

# An Assessment Of Customer Relationship Management On Customer Loyalty: A Case Of Savings And Credit Co-Operatives In County Government Nakuru, Kenya

Ojode Christine Linda

Juma Wagoki

Dr. Josphat Kwasira

SUPERVISORS

*Abstract: Customer service is an organization's ability to supply their customers' wants and needs. Customer service is the provision of service to customers before, during and after a purchase. It also means serving the customer, and involves all contact with the customer, be it face-to-face, or indirect contact (i.e. dealing with complaint letters). The aspect of managing a service interaction also requires understanding the complicated behaviour of employees that find its way into the customer's perception of the service quality (Gronroos, 2001). The study sought to find out how customer care services will determine customer loyalty either through repeat purchase or retention among SACCOs in Nakuru County using descriptive research design.*

*Customer perceived service quality is the customers own perception of the service based on different factors contributing to the service, from the process to the final outcome. According to (Gronroos, 2001), "quality is what customers perceive". Customers buying service consider everything that contributes to the process and the final outcome in making their assessments of the service. However the subjective assessment of the actual service experiences is the customer perceived service quality as pointed out by (Zeithaml, 2006), and (Grönroos, 2001). Service firms have difficulty envisioning and understanding what aspects of the service that define high quality to the consumers and at what levels, they are needed to be delivered. (Sureshchander, 2002)*

*On a careful inspection of the dimensions of quality, a major focus rests on the component of human interaction in the service delivery that consists of human behavior and attitudes. (Looy et al, 2003)) is also of the same opinion that customers are not one dimensional in judgment, because a lot of other factors influence service quality, most researchers agree on these dimensions of service quality as a measure of service quality. The target population was obtained from the 7 registered SACCOs with an average of 2500 customers per SACCO. Purposive sampling technique was used in sampling respondents. Both descriptive and inferential was used to analyze the data, the study revealed that there was need of handling customers well and through that they remain loyal.*

## I. INTRODUCTION

In the present era of intense competition and ever demanding customers, relationship marketing has interested scholars and practitioners. CRM has its proponents not only in the marketing academia but also in industries as well. According to (Kotler, 2001) relationship management has a major impact upon the marketing discipline, triggering a paradigm shift away from transaction-based marketing

towards a relationship focus. There is a spectrum that exists in terms of buyer-seller relationships, from pure transactions through to reciprocated transactions, through to long-term relationships, through to buyer-seller relationships, and finally through to strategic alliances.

Customer Relationship management, which is aimed at attracting, maintaining and enhancing customer relationships, uses tactics that provide organizations with an opportunity to keep the existing clients and to win new clients through

enhanced customer loyalty (Vargo & Lusch 2004). The effectiveness of relationship marketing strategy is dependent upon the mix of relationship marketing tactics. Establishing and maintaining relationships with customers will foster customer retention; customer share development and increased profit. Relationship marketing, therefore, has become increasingly important as a business strategy (Uncles et al 2003). While it is important for a commercial enterprise to attract a large number of clients, a sizeable customer-base by itself does not offer any assurance of long-term profitability unless the firm can earn loyalty from its customers.

Customer loyalty has been well established as a key to profitability and long-term sustainability. It is argued that the ability of a service organization to create, maintain and expand a large and loyal customer base over a long-time horizon is critical to achieve and sustain a winning position in the marketplace. This indicates that in any business, customer loyalty is a major contributor to an organization's competitive advantage. It is generally recognized that there are linkages between service quality, customer satisfaction and loyalty (Looy et al, 2003).

## II. STATEMENT OF THE PROBLEM

The management of customer requires that organizations use information about customers to segment them and treat them differently depending on their future long-term profitability. Notably, firms must go beyond traditional market segmentation activities, such as customizing offerings and efficiently managing resources to achieve profitability criteria. Instead, firms must identify and acquire customers who are not only willing to accept the firms offer or value proposition—but also provide value for the company when they do.

Customer relationship management had not been effective in SACCOs because their main intent was to serve the fixed number of customers from the given sector. Due to the changes in consumer behavior and dynamic in lifestyles, most SACCOs have gone back to the drawing board to establish ways on how to retain its customers. High retention of customers means enhanced and consistent customer profile and one area that leads to this is CRM and embracing modern techniques of maintaining customers.

Due to reduced purchasing power of many people in developing countries, they have been forced to redefine strategies to improve on living standards. One option for this was formation of cooperative Societies. Cooperative societies have served low income earners well by offering services that are affordable, such as low interest loans. However, despite the recent research efforts on factors influencing customer relationship management little has been done on factors influencing of customer relationship management on customer loyalty particularly among SACCOs in Nakuru County. The study therefore was to determine how customer loyalty is achieved among existing SACCOs in Nakuru County in Kenya.

## III. OBJECTIVES OF THE STUDY

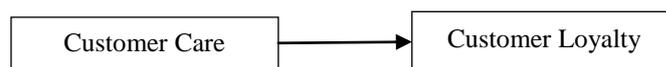
To assess how customer care services influences customer loyalty among SACCOs in County government of Nakuru County.

### RESEARCH QUESTION

How does customer care services influence customer loyalty among SACCOs in Nakuru County?

### CONCEPTUAL FRAMEWORK

The study variables are conceptualized by the framework in order to illustrate the relationship between them. The framework as shown in figure 1 shows how customer care services influences customer loyalty.



## IV. LITERATURE REVIEW

### CUSTOMER RELATIONSHIP MANAGEMENT AND CUSTOMER LOYALTY

Customer relationship Management (CRM) appears to be a simple and straightforward concept, but there are many different definitions and implementations of CRM. At present, a number of different conceptual understandings are associated with the term-Customer Relationship Management (CRM). Therefore understanding range from IT driven programs designed to optimize customer contact to comprehensive approaches for the establishment and design of long-term relationships. The effort to establish a meaningful relationship with the customer is characteristic of this last understanding (Gray& Byun 2001).

CRM is a holistic process of acquiring, retaining and growing customers. It includes all in-line and off-line relationship management. CRM is an abbreviation for customer relationship management, not customer relationship marketing. Management is a broader concept than marketing because it covers strategic management, human resources management, marketing management, service management, knowledge management, sales management and research management and development management. Thus CRM requires organizational and business level approaches which are customers centric, to doing business rather than a simple marketing strategy (Gray& Byun 2001).

Customer relationship management is built upon retaining existing customers instead of acquiring new ones. Therefore, the most desired customers are those who have the highest customer lifetime values. Firms should concentrate on retaining these customers by focusing marketing programs on them. Customers who don't necessarily have high customer lifetime values but have the potential to be profitable in the future should also be targeted with special customer promotions. Customers who offer no long-term profits or who may be hurting present profits should be carefully identified

and abandoned, but companies must be careful to avoid spillover defections by profitable customers (Roberts, 2005).

Theory of competitive advantage grows fundamentally out the value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what customers willing to pay and superior value stems from offering lower prices than competitors for equivalent benefits of providing unique benefits that more than offset a higher price, (Porter, 1985). The theory consists of three main strategies cost leadership, differentiation and focus. The aim of the product differentiation strategy is to be unique in the industry and this uniqueness must be valuable for customers.

The uniqueness can be one or a set of dimensions. Areas of differentiation can be: product service, marketing, sales, image, delivery and etc. In banking sector, differentiation can be crafted by a single or a set of these dimensions. While brand differentiation and product differentiation would be applicable for broad targeting service, marketing and delivery differentiation strategies would be suitable for narrow scope targeting. A broad target service differentiation is not for banks they are looking for profitability. That is why today many banks use customer segmentation to service its customers rather than given the same service to all customers.

Customer loyalty is defined by marketing practice that offers rewards for customers to encourage them to make repeat purchases (Reinatz, 2006). Effective loyalty to those that are customized to fit the needs and goals of a company and their customers. The reward structure accounts for the most defining characteristic. It is the most alluring component of the loyalty program; consumers are primarily attracted to loyalty programs because of the rewards and benefits available to them (Mimouni & Volle 2009).

## V. RESEARCH METHODOLOGY

### A. RESEARCH DESIGN

This study adopted a descriptive research design. According to Cooper & Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive research design is chosen because it enables the researcher to generalize the findings to a larger population. A descriptive approach in data collection is able to collect accurate data on and provide a clear picture of the phenomenon under study (Mouton & Marais, 1992). Descriptive research design was been chosen because it enabled the finding out of what, where and how of a phenomenon. The target population was obtained from all the 7 registered SACCOs in Nakuru County. The unit of this study was the individual SACCO customers who interviewed 90 with a feedback of 78 customers in all 7 SACCOs. The researcher relied exclusively from primary data collected from the structured questionnaires. The study performed content and construct validity of the research instrument, whereby the views of a strategic management expert in the school of human resource development at Jomo Kenyatta University of Agriculture and technology were relied upon. The researcher ensured that the instrument was able to capture information that answered the research objectives and it was constructed

professionally to avoid obtaining irrelevant answers. Kothari, (2004), pointed out that validity measures the accuracy of the instruments in obtaining the anticipated data which can meet the objectives of the study. The Statistical Package for Social Sciences (SPSS) tool was used in data processing and analysis. Both descriptive and inferential statistics were employed in analyzing the collected data.

### B. DATA PROCESSING AND ANALYSIS

The response rate was found to be 90%. The conspicuously high response rate was argued to largely occasion by having the researcher issuing and collecting the questionnaires herself. Customer Care Services Determinants.

The study sought to determine whether customer care largely determines the level of customer loyalty. Table 1 shows clearly that customers agreed that quality of service influence their loyalty to a high extent. This is depicted by a mean of 3.8400 and standard deviation. Some were indifferent that trust influence customer loyalty this given by a mean of 3.3077 and standard deviation of 1.4634. To a high extent they agreed that communication effectiveness, customer satisfaction, perceived switching barriers and fair pricing of products influence customer satisfaction. This is depicted by mean of 3.8846, 4.3750, 4.0000 and 4.2610 with standard deviation of 1.2109, 0.9237, 0.8341 and 1.1369 respectively. SACCOs, it is noted, have reinforced these factors; therefore this explains why their customers are loyal. Fair pricing of their product contributes to higher customer satisfaction compared to other factors.

Determinants of customer Loyalty	Analysis N	Mean	Std Deviation
Service Quality	78	3.8400	1.2477
Trust	78	3.3077	1.4634
Communication Effectiveness	78	3.8846	1.2109
Customer Satisfaction	78	4.3750	0.9237
Perceived Switching Barriers	78	4.0000	0.8341
Fair Pricing of Products	78	4.2610	1.1369

Table 1: Customer Care services determinants

### RELATIONSHIP BETWEEN CUSTOMER CARE SERVICES AND CUSTOMER LOYALTY

Correlation is the degree of relationship between two variables. It is a relative measure of value and it ranges from negative one to positive one. There is a positive strong correlation between Customer care services and customer loyalty. This was depicted by  $r = .646$ , the relationship is further significant at  $p = .000 < \alpha (0.01)$ . The findings imply that an improvement on how the SACCOs handle customer greatly influence their level of loyalty.

		Customer Care Services	Customer Loyalty.
Customer Care	Pearson Correlation	1	.646**

Services	Sig. (2-tailed)		.000
	N	78	78
	Pearson Correlation	.646**	1
Customer Loyalty	Sig. (2-tailed)	.000	
	N	78	78

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

they derive from SACCOs. This is recommendable; therefore they should up their game. This study recommends that in areas where customers are dissatisfied with SACCOs services, the management should address the problem urgently. Where there is satisfaction then they should maintain that or improve it to a higher level. It is good to note that customer loyalty is important to SACCO's growth.

## SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This section outlines the summary of the study findings, draws relevant conclusions and then suggests recommendation in relation to the research objectives.

### VI. SUMMARY

Customer loyalty relates with trust. They go hand in hand, loyalty goes up trust also goes up. Trust comes from the confidence customers have in your business. Any doubt cast on business erodes the confidence and therefore customer's loss trust, and therefore they become disloyal. Loyal customers will always pay another visit to your business. They are the foundation of a stable business.

### VII. CONCLUSION

With better customer handling skills, well trained and courteous staff, good quality service and availability of management to customers will increase customer loyalty to SACCOs. Quality is preferred to quantity because quality appeals more and can give greater satisfaction. Communication effectiveness is also important if a business wants to retain loyal customers. Clearly expressing what you have, in an eloquent way can make customer have confidence in your products. Building a lasting relationship with your customers is important for the business growth but for this to be effective there must develop trust, like your products and therefore develop confidence in your business.

### VIII. RECOMMENDATION

There is moderate trust in SACCOs in Nakuru County. This is not a good trend because loss of trust implies customer's loss. SACCOs should work hard to reverse this trend, otherwise if it continues, in the long run; their capital will shrink and they might be forced out of business. The concept of a going concern will be compromised, if this is not addressed. Customers however, are loyal due to communication effectiveness, service quality, ease of switching barriers, fair pricing of products and satisfaction

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