

Influence of Customer Relations Strategies on Performance of SACCOs in Kiambu County

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ABSTRACT

Customer relationship management creates a good rapport between the organization and its customers thus enabling an organization to sustain a competitive edge in the market. Despite the importance of customer relationship management, many firms have not yet taken the full advantage that comes with managing customers effectively. This paper sought to examine the influence of customer relations strategies on the performance of SACCOs in Kiambu County. The study applied a descriptive research design. The study applied the Taro Yamane formula to come up with a sample of 250 participants. The population for the study was 250 employees of SACCOs in Kiambu County. Stratified random sampling was applied in addition to the Taro Yamane formula to come up with a sample size of 154 respondents. The study gathered data through questionnaires which were administered both physically and online. Data collected was analyzed through both descriptive and inferential analysis. Results revealed a β of 0.513 and a p-value of 0.001, between customers' relations strategy and the performance of SACCOs. The study concluded that customer relations strategy had a positive and significant influence on the performance of SACCOs in Kiambu County. The study recommends building strong relationships with members which fosters trust, loyalty, and satisfaction, ultimately leading to increased financial stability and growth. Additionally, the study recommended that SACCOs should implement personalized communication channels, provide financial education programs, leverage technology for efficient service delivery, and continuously seek feedback to adapt strategies to members' evolving needs. Lastly, the study recommends that SACCOs should implement robust member feedback mechanisms and actively incorporate member suggestions into decision-making processes.

Key Words: Customer Relations Strategies, Performance, SACCOs, Kiambu County

INTRODUCTION

Customer relationship (CRM) is the process by which firms acquire customers and cooperate with them to create a unique value for both the organization and the customers. Customer relationship management requires an organization to integrate sales activities, customer services, and marketing to attain a competitive edge in the market. The goal of customer relationship management is delivering a superior value model to customers through a better marketing approach that addresses what the customers want. Importantly, customer relations are concerned with improving the organization's efficiency and improving customer knowledge management. Customer knowledge management is important in enabling firms to make the right decisions that improve organizational performance (Setiawati, et al., 2019).

Customer relationship management helps firms to attract, maintain, and improve their relationships with customers. CRM creates a long-term relationship with customers which is critical in attaining a competitive advantage. Firms use CRM to invest in the necessary infrastructure such as databases to keep customer information (Daengs, et al., 2020). CRMs also establish and maintain relationships with customers and other actors in the supply chains. The use of customer relationship management models is a departure from the

traditional marketing strategies whereby firms were preoccupied with defensive strategies. However, CRM focuses on mutual exchange and fulfillment of promises between the customers and the organization. The use of CRM can help SACCOs in Kiambu County to keep customers and register better revenues.

CRM is very important in helping organizations perform in the market as it ensures that firms can relate well with customers. SACCOs have employed CRMs in different regions to ensure they can keep up with the changes in the business environment. For example, the Financial Service Associations (FSA) operate as SACCOs whereby they mobilize resources. The FSA helps its members acquire resources for education or investment purposes (Setiawati et al., 2019). FSAs in China help the local people to acquire money for starting businesses and for growing their businesses. FSA offers the resources for expansion for growth in new markets thus increasing organizational growth. SACCOs in Africa have helped the local people acquire the resources to improve their livelihoods (Njenga & Jagongo, 2019). For example, the SACCOs in Uganda have offered resources to the populations that have been sidelined by the government. SACCOs in Tanzania offer important services to the local people thus complementing the government's efforts to transform the rural areas (Njenga & Jagongo, 2019). These SACCOs offer savings and loans to rural people to improve their agriculture and their small ventures in the local areas.

In Kenya, and specifically in Kiambu County, SACCOs have continued to help people attain higher levels of growth in their lives. The SACCOs have helped the people of Kiambu to get important links to improve their small agricultural ventures. Importantly, these SACCOs have helped dairy farmers and grocery stores to acquire small loans at a lower interest rate than what is offered in banks (Kariri & Kavinda, 2019). These organizations have been very critical in helping the people at the grassroots overcome the issues of life. For example, the local people use SACCOs to build rental houses, pay for hospitals, and get small loans for expanding their businesses (Njenga & Jagongo, 2019). The SACCOs have also helped the local people to get better markets for their products such as milk cooperative societies that offer a sure market for milk to the farmers.

With more than 10 million depositors, KSh 501 billion in savings, and KSh 694 billion in assets under management, the SACCO business in Kenya is expanding rapidly because of deregulation, government support, and inventive new products and services (SASRA Report, 2021). However, inadequate capital is the most serious problem confronting SACCOs in Kenya; they lack funds to meet members' needs, such as credit needs, which discourages members, the ability to service commercial bank loans, and the ability to recruit qualified and competent employees. Several problems plaguing these cooperative societies also include the absence of strong laws, incompetent administration, weak leadership, insufficient governance, and political interference. Their performance, as well as their organizational and financial stability, has therefore suffered as a result of these challenges (SASRA Report, 2021). To oversee the design and execution of competitive strategy, managers at SACCOs in Kenya, and more especially those operating in Kiambu County, need to analyze the resource gaps that exist and that must be addressed. Despite the huge opportunities presented by Sacco, their performance have remained low. Lack of investment in customer relationships has turned these SACCOs into quick fixes rather than building a long-term relationship with the members. This study seeks to understand how Sacco can leverage customer relationships to improve their performance.

LITERATURE REVIEW AND THEORY

The Brand Loyalty Theory

The brand loyalty theory was developed by Sheth and Whan Park in 1974 to explain how customers get attracted to a brand. The brand loyalty model explains that an individual's behavior follows three actions (Fetais, et al., 2023). Firstly, the individual takes an emotive tendency towards the brand through fear, like

dislike or respect for the brand. These feelings drive an individual to either like or dislike a brand concerning the others available in the market. Brand loyalty enables people to build stereotypes on a product which acts as a brand image. A brand image is built through prior experience or information services.

The second element of brand loyalty is the evaluative tendency of the brand which refers to the positive bias on a product. The evaluative element of brand loyalty defines the consumer's utility from the products (Setiawati et al., 2019). This evaluation tendency in a brand is learned by the customers from the available information or non-experimental sources. The third tendency of brand loyalty is the behavioral tendency of the brand whereby customers develop a positive bias toward the brand. This tendency entails such issues as procurement, purchase, and consumption activities. This element is also concerned with physical activities of shopping, picking, searching, and paying for the product. Consumers tend to behave in a positive biased way toward a product because they have developed brand loyalty to it. A consumer's behavioral tendency can be learned from experiences of past purchases or experiences of past consumption.

The brand loyalty theory will offer important insights into how firms can utilize customer relations to create a strong brand image. Importantly, customer relationship management can help create brand loyalty to consumers thus creating a sustainable competitive advantage in the market. Customer relationships can be used to influence the customer's perceptions about a product through engaging the customers on different platforms. For instance, an organization can utilize online reviews, product demonstrations, and customer care services to create a positive stereotype about a product. The brand loyalty model explains the importance of customer loyalty in creating a sustainable business model in the market. Customer loyalty is an intangible asset that can help firms retain a competitive edge in the market by creating a unique value proposition that is hard to replicate in the market. The theory also shows how firms can utilize customer relations to create a long-term business model that is hard to replicate in the market.

Empirical Literature Review

Njoroge, Muhoho, and Kibuine, M. (2019) examined the influence of customer relationship management systems on the performances of deposit-taking SACCOs in Nairobi. The authors used a census technique in the study whereby they collected data from 38 deposit-taking SACCOs. The researchers also used SPSS and descriptive statistics to analyze the data collected. The authors noted that customer relationship management equips the staff with skills and knowledge that are important for the organization's survival. Importantly, the customer relationship model helps firms to develop incentives for customers that increase the customer's loyalty. A firm can use CRM to make customer-driven products thus ensuring sustainable competitive advantage in the market.

Kariri and Kavinda, L. (2019) explored the various strategies used by SACCOs to retain customers in Nairobi County. This research used customer relationship management as one of its objectives to understand how it influences customer retention in these organizations. A purposive sampling technique was used in this study whereby a simple random sampling technique was employed to identify 42 SACCOs in Nairobi County. The study noted that training employees in customer relationship management leads to increased job satisfaction among employees, boosts morale, and increases efficiency in the organization when dealing with customers. The study also noted that customer relationship management improves customer service which is critical for organizational growth.

Fortean, et al. (2019) studied the effects of customer relationship management capabilities on the performance of an organization. The authors used a case study approach to examine how firms have leveraged social media platforms to build strong customer relationships. This study noted that firms can choose their CRM models based on how big or small the organization is. The research also shows that the idea of CRM has also evolved to a bigger perspective that takes into account other aspects of meeting the needs of the market. Firms are no longer just focused on communicating with customers but ensuring that

firms take into account the customer's preferences. This research notes that a firm can use social media to build a good CRM with customers thus creating a good image with customers.

Gil-Gomez et al. (2020) sought to understand how CRM and digital transformation can be used to help firms create and maintain a sustainable business model. This article used a survey design to understand how firms can use CRM models to improve their business processes and increase their efficiencies in operations. This article explains that the use of CRM has helped many organizations to create a better competitive edge that is superior to their older versions. Organizations can integrate CRM and investments in their human capital to ensure that they are better than all the rivals in the market. The research concludes that using CRM enables firms to achieve a sustainable growth model that can keep them competitive in the market. The use of CRM is a necessity that will enable firms to survive and grow in the marketplace where customers are increasingly changing their needs and preferences.

Vesal, et al. (2021) examined how firms can use CRM models to improve their brand image while achieving environmental sustainability and sustained growth in the market. This article used a survey method for MSEs in Iran to understand how firms have employed CRM to compete effectively in the market. The authors used surveys from existing literature on customer relationships from Iran. The data was collected using g survey firms of organizations operating in the manufacturing sector in Iran. The study noted that the use of customer relationship management models in manufacturing firms has helped firms to create positive brand images which translate into superior market performances. Furthermore, the study noted that CRM is important in enabling firms to communicate their sustainability efforts to the key stakeholders. According to this study, manufacturing firms use CRMs to signal new products or introduce product features in the market.

DATA AND METHODS

This study applied a descriptive research design, to enable the researcher to answer questions on when? how? Which? When. The application of descriptive research design also allowed the researcher to establish the influence of customer relations on the performance of SACCOs in Kiambu County. Unit of analysis was 62 SCCOs in Kiambu County whereas the unit of observation was 250 employees of SACCOs in Kiambu County. The study applied the Taro Yamane formula to come up with a sample of 154 participants.

$$n = N / (1 + Ne^2) \dots \dots \dots \text{equation (i)}$$

$$n = 250 / [1 + 250(0.05^2)] = 154.$$

The study used a questionnaire to collect data through electronic and physical administration methods. Primary data gathered was analyzed through descriptive analysis (Mean, standard deviation, frequency, and percentages). Additionally, the study applied regression analysis to determine the influence of customers' relation strategies on the performance of SACCO in Kiambu County.

$$Y = B_0 + B_1 + e \dots \dots \dots \text{equation ii.}$$

Where Y was the performance of SACCOs in Kiambu county, B_0 was the constant, B_1 was the coefficient for customers' relation and e was the error term.

RESULTS AND DISCUSSIONS

Response Rate: The study fully administered 154 questionnaires, the researcher was however able to get feedback from 119 questionnaires which represented a response rate of 77.27%.

Descriptive Statistics

Descriptive Statistics on Customer Relations

Table 1 revealed that respondents agreed that their SACCOs promptly addressed inquiries and concerns regarding customers' financial transactions as shown by a mean of 4.01. Additionally, the participants agreed that their SACCOs provided personalized solutions when needed as indicated by a mean score of 4.13. Besides, participants agreed that their SACCO provided clear and transparent information about its products, fees, and terms to help customers make informed decisions as shown by a mean score of 4.23. Lastly, respondents agreed with the statement that, their SACCO has consistent customer engagement to ensure it improves its performance as shown by a mean of 4.28.

Kariri and Kavinda, L. (2019) were of similar opinion when they explored the various strategies used by SACCOs to retain customers in Nairobi County. The study noted that training employees in customer relationship management leads to increased job satisfaction among employees, boosts morale, and increases efficiency in the organization when dealing with customers. Additionally, the study noted that customer relationship management improves customer service which is critical for organizational growth.

Table 1: Descriptive Statistics on Customer Relations

	Our SACCO promptly addresses inquiries and concerns regarding customers' financial transactions.	Our SACCO provides personalized solutions when needed.	Our SACCO provides clear and transparent information about its products, fees, and terms to help customers make informed decisions.	Our SACCO has consistent customer engagement to ensure it improves its performance
Mean	4.01	4.13	4.23	4.28
Std. Deviation	.707	.663	.669	.758
	Frequency (%)	Frequency (%)	Frequency (%)	Frequency (%)
Strongly Disagree	0	0	1(0.8%)	0
Disagree	9(7.6%)	3(2.5%)	3(2.5%)	4(3.4%)
Neutral	2(1.7%)	10(8.4%)	1(0.8%)	10(8.4%)
Agree	87(73.1%)	74(62.2%)	77(64.7%)	54(45.4%)
Strongly agree	21(17.6%)	32(26.9%)	37(31.1%)	51(42.9%)
Total	119	119	119	119

Descriptive Statistics on Performance of SACCOs in Kiambu County

Table 2 revealed that participants on average agreed that their loan processing time had improved as shown by a mean of 4.33. Also, the results revealed that participants agreed that their SACCO had increased profits in the past five years indicated by a mean of 4.25. Additionally, participants agreed that the number of employees for their SACCO had increased in the past five years shown by a mean of 4.45. Lastly, respondents agreed with the statement that revenues for their SACCOs had increased in the past five years as shown by a mean score of 4.40.

Table 2: Descriptive Statistics on Performance of SACCOs in Kiambu County

	Our loan processing time has improved	Our SACCO has increased profits in the past five years	The number of employees for our SACCO has increased in the past five years	Revenues for our SACCOs have increased in the past five years.
Mean	4.33	4.25	4.45	4.40
Std. Deviation	.652	.866	.789	.886
	Frequency (%)	Frequency (%)	Frequency (%)	Frequency (%)
Strongly disagree	0	1(0.8)	0	1(0.8%)
Disagree	3 (2.5%)	4(3.4%)	4 (3.4%)	8(6.7%)
Neutral	3(2.5%)	15(12.6%)	10(8.4%)	2(1.7%)
Agree	65(54.6%)	43(36.1%)	34(28.6%)	39(32.8%)
Strongly agree	48(40.3%)	56(47.1%)	71(59.7%)	69(58.0%)
Total	119	119	119	119

Regression Analysis

Table 3 reveals that 19.5% of the changes in the performance of SACCOs were explained by Customer Relations Strategies as indicated by an r-square of 0.195. Additionally, results indicated an F-statistics value of 28.339 with an associated p-value of 0.001, which suggested that the simple linear regression model applied by the study was a significant fit in predicting the performance of SACCOs. Furthermore, the table shows a beta coefficient of 2.181 and a p-value of 0.001 which indicates that the constant in the model was statistically significant in the prediction of the performance of SACCOs. Additionally, results revealed a beta value of 0.513 and a p-value of 0.001 between customer relations strategies and the performance of SACCOs in Kiambu County which implied that customers' relation strategies significantly influenced the performance of SACCOs in Kiambu County because the calculated –value of 0.001 was less than critical chosen value of 0.5. The findings of the study are in agreement with the previously conducted study by Fortean, et al. (2019) on the effects of customer relationship management capabilities on the performance of organizations in Nigeria. The study noted that firms can choose their CRM models based on how big or small the organization is. The research also revealed that the idea of CRM has evolved to a bigger perspective that takes into account other aspects of meeting the needs of the market. The findings of the study indicated that firms no longer just focused on communicating with customers but ensured that firms took into account the customer's preferences. This research noted that a firm can use social media to build a good CRM with customers thus creating a good image with customers.

Table 3: Regression Analysis

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.442 ^a	0.195	0.188	0.48679		

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.715	1	6.715	28.339	.000 ^b
	Residual	27.724	117	0.237		
	Total	34.44	118			
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.181	0.398		5.485	0
	Customers Relations Strategies	0.513	0.096	0.442	5.323	0

a. Dependent Variable: performance of SACCOs in Kiambu county

b. Predictors: (Constant), Customers Relations Strategies

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that SACCOs in Kiambu County promptly addressed inquiries and concerns regarding customers' financial transactions. SACCOs within Kiambu County provided personalized solutions when needed. SACCOs in Kiambu County provided clear and transparent information about its products, fees, and terms to help customers make informed decisions. SACCOs within Kiambu County had consistent customer engagement to ensure it improved its performance. Further, the study concluded that loan processing time had improved for SACCOs within Kiambu County. The study also concluded that the performance of SACCOs in Kiambu County was significantly and positively affected by customer relations strategies. The conclusion therefore supports the brand loyalty theory which suggests that customer relaxation management can help create brand loyalty to consumers thus creating a sustainable competitive advantage in the market. The theory also posits that customer relationships can be used to influence the customer's perceptions about a product through engaging the customers on different platforms. The brand loyalty model also explains the importance of customer loyalty in creating a sustainable business model in the market.

The study recommended building strong relationships with members which fosters trust, loyalty, and satisfaction, ultimately leading to increased financial stability and growth. Additionally, the study recommended that SACCOs within Kiambu County should implement personalized communication channels, provide financial education programs, leverage technology for efficient service delivery, and continuously seek feedback to adapt strategies to members' evolving needs. Lastly, the study recommended that SACCOs should implement robust member feedback mechanisms and actively incorporate member suggestions into decision-making processes which will not only strengthen the bond between SACCOs and members but also will ensure that products and services align closely with the unique requirements and preferences of the local community.

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