

The Effects of Customer Service on the Development of E-Commerce at Kenya Commercial Bank Eldoret Branch

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Abstract

Unprecedented growth of e-commerce is now pushing traditional business to transform into e-commerce to speed up business transaction, retain the loyalty of customers and reduce customers' time and effort in shopping. However to harness the real impact and benefits of e-commerce the manager of any organization must institute practical measures and implement good customer service. The concept of customer service on electronic commerce is a relatively new challenging area to researchers and managers. Hence this research sought to examine customer service and its effects on the development of electronic commerce at Kenya Commercial Bank Eldoret Branch. Descriptive research design was employed. The target population was 15,030 customers who were account holders of Kenya Commercial Bank Eldoret Branch. A sample of 374 was selected using systematic sampling. The research instrument used was a 5 point likert scale questionnaire. Data was analyzed statistically. From the study findings, customer service ($r = 0.169$) had a positive relationship with development of electronic commerce. Pearson correlation value (r) were significant at 0.01 level of significance. Customer service had an effect on the development of electronic commerce with ($\beta_1 = 0.047$, P value = $0.006 < 0.05$) being positive related to the development of e-commerce. Thus the study concludes that customer service is important in ensuring an enabling environment for the development of electronic commerce. The study sought to collect information from the customer which was carried over a long period of time as it involved approaching the customers at the bank at different period of time and this resulted to repetition as some customers would be able to fill the questionnaire twice. Hence this was the limitation. The study recommended that there is need to carry out specific investigation into the various aspects building customer service standards.

Key words: Electronic Commerce, Customer Service, Development, Commercial Bank, Customer

Introduction

The principal objective of any business is profit maximization or wealth creation. To make more profit, management of the enterprise must improve on its efficiency and effectiveness in the provision of quality service or commodity to its customers. According to Turban *et al.*, (2004), electronic commerce describes the process of buying, selling, transferring, or exchanging products, services, and/or information through computer networks, principally the internet. Electronic commerce is a part of e-business and its goal is to generate profit through the various set of activities based on buying and selling principles. Electronic commerce is strongly related to the information technologies and telecommunication technologies. The banking industry as a fast growing industry is facing the challenges of electronic commerce business. Although the e-commerce basics have been well known for years, some adjustments according to the banking needs have been adopted.

According to Wenninger (1999), electronic commerce as a way of doing business has significant advantages; organizations are embracing electronic commerce as a means of expanding markets, improving customer service, reducing costs, and enhancing productivity. Efficiencies are experienced in marketing and advertising; electronic commerce makes disintermediation possible, eliminating the middleman. Other efficiencies include reduced inventory and round the clock access at no additional cost. According to Choi and Whinston (2000), e-commerce enables higher customization allowing organizations to improve customer service. A vital benefit of electronic commerce is access to global markets which enables businesses to expand their reach. In the writings of Senn (2000), the internet allows for unconstrained awareness, visibility and opportunity for an organization to promote its products and services.

According to Molla & Licker (2005), electronic commerce in developing countries especially Africa has not been sufficiently researched. The main obstacles that prevent developing countries from leveraging the internet are lack of adequate communication infrastructure, technical know-how, and information processing about the economy and

environment. The lack of adequate banking infrastructure is also considered as one of the problems faced by developing countries in building electronic commerce solutions.

According to Kandampully (1997), one of the greatest challenges confronting organizations recently is fierce competition, and the continuous increase in customer expectation. Customers are day by day becoming more critical towards the quality of service they experience. Now the criterion for long term sustainability and success of any business is subsequently determined by an organization's ability to develop, maintain, and continuously improve customers' loyalty: to fulfill customers' present needs, to forecast prospective needs, and to upgrade the ongoing relationship. There is a tendency that quality services provided to customers is still low. Thus this study explained the relationship of customer service on the development of electronic commerce. The research focused on KCB because it is the bank that has adopted e-commerce in its transactions and is a potentially lucrative market for e-commerce services.

MATERIALS AND METHODS

The study area was Eldoret which is situated in Uasin Gishu County. The town has various banking networks being composed of a number of local and international branches. Eldoret town has a total of twenty eight commercial banks branches among them the Kenya Commercial Bank located within the central business district providing Electronic Commerce services.

Research Design

A descriptive research design was used in the study. It is important because it finds out what and why a problem exists. Descriptive design is popular as it allows the collection of a large amount of data from a sizeable population.

Target Population

The target population of the research comprised of Kenya Commercial Bank Eldoret branch customers as the key respondents for the quantitative data collection process and were roughly estimated to be 15,037 on September 2011 according to the Human Resource Department of the organisation. A sample size of 374 was systematically selected from the total population. KCB was selected as a unit of analysis as opposed to other banks because it is an ideal bank offering electronic commerce services and being that KCB has two branches in Eldoret town the researcher settled on the main branch and not the Uganda branch because it is more accessible to the researcher and it was ideal as it is a representative of the problem under study.

RESULTS

Demographic characteristic

Socio-demographic data for the participants of the study was collected and analyzed in order to give a clear understanding of the persons involved in the study. The participants were mainly persons who bank and carry out other transaction with Kenya Commercial Bank (KCB) Eldoret branch. The male to female ratio of the respondents was 52% to 47% respectively which indicates that both genders were fully involved in the study. Most of them were between ages 20 to 30 years and had carried out transactions with the bank for at least 1 to 5 years. A clear illustration of these results is given in Table 1 below:

Table 1: Sample profile of Customers at KCB

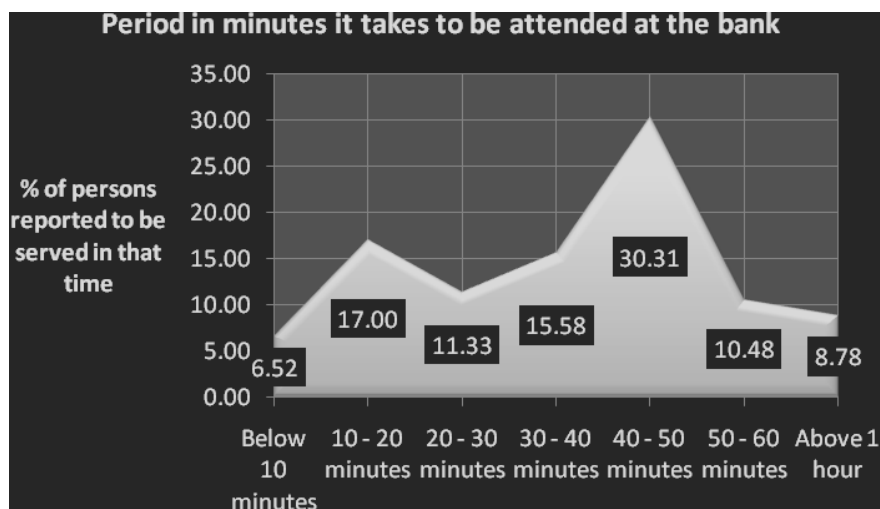
Background Characteristics	Percentage :	
	In this category	Frequency
Gender		
Male	52.97%	187
Female	47.03%	166
Age bracket		
20-30	60.91%	215
31-40	30.31%	107
41 years and Above	8.78%	31
Duration at KCB		
Below 6 months	18.70%	66

1-5 years	66.57%	235
6-10 years	12.46%	44
11-15 years	1.13%	4
Above 16 years	1.13%	4

Source: Survey Data, 2011

Customers visit the bank to be served and therefore it was important to examine time spent in acquiring these services. Out of the total respondents, 30.31% which accounted the majority of the respondents stated that it took them approximately 40-50 minutes on any day to access the banks services or be served. A pictorial representation of the same is given in Figure 1 below

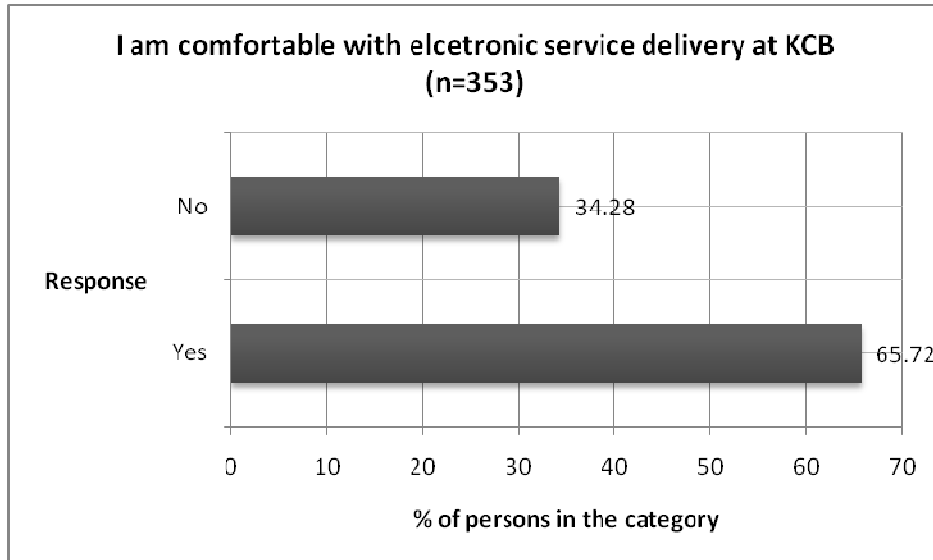
Figure 1 Time It Takes the Respondent to Be Served



Source: Survey Data, 2011

With regard to comfortability or ease of the respondent with the current level of electronic service delivery in the bank, 65.7% of the respondents were comfortable with the service delivery.

Figure 2 Comfortable With Electronic Service Delivery



Source: Survey Data, 2011

Descriptive Statistics

The descriptive statistics results for the study were the mean and variance.

Mean and Variance of Customer Service Standards at the Bank

The respondents were tasked to respond to questions related to customer service. The statement's scores were checked against a likert scale with five values. The respondent had a choice of either strongly disagreeing, disagreeing, neither, agreeing or strongly agreeing to the statements which revolved around customer service. For an ideal situation the five points gave a classical mathematical mean of 3.0. Upon examination of the data, arithmetic mean of the various responses to the statements was critically examined and related to the expected mean by examining the standard deviation to see how far the generated mean deviated from the expected mean of 3.0. It is important to note that if a generated mean tends towards 2.5 then the interpretation assumed in this study is that the participants are strongly disagreeing or disagreeing to the statement in question. Such is the case with a situation where the mean is tending towards 4.5 and 5.5, in which case the respondents will be agreeing or strongly agreeing to the statements in question. Examination of the means for the statements strongly denoting customer service levels at the bank gave an overall mean of 3.68 which tends towards 4.0. This implies that generally the participants were in agreement with the sentiments brought out by the statements on customer service. Precise results are given in Table 2 below.

Table 2 Customer Service Standards at the Bank

Statement	Mean	Standard deviation	Strongly Disagree		Disagree		Neither		Agree		Strongly Agree	
			[n]	[%]	[n]	[%]	[n]	[%]	[n]	[%]	[n]	[%]
I Experience reliable and guaranteed information	3.77	0.672	0	0	8	2.3	106	30	199	56	40	11
I Experience quick feedback on e-commerce services at the bank	3.27	0.892	0	0	75	21	137	39	111	31	30	8.5
KCB management values its customers	3.87	0.819	0	0	24	6.8	72	20	183	52	74	21
Bank uses e-business to communicate with its customers	3.28	0.899	4	1.1	67	19	137	39	117	33	28	7.9
I have received assistance on e-commerce activities at the bank	3.52	0.869	0	0	55	16	92	26	172	49	34	9.6
Technology innovation greatly improved on customer service delivery	4.37	0.662	0	0	8	2.3	12	3.4	174	49	159	45

Source: Survey Data, 2011

Of particular interest in terms of customer service was period or level of feedback on e-services at the bank and the use of e-business by the bank to communicate with its customers. These statements yielded a slightly lower arithmetic mean which was close to the expected mean of 3.0 but still produced lower standard deviation values. This indicated that most of the respondents neither agreeing nor disagreed to the statements.

Correlation between Electronic Commerce and Customer Service

Investigation on the amount of linear relationship between customer service standards of the bank and development of e-commerce showed a positive coefficient of 0.169 which was significant at 0.01 level. This result indicates that customer service standards move in the same direction as development of e-commerce in the bank. Thus the relationship established is that as the level of customer service standards improve or increase, the higher the chance that e-commerce develops in the bank. Table 3 gives the entire raw results as obtained from the data analysis.

Table 3 Correlation between Electronic Commerce and Customer Service Standards

		Customer service	E-commerce Development
Customer service	Pearson Correlation	1	.169**
	Sig. (2-tailed)		.001
	N	353	353
E-commerce development	Pearson Correlation	.169**	1
	Sig. (2-tailed)	.001	
	N	353	353

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

Source: Survey Data, 2011

DISCUSSION

Electronic commerce mainly involves the use of electronic data transmission technologies as supported by Gary (2002). The development of electronic commerce in a broad sense involves the creation of an enabling environment that ensures the growth and progression of such technologies. Kandampully (1997), states that in today's competitive environment, customer expectations and technological innovation go hand in hand. Product quality and price might be equal, but it is customer service that can make the quality difference. The finding obtained in the study strongly supported technological innovation which enhances customer satisfaction by showing that indeed a positive relationship (Positive correlation coefficient 0.169 significant at 0.01 level of significance) existed between the two variables. The implication of the result was that indeed if the customers of the bank have expectations which are eventually met through good customer relationship, then the levels of development of electronic commerce equally improves.

Conclusion

It is important to note that the general idea behind the study was to collect as much quantitative and qualitative information from the customers on their thoughts, comments, perceptions and experiences drawn from their interaction with the bank and how these experiences have affected the development of electronic commerce in the banking sector. The findings gave a clear understanding of what relationship existed between customer service and development of electronic commerce.

Electronic commerce is technology that is dynamic and as a result depends in the ease on the technology being understood and accepted by the customers of the bank. From the positive significant relationships obtained, it is imperative to learn that electronic commerce is geared towards gaining and improving business transactions, reducing service costs, upgrading quality of goods and services delivered to customers and the general performance of the bank. Therefore customer service is pivotal in ensuring an enabling environment for the development of electronic commerce is created. Thus the study found out that indeed customer service has a positive correlation with the development of electronic commerce.

Recommendations

Electronic commerce is vital in any organisation be it service or manufacturing industries. In this case electronic commerce is ideal in the banking industry due to the fact that technology is revolutionizing the landscape with the innovation of credit cards and transaction being carried out via the internet (electronic banking) and mobile phones (mobile banking). In order that quality services are experienced by customers, electronic commerce should be adopted in delivering quality services. It is not only the introduction of electronic commerce service but the managers should ensure that electronic commerce is more interactive to customers. The government should also ensure that they formulate and package appropriate legislation which is ideal in order to increase the amount of transaction that would be taking place in the Kenyan banks. The ICT board should be able to raise awareness to the customers who access electronic commerce services on the current use of the technology in the banking industry thus this will ensure that customers are able to access quality services through the use of electronic commerce

Despite the study having contributed to the aspects of electronic commerce in an organization, it would like to advance a few areas of related field that can be taken by other scholars for further research. These areas include the specific investigation into the various aspects like building customer service standards. There is need to study the future growth of e-commerce as being hindered by factors such as trust and risk and an understanding of how electronic commerce reshapes the competitive landscape.

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