

ABSTRACT

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