a suitable and effective customer experience.
- The ability to improve its customer retention ability by utilizing the feedback.
- Customers' feedback forms the basis for decision-making in an organization i.e. a happy customer is a promoter.

4.2 Customer feedback are analyzed as standard operating procedures (SOPs)

SOPs denote that a customer's feedback should be addressed in a manner that it correlates with the organizations polices and regulation. A customer satisfaction metrics denotes a simple way of receiving each customers' perspective or impression about a product. Also, the customer satisfaction metrics denote the level of happiness among the customers concerning the product experience of customers. Analyzing customer feedback provides information about the degree of either;

- Satisfaction in the organisation's products and services.
- Dissatisfaction in the product line.

- Desire for the forms prosperity i.e. providing measures for improvement in current operational trends.

Importance of analyzing customer feedback

Analyzing customer feedback helps in identifying;

- Concerned and satisfied customers
- Customers who are concerned and not satisfied m
- The needs that the firm has not addressed
- Customers who are neither concerned nor satisfied
- Customers who are not concerned but are satisfied

The customers' satisfaction matrix groups customers into 4 categories;

Table 15: Customers' satisfaction matrix

<p>Concerned and satisfied customers Contains customers holding a great concern yet they dissatisfied by the product.</p>	<p>Concerned and not-satisfied customers Contains customers who are concerned about the product quality and are not satisfied. The customers may need valuable feedback and attention about the product.</p>
<p>Not concerned and satisfied Contains customers who are not concerned about the quality of the product but are satisfied.</p>	<p>Not concerned and not satisfied Customers are not satisfied neither are they concerned about the quality.</p>

Customers' satisfaction indices

A customer satisfaction index refers to the combination of a customer's survey scores taken from different aspects. The scores are then used in the creation of a single index that underlines the overall customers' satisfaction. Customer satisfaction index is based on the fact that satisfied customers have a higher likelihood of purchasing goods/ services repeatedly as well as being loyal to a particular brand.

Customer satisfaction monitoring process

Monitoring the level of customers' satisfaction is the most important aspect of a firm as far as its growth and financial success is concerned. Besides, customer monitoring process helps to reduce the probability of getting negative results in a business.

Steps of measuring and monitoring customer satisfaction process

- Surveying customers- this can be done through emails, phones class etc.
- Understanding expectation. Understanding what the customers want based on services and products
- Find out where the business is failing. Areas where the firm is not fulfilling obligation effectively
- Assess competition
- Measurement of emotional aspect

- vi. Loyalty measurement
- vii. Determine intentions to repurchase
- viii. Feedback cards

4.3 Course of action is determined as per the nature of the feedback

The nature of feedback provided by customers can either be:

- Approval of quality product and services.
- Disapproval of the quality of product and services.
- Recommendation on what should be done in future.

Determining the course of action plays an integral role as it:

- Ensures customer needs are addressed.
- Determines the most economic and viable method of addressing the needs without incurring substantial costs.

The feedback obtained from customers necessitates decision a firm or a bank will depict in ensuring it maintains or improve its profitability. Feedback may prompt either;

- Customer satisfaction improvement.
- Customer satisfaction maintenance.

Customer satisfaction improvement is undertaken when the customers underline dissatisfaction with the quality of the products and services provided by a given firm. The basis for determining the low level of quality of products may be due to their own expectation or the products and services of competitor firms being superior compared to those offered by the firm. Hence, the firm may opt improvement measures such as:

- Tracking feedbacks.
- Rewarding employees as a motivation to perform better.
- Lower customers' efforts to reaching out to the management.
- Setting expectations and following through.
- Making the company culture alive.
- Offering trade discounts.

Customers' satisfaction maintenance entails providing good customer service either through support and maintenance to the customers.

Customers' satisfaction maintenance can be done through:

- Improving the level of employee's professionalism.
- Following up with customers.
- Improving the quality of the brand.
- Being charitable.
- Personalizing the market.
- Creating social media concepts.
- Being empathetic to the customers and employees and being responsive.

Customer satisfaction is an integral tool in driving the business towards profit maximization. Since a happy employee leads to a happy customer as in the event that the employees are satisfied in their activities, they ensure that by loving the firm, other people also love the brand as well. However, there are cases whereby a firm may have to handle the dissatisfied customers whom regardless of the employees being happy, they may have a distaste for the firms' products and services.

Causes of customer dissatisfaction

- Poor quality products
- Incompetent employees
- Delays on provision of services
- Lack of goods and services at the time of need
- Overpricing of goods and services

Steps in handling dissatisfied customers

- i. Remain calm-especially in instances where the customers start yelling and being rude
- ii. Do not take allegations or comments by the customers personally
- iii. Actively listen to the views of the customer
- iv. Actively empathize
- v. Apologize gracefully
- vi. Find an astute solution to the concerns of the customers
- vii. Identification of a dissatisfied customer entails using surveys to some extents.

Conclusion

This learning outcome covered; define customer satisfaction, importance of customer satisfaction, customer satisfaction matrix, customer satisfaction indices, customer satisfaction monitoring process, customer satisfaction improvement, Customer satisfaction maintenance, handling dissatisfied customers.

Further Reading



1. Read more on emerging issues in monitoring customer satisfaction.
2. Study more on role of loyalty cards in customer satisfaction management.

6.3.5.3 Self-Assessment



1. The following are true about customer satisfaction except one. Which one is it?
 - a) A happy employee means a happy customer.
 - b) A happy customer is a promoter.
 - c) Customers can be happy without the employees being happy.
 - d) Customers' satisfaction brings positivity about a business.
2. Which among the following shows the correct feedback loop?
 - a) Act → Listen → Analyse
 - b) None
 - c) Analyse → Act → Listen
 - d) Listen → Analyse → Act
3. Which one is the true about a happy customer?
 - a) He remains loyal to the brand under consideration
 - b) He is bitter and ungrateful.
 - c) Apologizes for a poor-quality product.
 - d) None.
4. Which among the following is true about the customer who is not concerned?
 - a) They hold a great concern about the product of the firm.
 - b) They are not satisfied neither are they concerned about the quality of the product.
 - c) Are concerned about the products but are not satisfied.
 - d) Are not concerned about the quality of the products but they are satisfied.
5. Three of the following are customers' satisfaction improvement measures. Which one is not?
 - a) Rewarding employees
 - b) Tracking feedback
 - c) Referring them to another business entity.
 - d) Offering trade discounts.
6. Why is a feedback important to a bank?
 - a) It helps in the improvement of the bank's products and services.
 - b) It helps in mergers and acquisition of other banks.
 - c) It serves as collateral.
 - d) None of the above.
7. A banking policy comprises of all the following except?
 - a) Employee satisfaction maintenance
 - b) Account opening criteria.
 - c) Serving specific customers all the time
 - d) Adequate feedback mechanism
8. Enumerate the role of technology in identification of dissatisfied customers.
9. Identify the need for feedback mechanism among customers in the banking sector.

10. Outline the steps in monitoring customer satisfaction.
11. Elaborate on the notion that “a happy customer is a promoter.”
12. Outline differences between customer satisfaction improvement and customer satisfaction maintenance.

Oral Assessment

1. What is consumer satisfaction? How can one tell that a customer is satisfied with the products and services of a business entity or brand?
2. Why is it important to monitor customers’ satisfaction?

Case Study Assessment

Sylvia, a bank manager at Equity bank has realized that there is a large number of customers who peep through the door and leave without making an entity into the banks. Also, some of the customers have engaged the tellers in altercation over their slow nature in serving the customers with some opting to go to dire extents such as engaging in fists with the guard in the bank. Advice Sylvia on:

- a) How to determine the root-issue of the change in behavior of the customers?
- b) How can Sylvia ensure the customers are happy and believe in the banking activities?
- c) What changes would you put in place to improve the customer experiences is in the banking hall?

6.3.5.4 Tools, Equipment, Supplies and Materials

- Projector
- Computer
- Flip chart/white board
- Stationaries
- Furniture
- Phones

6.3.5.5 References



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- Hill, N., & Alexander (2017). The Handbook of Customers Satisfaction and Loyalty Measurement. London. Routtege