INFLUENCE OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER RETENTION IN SACCO INDUSTRY

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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A Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Master of Business Administration (MBA)

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: __________________________ Date: __________________________
Shammah Madziwa (ID No. 631649)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: __________________________ Date: __________________________
Dr. Joseph Ngugi Kamau

Signed: __________________________ Date: __________________________
Dean, Chandaria School of Business
ABSTRACT
The purpose of the study was to determine the influence of Customer Relationship Management on customer retention in Sacco industry. The objective of the study was to determine influence of information technology, customer recognition and loyalty programs on customer retention in Sacco industry and the research was guided by the following research objectives; To find out the effect of Information Technology on Customer Retention among Saccos, To examine how Customer Recognition affect Customer Retention in Saccos and To establish the effect of Loyalty Programs on Customer Retention among Saccos.
A descriptive research design was used. The research was conducted among staff and members of Shekainah Sacco Ltd and USIU Sacco. The sampling technique used was non probability sampling technique. The researcher used convenience sampling method; therefore the sample was drawn from a frame of respondents available to the researcher. A survey data collection method was employed in this study. Questionnaires were the most effective data collection tool for this type of survey. The collected data was analyzed using qualitative and quantitative techniques. In addition, the data for each variable was described using measures of central tendency such as means, median, mode and standard deviation. The data was analyzed using Statistical Package for Social Sciences (SPSS) program and presented in tables and figures to give a clear picture of the research findings at a glance. The study focused on two Sacco’s in Nairobi and a total of 285 questionnaires were sent out to both Shekainah Sacco ltd and USIU Sacco limited. The researcher managed to retrieve a total of 259 questionnaires. This gave a response rate of 90.87%.

The results showed that there was indeed a relationship between information technology and customer retention. Members from the respective Saccos agreed that the Sacco maintains a complete database of all members. Information forms the foundation of all successful business and without information about customers it is hard to determine purchase patterns and what customers really want. The study however showed that the respective Saccos did have the right technology to support information gathered about their respective members. Despite this limitation members are able to access information that they need at every point of contact and this is also important for the organizations. The study showed that
staff is willing to help members with queries and in a responsive manner. This means that they value the opinions of their respective members and that they try to put members needs and wants first before any decisions are made. It is important to focus on the customer rather than forcing products on the customer that they do not need. The results showed that although there was a relationship between loyalty programs and customer retention, it was not significant to this study. The findings suggest that the measure did not apply to the variable. This could be due to the fact that the study was carried out in a different country and different industry. The dimension was lost in translation and therefore insignificant to this study.

Relatively few respondents agreed that services provided are personalized the researcher therefore recommended that they find ways in which services can be personalized. This can encourage more members to join if they know that their specific needs are personalized. The researcher also recommended use of CRM based technology such as e-CRM to make it easier for the company to analyze data through data warehousing and predict future behavior of members. The study clearly proves that if information technology is improved then customer retention will increase. The researcher recommended that the Saccos make an effort to find out the needs of members so that they can improve performance, satisfy members and therefore retain members.

The researcher also recommended a feedback system whereby they carry out surveys so as to get feedback from customers on how effective and efficient their services are. The researcher recommended that the Saccos develop loyalty programs that can serve as incentives to retain customers and also attract new customers. Since the Sacco industry is a growing industry in Kenya the researcher recommended that further research be done in the Sacco industry. There are other factors that have not been explored in this study that can contribute to customer retention in the Sacco industry. The researcher recommended research to be done on factors such as CRM organization, Knowledge management which are among the dimensions of CRM.
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This has indeed been a long but rewarding experience. It took great courage and determination to reach this point and I can only give glory to God. I have had a great experience that would have not turned out successful without the involvement of individuals whom I carry for, the utmost respect and consideration. A warm “thank you” and appreciation goes to Prof. Ngugi Kamau, my project supervisor, for his keen insight, guidance, and support, and for his valuable research experience that he did not hesitate to share with me. I also thank my colleagues for their continuous encouragement and help. I would also like to acknowledge my friends and family that supported me through the up and down phases of my research project. I will forever be grateful for all the encouragement and prayers they sent my way. Finally, my sincere gratitude to Shekinah Sacco Ltd and USIU Sacco management staff and members that played a great role in assisting me to acquire the necessary information needed to carry out my research study.
DEDICATION

I dedicate this research to my friends and family who have supported and encouraged me throughout this journey. I have learnt that it pays to be honest, and to never give up when the going gets tough, I owe it all to my family and friends. It has truly been a rewarding experience.
# TABLE OF CONTENTS

STUDENT’S DECLARATION ................................................................. ii
ABSTRACT ......................................................................................... iii
COPYRIGHT ...................................................................................... v
ACKNOWLEDGEMENT ....................................................................... vi
DEDICATION ....................................................................................... vii
LIST OF TABLES ................................................................................ x
LIST OF FIGURES ............................................................................... xi

CHAPTER ONE .................................................................................... 1
1.0 INTRODUCTION ............................................................................. 1
  1.1 Background of the Problem ............................................................. 1
  1.2 Statement of the Problem ............................................................... 6
  1.3 General Objective ......................................................................... 7
  1.4 Specific Objectives ....................................................................... 7
  1.5 Significance of the Study ................................................................. 7
  1.6 Scope of the Study ....................................................................... 8
  1.7 Definition of Terms ................................................................... 8
  1.8 Chapter Summary ..................................................................... 9

CHAPTER TWO .................................................................................... 11
2.0 LITERATURE REVIEW ................................................................. 11
  2.1 Introduction ............................................................................ 11
  2.2 Information Technology and Customer Retention ...................... 11
  2.3 Customer Recognition and Customer Retention ....................... 15
  2.4 Loyalty Programs and Customer Retention ................................. 19
  2.5 Chapter Summary .................................................................. 24

CHAPTER THREE ................................................................................ 25
3.0 RESEARCH METHODOLOGY ...................................................... 25
  3.1 Introduction ............................................................................ 25
  3.2 Research design ....................................................................... 25
  3.3 Population and Sampling Design ............................................. 25
  3.4 Data Collection Methods .......................................................... 27
  3.5 Research Procedures ................................................................. 27
LIST OF TABLES

Table 4.1 Response Rate ........................................................................................................29
Table 4.2 Area of Specialization ............................................................................................31
Table 4.3 Marital Status ..........................................................................................................32
Table 4.4 Information Technology ..........................................................................................34
Table 4.5 Customer Recognition ...........................................................................................35
Table 4.6 Loyalty Programs ....................................................................................................36
Table 4.7 Customer Retention ...............................................................................................36
Table 4.8 Cross Loadings ........................................................................................................38
Table 4.9 Reliability of variables ............................................................................................39
Table 4.10 Convergent Validity .............................................................................................40
Table 4.11 Discriminant Validity ............................................................................................41
Table 4.12 Path Coefficients ..................................................................................................42
LIST OF FIGURES

Figure 4.1 Age of Respondents.................................................................30
Figure 4.2 Gender of Respondents..........................................................30
Figure 4.3 Education Level.................................................................30
Figure 4.4 Position in Sacco .................................................................32
Figure 4.5 Income level .................................................................33
Figure 4.6 Period of Membership.........................................................33
Figure 4.7 Path of coefficients for the Structural model............................41
Figure 4.8 T values for the structural model.............................................42
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem
Due to the dynamic and turbulence nature of business many service industries have moved from the idea of acquiring new customers in order to increase returns to a customer retention approach. Retaining customers that already exist has proved to be more cost-effective than acquiring new customers (Kotler & Keller, 2006). Due to competition, improvement in technology and intangibility nature of services it is a continuous battle to retain customers therefore financial institutions have to continuously improve business operations so as to keep up with the changing trends of business as well as survive in the industry. This therefore brings in the concept of Customer Relationship Management.

Customer Relationship Management is a computerized system for identifying, targeting, acquiring, and retaining the best mix of customers. It is simply about profiling customers, understanding their needs and creating lasting relationships. Buttle (2009) defines Customer Relationship Management as the core business strategy which integrates internal processes and functions and external networks to create and deliver value to targeted customers at a profit. It is grounded on high quality customer related data and enabled by information technology.

According to Buttle (2009) CRM is not only about Information Technology but is actually about all the internal and external processes that help deliver value to targeted customers. Today companies focus more on managing customer relationships, managing customer asset and customer equity. Customer Relationship Management (CRM) recognizes value of potential and current customers in the long-run, and seeks to increase revenues, profits, and shareholder value through targeted marketing activities directed toward developing, maintaining, and enhancing successful company-customer relationships (Berry, 1995).

Long et al. (2013) stated that the objectives of CRM are to enhance profitability, income, and customer satisfaction. There are therefore a set of tools, technologies, and procedures that are needed to support the relationship with the customer so as
to increase sales which will in turn satisfy customers and ultimately retain them. Organizations are setting themselves strategies to ensure customer retention, and training their employees to be more customer-focused and service-oriented (Mohsan et al., 2011). Organizations now do not only focus on satisfying the customers but their aim is to also do this more efficiently and effectively than their rivals in the competitive market place to attain their goals (Kotler & Armstrong, 2011).

The meaning of the acronym CRM has been contested; most people understand that it means customer relationship management however some have used it to mean Customer relationship marketing, (Buttle, 2009). This means that some people might use the concept behind customer relationship management and mistake it with customer relationship marketing and although these two usually work hand in hand they do not mean the same. Gronroos (2004) proposed a definition of marketing whereby he stated that marketing is about establishing, maintaining and enhancing relationships with consumer and other partners, so as to meet the objectives of the parties involved and this is achieved by mutual exchange and fulfillment of promises. This means that marketing activities today are more focused on building lasting relationships with customers for repeat business.

Lancaster and Jobber (2006) state that Customer Relationship Management (CRM) is a term for, “the methodologies, technologies and e-commerce capabilities used by firms to manage customer relationships. In particular, CRM software packages aid the interaction between the customer and the company, enabling the company to co-ordinate all of the communication efforts so that the customer is presented with a unified message and image”.

Many companies today are concerned with knowing their customers and developing lasting relationships with them. The aim of CRM is to have customers that are strategically fit. The focus in marketing has shifted to creating loyal customers by offering not just the product or service but an experience that exceeds customer expectations. Today companies’ intent is on developing stronger bonds and loyalty with ultimate customers. In the past many companies took their customers for granted, but today they are more concerned with retaining
customers because of the fact that the cost of attracting a new customer may be five times the cost of keeping a current customer happy (Kotler, 1994). It is believed that if customers are satisfied then it will be easier to retain them and therefore companies aim to satisfy customers so as to retain them. According to Kotler and Keller (2006) satisfaction is a person’s feelings of pleasure or disappointment which results from comparing a product’s perceived performance (or outcome) in relation to his or her expectations. Satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight. Satisfaction is a vital element of customer retention because customer retention is a result of satisfaction of the customer, if a customer is happy then they are most likely to come back for more. Edward (2007) argues that Customer Relationship Management can also help in breaking down barriers between departments, something which can prove quite difficult. Wailgum (2007) argues that CRM is important when an organization is not sure about what their customers specifically want or need. It is therefore about finding out exactly what customers need and want and working towards satisfying these needs and wants. According to Watkins (1999) customer retention is an essential part of customer relationship management. Retention is an indication that there is a relationship between the customers and the company. A company will not spend much on creating awareness about products and services on offer as their loyal customers will do the job for them through what is known today as referral business. Customer retention is about repeating a particular behavior and reflects continuation of a relationship between customer and service provider. Customer retention is an essential part of customer relationship management and organizations must take this into account (Watkins, 1999). Customer retention is when customers forgo products and services of competitors and decide to repeat use of goods and services from a particular service provider. They keep coming back for more and many firms have realized that it is cost effective to retain customers rather than invest on new customers. This does not mean companies will not focus on acquiring new customers, but costs of acquiring new customers are reduced because the satisfied customers can serve as reference, creating word of mouth and therefore increase referral business for the company. According to Kotler (2003) marketing is concerned with retaining customers as
much as it is in acquiring new customers. New customers tend to trust customers that have been using a particular product or service. According to Buttle (2004), customer retention is concerned with repeat patronage and closely related to loyalty. Customers become loyal to a service provider when they are satisfied and from review of literature it was found that there is a close relationship among the three; customer satisfaction, customer loyalty and customer retention. Customer satisfaction is believed to have a positive influence on customer loyalty and customer retention and it has been found that loyalty and retention are indicators of how satisfied customers are with a brand or service provider. (Kotler, Armstrong & Cunningham, 2002).

If customers are satisfied there are most likely to repeat purchase of goods or services. Loyalty is believed to be a source of revenue because of repeat business and it is also cost effective since there are less promotional expenses incurred. The rate of customer retention is the percentage of customers at the beginning of purchase that remain as customers at the end of a particular period. Nwankwo and Ajemunigbohun (2013) believe that customer retention is important for businesses to remain competitive in business and that it is an objective to maintain long lasting relationships with customers.

Since customer retention is closely related to satisfaction and loyalty, it is evident that the profitability of a business is dependent on satisfaction, loyalty and retention of customers. This means that for a business to grow and succeed relative to its competitors it is important to consider these concepts. It is believed that loyal customers are profitable customers and that customer retention is an important component of growing market share (Reidenbach, 2010). Customer retention also impacts growth of business. According to Boyce (2015), retention is the most important element for growth. This is because if an organization keeps losing each and every customer they acquire and replace them with new customer then there is no improvement, there is no growth and at the end of the year the number of customers can remain constant if business manages to replace every customer lost which is usually difficult, as studies show that it costs more to acquire new customers than it is to keep current, this means growth of business reduces if you lose customers.

SACCO in Kenya stands for Savings and Credit Cooperative which is a special type of co-operative that offers financial services and the main focus is creation of
funds and providing members affordable credit. The main aim for SACCO is to encourage savings among members and they can also borrow funds at very reasonable and affordable terms. There are various SACCOs in Kenya such as University SACCO, Matatu SACCO, UN SACCO to name a few and they face competition from other financial institutions such as banks and insurance firms that are now providing savings products (Ipaat et al., 2014).

According to Ipaat et al. (2014) “Cooperatives are formed and owned by a group of individuals for the purpose of improving their standard of living and enjoying the social services provided. The underlying philosophy of cooperative movement emphasizes on service and the well-being of members and governed by seven cooperative principles that have been universally accepted and adopted by the International Cooperative Alliance. The Cooperative movement in Kenya is an important player in the social economic development of the country”.

United States International University Sacco is a savings and credit cooperative society that was registered under the ministry of Cooperative Development and Marketing in January 1985. Their vision is to be a Sacco of excellence in wealth creation for their members. They aim to facilitate savings and affordable credit in ethical, effective and transparent manner. They aim to promote the welfare of their members so that they can manage their finance for mutual benefit and development (United States International University SACCO, 2016).

Shekinah Sacco Ltd was formed in May 2007 and is registered as a Community based Sacco. The membership comprises of people both from Gospel Assembly Church (G.A.C) and those who are not member of the church. It attracts all kinds of people, those in formal employment and those in informal employment. The idea of establishing the Sacco was to help reach every one. The Sacco aims to invest heavily on property ownership in the future so that members can benefit (Shekinah Sacco Ltd, 2016).

The challenge however is the rise of competition, according to research done by various scholars by year 2009 there were 10, 800 registered cooperatives in Kenya, as well as 43 mainstream banks and 181 microfinance institutions (Kimani, 2010). This therefore means that there is stiff competition and in order to remain atop there is a need for innovation and creativity so as to make it. It is not
simply about acquiring new customers but knowing how to manage them as well as ensuring that what you are currently offering is the best so that they do not feel the need to go to competitors. Satisfied customers will not only give repeat business but will refer to their colleagues, friends and family and once word goes out it becomes easier to grow business and stay on top.

1.2 Statement of the Problem
According to Mosoti and Oloko (2014) the broad goal of SACCOs is to enable members invest in order to gain financial stability and prosperity in the long run, however rather than positioning themselves in a manner which allows them to attract and retain the right type of members, SACCOs have degenerated into “quick fix” entities. Most individuals joining membership are those that simply want a quick way of saving money to cater for a temporary need and therefore there is no long term relationship since some members discontinue as soon as they save up enough to cater to immediate problems.

The idea behind Customer Relationship Management is not new, most organizations believe that it is important to build relationships with customers to keep them coming back. The concept of Relationship management started surfacing around 1980 and the idea was to work more with direct customers. Although most organizations agree that establishing relationship with customers is vital a study carried out by Kimani (2010) on the link between CRM and performance in Kenyan manufacturing firms showed that many businesses do not understand the role of the concept of CRM in the modern dynamic environment. The concept of CRM in Kenya is still consistently low and although studies have been done on CRM limited research has been done on the concept in the SACCO industry. A study by Moyi (2010) concluded that most organizations have very few knowledge on the matter and Moyi recommended that there is need to carry out further studies on the concept. Wanjau (2011) focused on how CRM affects customer retention in commercial banks. A study done by Mosoti and Okello (2014) focused on the CRM strategies and how they influence performance of the SACCOs. This is evident that limited studies have been done on other factors that may influence customer retention in the SACCO industry. In view of the above developments this study seeks to shed more light on customer relationship management and determine whether it influences customer retention.
1.3 General Objective

The general objective of the study was to examine the influence of Customer Relationship Management on Customer Retention in the Sacco Industry.

1.4 Specific Objectives

1.4.1 To find out the effect of Information Technology on Customer Retention among Saccos.
1.4.2 To examine how Customer Recognition affects Customer Retention in Saccos
1.4.3 To establish the effect of Loyalty programs on Customer Retention among Saccos.

1.5 Significance of the Study

1.5.1. Researchers and Academicians
Research findings will make a great contribution to the world of academia as researchers in the area of customer relationship management will use the findings as a point of reference in their literature reviews.

1.5.2 Cooperatives
Understanding the concept of Customer Relationship Management and Customer Retention will enable USIU Sacco Ltd, Shekinah Sacco and other cooperatives create value for their members and therefore establishing long term relationships so that the Sacco industry can be viewed as more than just a quick fix. The results from the study will enable the organization to improve on their strategies so as to retain customers.

1.5.3 Banks and other financial institutions
This study aims to shed more light on how SACCO industry can effectively use the concept of CRM in order to retain customers by keeping lasting relationships. As a result the study will also will also be significant to banks and other financial institutions such as insurance firms that also now provide savings options for customers.
1.6 Scope of the Study
This study focused on Customer Relationship Management and how it impacts Customer Retention. The study was carried out in Nairobi Kenya and Shekinah Sacco Limited and USIU Sacco were used as case studies. The study focused on the respective Saccos’ staff and members. The target population was therefore staff and Sacco members. The study was carried out for a maximum time frame of three months.

1.7 Definition of Terms
1.7.1 Customer Relationship Management
It is “an integration of technology and business processes used to satisfy the needs of a customer during any given interaction. More specifically, CRM involves acquisition analysis and use of knowledge about customers in order to sell more goods or services and to do it more efficiently (Bose, 2002).
Lancaster and Jobber (2006) state that Customer Relationship Management (CRM) consist of; methodologies, technologies and ecommerce capabilities used by firms to manage customer relationships. It helps organizations interact with their customers and the CRM software packages enable the company to co-ordinate all of their communication efforts so that the customer is presented with a unified message and image.
Buttle (2009) defines Customer relationship management as “the core business strategy that integrates internal processes and functions and external networks to create and deliver value to targeted customers at a profit. It is grounded on high quality customer related data and enabled by information technology”.
1.7.2 Customer satisfaction
Satisfaction is a judgment following a consumption experience- it is the consumer’s judgment that a product provided (or is providing) a pleasurable level of consumption-related fulfillment (Oliver ,1997).
According to Kotler and Keller (2006) satisfaction is a person’s feelings of pleasure or disappointment which results from comparing a product’s perceived performance (or outcome) in relation to his or her expectations. Satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight.
1.7.3 Customer Retention
Customer retention embodies repeated behavior and reflects relationship continuation. Customer retention is an essential part of customer relationship management and organizations must take this into account (Watkins, 1999).

1.7.4 Savings and Credit Cooperative (SACCO)
This is a special type of co-operative that offers financial services with a focus of mobilizing funds and providing affordable credit to members. They are formed and owned by a group of individuals with the purpose of improving their standard of living (Ipaat et al., 2014).

1.7.5 Customer Loyalty
Brink and Brendt (2008) defined loyalty as the biased behavioral response expressed over time by customers with respect to one supplier out of a set of suppliers.

1.8 Chapter Summary
This chapter contains the background of the research which gives an overview of the topic of study; it also contains the problem statement, significance of the study, objectives of the study, research scope and definition of terms. The next chapter, Chapter Two is the Literature Review which will contain literature review on the specific objectives of the study. Chapter Three contains the research methodology whereby researcher highlighted the methods and procedures used in conducting the study. The results and findings were interpreted and reported in Chapter Four. Chapter Five contains the discussions based on the results and findings of the data collected and these were outlined according to specific objectives of the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter focuses on past research done by other scholars on Information Technology, Customer Recognition, Loyalty Programs and Customer Retention. It helps in providing insight and a better understanding of the concepts of Customer Relationship Management.

2.2 Information Technology and Customer Retention
This section focuses on past research done on how Information Technology influences customer retention. It also seeks to shed more light on how components of information technology influence customer retention.

2.2.1 Importance of Data
According to Buttle (2009) CRM is dependent on Data and Information technology. Data provides all the insights that are essential for CRM. It is believed that CRM requires high-quality data. This data needs to be acquired, stored, analyzed, maintained, improved and distributed properly to be of any value. The data requirements for CRM are determined by the actions taken at the primary stages on the value chain model. According to Porter (1985) technology development consists of a range of activities that can be broadly grouped into efforts to improve the product and the process. Porter argued that Research and development has too narrow a connotation to most managers hence he termed the category technology development instead of Research and Development. A study by Wanjau (2011) showed that technology led to increased customer retention and that it helps build better relationships with customers.

It is believed that in order to create personalized products companies have to collect and analyze data and this will in turn enable success of a company (Yeuh et al., 2010). This means that failure or success of a company depends on how they handle information gathered. Several studies show how information technology is an important factor and that it influences customer satisfaction and
retention. The increasing availability of technology allows firms to collect and analyze customer level data and interact with customer simultaneously (Kumar, 2012). According to Peppard (2000) information is important as it enables organizations to tailor products and services and also create lifetime value.

Information that is received concerning customers should be managed and arranged in a way that makes it easy to make decisions and also to retrieve information. It is believed that gathering information about customers constantly reduces the need for traditional marketing research tools such as customer surveys and focus groups. This is enabled by data warehousing technology which makes CRM possible and it transforms customer data into customer intelligence that can be used to form a better understanding of customer behavior. This data includes all sales, promotions, and customer service activities (Shepard et al., 1998).

According to Porter (1987), Information technology (IT) enables businesses to redesign business processes in order to improve on performance. It is used to better implement CRM strategies and is believed to be an easy way to collect and analyze data concerning buying behavior of customers. It also helps firms to make predictions, deliver products and services on time. Meaning that after collecting data and analyzing the behavior of customers they can actually tell what product or service customers can purchase next. Eckerson and Watson (2000) believe that using technology to “optimize interactions” with customers, companies are able to learn from past interactions to optimize future ones.

2.2.2 Technology Advancement

Firms should understand the impact that technology has for both the existing technological advancement as well as future developments. This forecast of technology advancement is believed to lie in accurately predicting future technology capabilities and the impact that technology will have on the business (Pearce & Robinson, 2013). Technology can help protect and improve the profitability of firms in growing industries. A study by Wanjau (2011) found that technology assisted in identifying ways to detect customer retention incentives, customer satisfaction, customer acquisitions, and customer loyalty. Wanjau (2011) also found that CRM systems assisted significantly in addressing the issues of
customer complaints more efficiently as the data is collected regularly, analyzed and applied.

Kotler and Keller (2009) believe that new technology also creates major long-run consequences that are not always foreseeable, for example mobile phones, video games and the internet have not only reduced attention to traditional media but have also reduced face-to-face social interactions. Most customers today are now interacting with business through social media platforms and emails. Technology improvements like mobile money transfers for example M-pesa make it possible to deposit money and make payments from the comfort of their homes.

2.2.3 The Internet
Technology through use of web or online environments also affects CRM positively. Some companies today incorporate online platforms and they use them to easily access opportunities to the target customers online. This is because the internet has become a vital part of technology today. Growth of the Internet has also brought new meaning to building customer relationships. Customers can now access information about an organization and order products online at any time of the day. The web has become an important tool in building lasting relationships with customers by offering services in traditionally impossible ways (Peppers & Rogers, 2000). According to Kennedy (2006) internet and email are electronic and interactive media and they are now playing significant role in operationalization of CRM and enable personalization of products and service. This will increase customer retention. Customers expect organizations to anticipate their needs and provide consistent service at levels above their expectations. In return, customers are loyal to the organization for longer periods of time.

The ability to respond directly to customer requests in real time and interact with customers enables a customized experience and companies are able to develop, nurture, and sustain lasting relationships. The end game is to transform these relationships into greater profitability by increasing repeat purchase rates and reducing customer acquisition costs (Wanjau, 2011). Bennett et al. (2005) argued that the main component of any CRM strategy entails the facilitation of two-way interaction between individual customers and the organization and interaction is
about every aspect of the relationship. This helps organizations to channel products that are customized and fit their preferences. Bennett et al. (2005) believe customer plays an important role in Information technology because without data or willingness to provide data then there is not much company can do to access information.

A study by Ngambi and Ndifor (2015) showed that information technology had a negative effect on performance of financial institutions, however this study focused on performance of business and not customer retention. They concluded that the negative influence could be due to the fact that investing in information technology can significantly increase the firm expenses. This means that an investment of this magnitude can have positive influence on customer retention as it becomes easier for company to organize activities. The importance of information technology therefore cannot be dismissed. Simonet et al. (2012) study however showed that investments in IT enhance firm performance.

According to Ngambi and Ndifor (2015) information technology does not work alone without adequate training of employees to use this technology. If there is no training the technology cannot be a positive influence to generate a higher-order “superior CRM capability”. Information technology is necessary to enable customer data interpretation. Ngambi and Ndifor (2015) also found out that customer retention programs affect financial performance positively and significantly. They argued that it is important to track retention of business because it shows that customers are satisfied with the service and it also helps in prediction of future financial performance of company. Advances in IT helps organizations gather specific information about customers and this in turn helps in creating relationship with customers which will in turn increase customer retention.

2.2.4 E-CRM

A concept of e-CRM has been introduced by various scholars and this is known to most as technology based CRM whereby companies are taking advantage of technology advancements in order to enhance CRM. According to Milovic (2012) e-CRM enables companies to implement interactive, personalized and relevant
communication with customers through electronic and traditional channels. This means that companies can interact with their customers and therefore they can direct personalized products to their customers. Due to growing global penetration of the Internet, e-CRM has become increasingly popular as a Communication tool and is used as a relationship-building platform (Lam et al., 2013). Saini and Kumar (2015) based their study on how e-CRM affects customer satisfaction and argued that there will be an increase in online shopping which will become part of our life. This however will be in the long run for industries like Sacco industries as technology advancement has not been fully adopted. They suggested that more studies be done in areas of e-CRM and how its relationship with customer loyalty and customer retention.

2.3 Customer Recognition and Customer Retention
This section seeks to provide insight on how customer recognition influences customer retention based on past data.

2.3.1 Customer Value Chain
Customer recognition is when firms try to identify which customers are valuable and which customers are not. This is believed to benefit firms because once the firm knows which customers are valuable they are able to maximize their efforts in ensuring that their valuable customers remain happy at all times. This means that customers have to be divided into groups in order to fit them in their various segments (Wanjau, 2011). This however does not mean that other customers are neglected. Buttle (2009) proposed the value chain model which is used by organizations as a guideline to create customer value. This model consists of two levels the primary level and the secondary level. The primary level consists of 5 stages whereby at the first stage the firm carries out a customer portfolio analysis. This is a stage where company identifies the customers that are more desirable; Buttle (2009) argued that some customers are more desirable than others.

After identifying their customers firms try to find out everything they can about their customers so as to make them strategically fit. At this stage firms try to find out information that they need about their customers, every aspect of their lives from the day they were born to the last detail that would seem unnecessary. This helps them know what sort of product to target their customers and hence create
value for customers. A study carried out by Mascareigne (2009) showed that some customers acknowledge the advantages of pinpointing products directly to them; this means that customers are happy when they feel that their needs are directly targeted to them. It tells the customer that you are concerned and put their needs first. Customers that feel appreciated will come back.

Customer recognition is all about identifying your customers and providing products and services that best suit their needs. Managers should therefore know everything about their customers, products and services should be offered according to customers’ needs this is termed customer orientation (Abdullateef, Mokhtar & Yussoff, 2010). Studies show that customer recognition has been given many terms, such as customer orientation, market orientation, or market driven firms but it all boils down to how organizations identify their customers to serve their needs and create value as they all refer to organizations that focus on customer needs and wants which forms the basis of their marketing strategies. Kotler (2000) defined five marketing philosophies that guide a companies’ selling efforts, whereby the fourth concept the marketing concept focuses on the needs of the buyer.

This is believed to be a crucial concept for the success of any organization as many scholars agree that it leads to superior performance and firm profitability, (Racela, 2014). An article by Levit (1960) on marketing myopia explained that companies should define what business they are in, and that this question plays an important role in determining the growth of the company. He argued that the failure of any firm is not as a result of competition or saturation of the market but is due to failure of management. He clarified that a business that focuses on the customer and not production tends to do better. He also argued that segmenting customers makes it possible to be accountable to each customer and therefore obtain early warnings for those customers that might be considering switching to another service provider. This means that knowledge about customers can enable firm to take necessary measures so that they do not lose their customers. It is important for organization to focus on key customers and this has an impact on customer outcomes that is; customer satisfaction, loyalty and retention (Yim, Anderson, & Swaminathan, 2004). For the purpose of this paper customer
recognition is therefore a set of activities carried out by firms from identifying their customers, managing knowledge, to providing value for their customer.

Day (2003) states that an organization has to have the ability to retain and develop close relationships with customers, this helps the organization know their customers and therefore create value once they know what their customers’ needs, wants and desires are. It enables organizations to provide specific products and services tailored to a specific customer. Study carried out by Wanjau (2011) showed that most organizations did not invest enough into research to understand how the customers should be recognized and uplifted. Her study showed that Kenya Commercial Bank concentrated more on selling extra to the customer rather than recognizing the customer in order to retain the customer. The research unit focused more on new product innovation rather than how to recognize the current customer’s value with aim at increasing the business within the same customer and enhance customer profitability.

2.3.2 Type of Information necessary for Customer Recognition

Shy and Stenbacka (2011) believe that a firm can gather two kinds of information that enable customer recognition; the information about their valued customers, the ones that they have established relationships with and second the information about what these customers prefer. They introduced three types of consumer recognition namely; identity recognition and this is where firms simply identify their customers but not their preferences, secondly asymmetric preference recognition whereby they identify both customers and their preferences, and lastly symmetric preference recognition and this is when they identify customers, their preferences and preferences of customers that purchase from rivals, and here firms in same industry share information about their customers’ preferences.

Shy and Stenbacka (2011) concluded that firms benefit from recognizing their customers’ preferences regardless of whether the information is shared or not, but the exchange of information reduces gains from customers and customers prefer that they do not share information. Their study focused on how customer recognition contributes to profitability of the firm. Esteves (2008) carried out a study to show the competitive effects of price discrimination based on customer
recognition, and concluded that the more the information the more intense competition becomes. Perreault and McCarthy (2002) believed that customer recognition involves a firm improving their marketing efforts by gathering detailed information and using this information to create value, establish a good relationship with customers and therefore increase profits. An insight on who is buying from you helps determine customers’ tastes and preferences (Vyas & Sina, 2008).

2.3.3 Feedback and Response

Customer recognition is also not only about getting information about what customer need and want but is also about managing feedback and responding to customers’ queries. Usitalo, Hakala and Kautonen (2008) argued that the basic idea is not about making the complaining customer satisfied but it is about responding to these complains and making sure that it never happens again by removing the source of the complaint. This helps to avoid similar errors to occur. Mekonnin (2015) carried out a study and aim was to investigate customer orientation and business performance in respect of customer treatment, main customer focused bank structures and introducing latest banking technology to upgrade customer service. Results of the study showed that all customer orientation was positively correlated with business performance. Although this study was concentrating on how focusing on customers contributes to performance it is important to note that if a business is performing well then customers are more likely to repeat purchase. The researcher therefore concluded that customer orientation is crucial for financial institutions like the banking sector since their business income is generated from service rendered to customers.

Ngambi and Ndifor (2015) stated that marketers build social bonds with customers by viewing them as clients who are not nameless faces. This means that they should try to find out everything about their customers so that they can create a bond with their customers. Interaction with their customers on a personal level helps the company in that customers feel a sense of belonging and closeness with the brand and service provider. It also helps companies to offer solutions that are directly linked to the customers’ needs, because by interacting with their customers they can determine the needs and wants of the customers. According to
Sadek et al. (2011) banking institutions are expected to know who their customers are and to determine the customer group that produces higher profits. They should also know what factors keep their customers happy and so as to influence their loyalty. This means that focus should always be on the customer and what they need.

Boohne et al. (2012) argued that an improvement in the market orientation practice will lead to high business performance thus ensuring the long term survival of the businesses. The long term survival of business is based on the retention of customers meaning that if business performs well then customers are most likely to come back to repurchase services and remain loyal. According to Homburg et al. (2011) maintaining a high-level of customer oriented service helps in building long term agent-customer relationships and identifying the highest level of customer orientation can help an agent maximize his customer relationship potential to achieve maximum sales results. The ultimate goal for any organization is profitability and continued survival and to achieve this companies have to maximize efforts and make their customers a priority. Homburg et al. (2011) believe that the heart of market orientation is its customer focus. According to Mekonin (2014) market orientation is a business culture that focuses on creating superior value for customers. Customer orientation focuses on maximizing both efficiency and effectiveness at a customer level (Smith & Chang, 2010). This means that in order to be effective, businesses should solely focus on customers want.

2.4 Loyalty Programs and Customer Retention
This section seeks to shed more light on how loyalty programs influence customer retention based on past data. Loyalty programs are believed to be a form of incentive that encourage customers to purchase a product and in order to understand how loyalty programs influence customer retention, it is important to understand the concept of loyalty which is the foundation of loyalty programs.

2.4.1 Loyalty
Loyalty is believed to be close to the heart of CRM and is defined as, “the biased behavioral response, expressed over time by customers with respect to one supplier out of a set of suppliers, which is a function of decision making and
evaluating process in brand or store commitment” (Brink & Brendt, 2008). Customers will be committed to the services that are offered by a particular service provider, and will continue using those goods and services even if a better offer comes along. It is believed that the customer carries a particular bond with an organization and therefore it is emotional. Smith (1996) states that it is not just repeat purchases, it is about customers having a sense of belonging.

According to Brink and Brendt (2008) the only way to keep some customers loyal is by giving them a reason to be loyal. Aim for businesses should be to make customers satisfied and the more customers are satisfied, the more they become loyal to your brand and keep coming back for more. Lombard (2011), in his study argued that in order to establish customer loyalty there is need to concentrate on two way communication and conflict handling and that implementing communication strategies and conflict handling strategies increases loyalty which will in turn increase profitability and sustainability of the firm.

Relationship marketing is believed to work if marketers adopt a customer management orientation. It emphasizes on the importance of customer lifetime values and retention (Kumar & Reinartz, 2003). Customer Relationship Management improves performance of businesses and is done so by increasing customer satisfaction which in turn increases customer loyalty. Customer satisfaction increases because the information that firms gather about their customers give them a better understanding of what they need and therefore create improved customer value propositions. If customer satisfaction rises, so does customer intention to repurchase (Buttle, 2004).

2.4.2 Customer Life cycle Stages
According to Phelp (2001), customers have certain life cycle stages and these include Contact phase where you make initial contact with customer. At this stage firms reach out to the customers they wish to provide services for. The next stage is the acquisition stage where aim is to retain the customer by collecting as much information as you can so as to provide goods and services in line with the customer’s needs. The firm finds out every single detail about their customers so as to make informed decisions and provide goods and services that satisfy specific
needs. This is followed by the retention phase where firms create long term commitment and loyal customers; and lastly the loyalty phase where goal is to extend customer loyalty and here firms try to establish and identify life time value of their customers.

2.4.3 Loyalty programs

In order to build loyalty firms use loyalty programs and these are said to maximize customer retention (Bolton, Kannan&Bramlet, 2000). They believe that these programs have become common and that the main aim is to retain customers. Studies carried out by Mascareigne (2009) showed that the number of customers from the different agencies was insignificant to have loyalty programs but she did not dismiss the argument by other scholars that suggests that loyalty programs have a positive influence on customer retention (Verhoef, 2003).

Through loyalty programs, firms can potentially gain more repeat business, get opportunity to cross-sell and obtain rich customer data for future CRM efforts. (Liu, 2007). Loyalty program is a program that allows consumers to accumulate free rewards when they make repeated purchases with a firm (Liu, 2007). This means that they are a type of incentive for customers to keep coming back for more. In their study Grahame and Hammond (2003) believed that there are two aims of loyalty programs, the first aim is to increase sales and revenues and therefore increasing profitability and the other aim is to create a bond between customers and the service provider or firm, and maintain the current customer base. This means that customer retention is achieved because if company is able to maintain its customer base then that means their loyal customers will continue to use services. According to Verhoef (2003), loyalty programs that provide economic incentives positively impact customer retention. He however found that the effect was small.

Loyalty programs can include; buy 4 and get the 5th burger for free, bonus points for every purchase, miles allocated for frequent customers. These are believed to attract customers to come back for more, hence increase repeat purchase. Vyas and Sina (2008) believe that a loyalty program should have the ability to create a bond through reward structure this encourages customer to stay loyal, get involved
and strengthen the relationship. There are however questions that have been raised by various scholars as to whether loyalty can be achieved by these programs alone, and some have concluded that it does not create true loyalty.

McMullan and Gilmore (2008) highlight the importance of understanding how customers with differing levels of loyalty development may respond better to a differentiated strategy due to the effect of what sustains and renders their loyalty vulnerable. This means that there are different loyalty stages namely; high level loyalty, medium level loyalty and low level. Customers with high level loyalty value recognition and unique rewards but are believed to be less price sensitive the middle level also value recognition and a relationship with service provider and price plays important role and the low level customers are more price sensitive. Customers with a low level of loyalty are least interested in developing a relationship, but very interested in promotional offers. Khan (2012) believes that improvement of customer satisfaction will increase loyalty. Loyal customers will bring referrals to the firm.

2.4.4 Objectives of Loyalty Programs
Kumar and Reinartz(2002) believe that the objectives of loyalty programs are to build true loyalty, gain effective and efficient profits and also create value alignment. They argued that true loyalty is not achieved by enticing customers with rewards and bonuses but is achieved through providing value for customers. Loyalty Programs that are believed to provide sustainable competitive advantage are those that use the data obtained from consumers into more effective marketing decisions and thus result in true value creation for customers. (Reinartz, 2002).

According to Bowen (2015), customers who provide repeat business and also hold a positive attitude toward the brand are true loyal customers; he also defined those that hold a favorite attitude toward a brand but purchase occasionally as latent customers and customers whose high-frequency purchases is not based on favorite attitude, but are led by habits, conveniences or financial incentives, are classified as having spurious loyalty. Finally, customers who display a low level of repeat purchase and attitudinal attachment are low-loyalty customer.
Clark (2010), in his study identified fifteen business benefits of a loyalty initiative and among the fifteen included the benefit of retaining existing customers as well as acquiring new customers and winning back churned customers, these are customers that cut ties with a firm. Reinatz (2004) believed that there are three benefits of loyalty programs. He believed that loyalty programs help in building true attitudinal and behavioral trust, enables efficiency in profits and enables effective profits. Studies also show that loyal customers are more likely to purchase more, with a high-margin of supplemental products and services and reduce costs associated with consumer education and marketing loyal customers are also known to be low price sensitive. According to study done by Magatef and Tomaleigh (2015) all the loyalty programs are useful and important for building and maintaining customer retention. This means that for organizations to increase retention they should implement loyalty programs strategies.

2.4.4 Switching Barriers Effect
Vyas and Sina (2008) believe that switching barriers are part of factors that shape loyalty, this is because once a consumer signs a loyalty program, if he/she leaves it, then he/she loses the points accumulated on previous purchases made. Thus once a consumer becomes a member of any loyalty program, switching barriers are created. The loyalty program will therefore tie the customer to a particular service or product and hence it becomes more expensive to switch to another customer and hence they have to continue using the current service or brand. Ngambi and Ndifor (2014) argue that financial bonding is a CRM strategy that attempts to make the customer attach to a particular firm through financial incentives.

These incentives can be in the form of lower prices for greater purchase volume or lower prices for customers that have been loyal to the firm for a long period of time. An example they used was airline incentive whereby a frequent flier can be awarded miles or free airline ticket as an incentive. Incentives can also come in the form of stable prices or lower prices than competitors for loyal customers and are used as retention strategies (Ngambi & Ndifor, 2014). They however argued that loyalty programs do not necessarily keep customers loyal because they can easily be copied by competitors and they can therefore be unsuccessful and firms
should be very careful when using this strategy. Singh and Khan (2012) highlighted how short term actions with few modifications with the profit will turn into long term customer loyalty and hence long term benefit. They focused on understanding customer retention and customer loyalty and their importance to the business.

In order to make loyalty programs effective, managers need to provide emotionally engaging experience during redemption process and they need to be viewed as a business strategy which requires long term commitment. The success of loyalty programs is believed to depend on improving the perceived value of the rewards offered (Vyas & Sina, 2008). Pullins and Roehm (2002) assumed that participation in a loyalty program motivates a customer to purchase the program sponsor’s brand repeatedly and also that these programs create switching barriers to other service providers or suppliers since it depends on prior customer behavior. Although several scholars have questioned the effect of loyalty programs Verhoef (2003) built an argument in favor of the positive effect of loyalty programs on customer retention and his study showed that customer retention is indeed influenced by loyalty programs. This means that loyalty programs provide a tier effect and hence customers will not switch to another service provider.

2.5 Chapter Summary

This chapter focused on the literature available on studies carried out by other scholars. The literature was divided into three sections whereby research by other scholars was discussed; researcher looked at information technology, customer recognition and loyalty programs and how these variables are linked with customer retention. The next chapter is the research methodology chapter which explains the research methodology used by researcher.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter highlights the various methods and procedures the researcher adopted in conducting the study in order to answer the research questions raised in the first chapter. The chapter is organized in the following structure: Research Design, Population and Sample Design, Data Collection Methods, Research Procedures, Data Analysis, and the Summary of the chapter.

3.2 Research design
The researcher adopted a descriptive research design in this study. A descriptive survey attempts to identify and explain variables that exist in a given situation and to describe the relationship that exists between these variables in order to provide a picture of a particular phenomenon (Cooper & Schindler, 2003). Aim is to determine the impact of the variables in relation to each other so as to present the bigger picture of the variables in a particular situation as recommended by Churchill and Iacobucci (2002).

A survey in form of standardized questions in a questionnaire was used to collect data. A survey is defined by Balnaves and Caputi (2001) as a method of collecting data from people about who they are, how they think (motivations and beliefs) and what they do (behavior). The respondents in the sample were asked various questions relating to the study by means of a standardized procedure and the answers were compared and analyzed statistically (Corbetta, 2003).

3.3 Population and Sampling Design
3.3.1 Population
Cooper and Schindler (2003) define population as the total collection of elements which a researcher wishes to make some inferences. The target population consisted of the management, staff and customers/members of Shekinah Sacco as well as the staff and members of USIU Sacco. Shekinah Sacco comprises of 12 persons in the management committee which is divided in three levels; the executive committee, credit committee and supervisory committee. Therefore
during the time that the study was carried out there was a total of 640 persons in Shekinah Sacco. USIU population consists of 350 members including 9 elected executive officials and 3 supervisory elected officials. This therefore gave total of 990 respondents.

3.3.2 Sampling Design
Sampling design is a procedure used in selecting a balanced representation from the total sample size which is the population under study. Due to constraints in time and financial resources sampling enables increased speed of data collection, lower cost and accuracy of results. The study used non probability technique specifically convenience sampling procedure to get a representative sample size.

3.3.2.1 Sampling Frame
A sampling frame is a complete list in which each unit of analysis in a research study is mentioned only once (Welman & Krugler, 2001). Sample frame was obtained from Shekainah Sacco Ltd database and USIU Sacco database containing all details of the members of the Sacco. A sample is a small proportion of the entire population that is expected to represent the entire population. It is difficult to get information from entire population and hence a sample was necessary.

3.3.2.2 Sampling Technique
Sampling technique is a process used so as to select elements from the entire population. Convenience sampling technique was used to collect the data whereby two Saccos were selected based on convenience of researcher and simple random sample technique was used to select elements from the population of interest.

3.3.2.3 Sample Size
A sample size is a smaller set of the larger population. The total sample size comprised of 285 respondents. Due to geographical dispersion of population, time constraints and resource limitations a sample was drawn from the entire population. A formula developed by Yamane (1967) was therefore used to calculate the sample size as shown below.

\[ n = \frac{N}{1 + Ne^2} \]

Where,

n= the sample size
N = the size of population (990)
\[ e = \text{the error of 5 percentage points. (0.05)} \]

\[ n = \frac{990}{1 + 990(0.05^2)} \]
\[ = \frac{990}{1 + 2.475} \]
\[ = 284.892 \]

This gave a sample size of 285 using a population of 990 from both Saccos and confidence level of 95%.

3.4 Data Collection Methods
The study adopted questionnaires which were administered personally in collecting the data. The questionnaire was designed in a way to capture the relevant information required for the analysis. Questionnaires were administered with the help of two assistants, the questionnaires were physically administered and emails were also sent out to a number of respondents. The questionnaires had structured questions to limit the amount of response. The questionnaires were given sequential numbers so as to make it easy to analyze the data. Secondary data was obtained from customers’ records and internal reports.

3.5 Research Procedures
The questionnaire that was used by the researcher was tested for reliability and validity. The questions were adapted to fit the research. Validity and reliability tests enabled researcher to check for consistency of the data collection tool. The questionnaire was accompanied by an introductory letter which was meant to explain the purpose of the research to the respondents as well as assure confidentiality.

3.6 Data Analysis Methods
The data that was collected was analyzed using qualitative and quantitative techniques. The quantitative techniques employed were the frequency and percentages tables which were used for analyzing the variables. The data obtained was analyzed using Statistical Package for Social Sciences (SPSS) as a tool of data analysis. The data was checked, coded and keyed in the computer. Descriptive statistics were drawn and it included measures of central tendencies such as; means, median, mode, cross tabulations and Standard deviation. The data findings
were presented using figures and tables. A correlation of variables was also used to describe the degree of relationship between the dependent variable and independent variables.

### 3.7 Chapter Summary
This chapter focused on the research methodology used to carry out the study. At the beginning of the chapter researcher highlighted the general methodology. The sample size was also determined and researcher used a justified method of selecting data. The chapter describes the data collection method tools and data analysis tools used. The next chapter discusses the results and findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter contains the findings from the research study that were analyzed using the SPSS tool. The chapter contains interpretation of the data that was collected and analyzed.

4.1.1 Response Rate
The study focused on two Sacco’s in Nairobi and a total of 285 questionnaires were sent out to both Shekainah Sacco ltd and USIU Sacco limited. The questionnaires were personally administered with the help of 2 assistance. The researcher also administered questionnaires electronically through email. The researcher managed to retrieve a total of 259 questionnaires. This gave a response rate of 90.87%. The response rate helps to produce accurate useful results that represent the target population.

Table 4.1 Response Rate

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filled and Collected</td>
<td>259</td>
<td>90.87</td>
</tr>
<tr>
<td>Discrepancy</td>
<td>26</td>
<td>9.12</td>
</tr>
<tr>
<td>TOTAL</td>
<td>285</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2 Demographics
This section presents the results on the personal information of the respondents.

4.2.1 Age
The study showed that a majority of respondents between the ages 35-44 were represented by a percentage of 36.3% and 94 out of the 259 respondents fall under that age bracket. Respondents falling under the 25-34 bracket followed and they were represented by 26.6% with 69 out of the 259 respondents falling under that age bracket. This was followed by respondents between the 45-54 age bracket and they were represented by 23.6% with 61 out of the 259 respondents falling under the 45-54 age bracket. 7.3% of the respondents were between the age of 18-24 and 6.2% of the respondents were above the age of 55. 19 of the total respondents were between the age of 18-24 and 16 respondents of the total were above 55 years. Results are shown in Fig 4.1
4.2.2 Gender
The study showed majority of the respondents were male respondents with a percentage of 54% as shown in the figure below. Female respondents were 46% as shown in the Figure 4.2.

4.2.3 Education level
Level of education was divided into four categories and respondents that reached high school were the highest with 48%. This was followed by respondents that have reached undergraduate level and 34% represented the respondents that reached undergraduate level. Respondents that reached masters level were represented by a percentage of 16% and those that reached doctorate level were represented by 2% of the respondents as shown in Figure 4.3.
4.2.4 Area of Concentration/Major.
The section of area of concentration represented the line of work of the respondents as well as what concentration or major they studied in school. A majority of respondents did not give out information on their area of concentration and most responded not available/applicable (N/A) and 23.6% represented these respondents. This was followed by those in education with 9.7%. The least representation was those in maintenance with 0.4% as indicated in Table 4.2.

<table>
<thead>
<tr>
<th>Area of concentration</th>
<th>Frequency</th>
<th>Percent</th>
<th>Area of concentration</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts</td>
<td>19</td>
<td>7.3</td>
<td>Marketing</td>
<td>12</td>
<td>4.6</td>
</tr>
<tr>
<td>Administration</td>
<td>23</td>
<td>8.9</td>
<td>MBA</td>
<td>19</td>
<td>7.3</td>
</tr>
<tr>
<td>Advertising</td>
<td>7</td>
<td>2.7</td>
<td>Media</td>
<td>4</td>
<td>1.5</td>
</tr>
<tr>
<td>Business</td>
<td>6</td>
<td>2.3</td>
<td>Music</td>
<td>4</td>
<td>1.5</td>
</tr>
<tr>
<td>Church Ministry</td>
<td>2</td>
<td>0.8</td>
<td>N/A</td>
<td>61</td>
<td>23.6</td>
</tr>
<tr>
<td>Design</td>
<td>4</td>
<td>1.5</td>
<td>Photography</td>
<td>3</td>
<td>1.2</td>
</tr>
<tr>
<td>Education</td>
<td>25</td>
<td>9.7</td>
<td>Psychology</td>
<td>9</td>
<td>3.5</td>
</tr>
<tr>
<td>Finance</td>
<td>23</td>
<td>8.9</td>
<td>Public Relations</td>
<td>2</td>
<td>0.8</td>
</tr>
<tr>
<td>Health</td>
<td>6</td>
<td>2.3</td>
<td>Publishing</td>
<td>4</td>
<td>1.5</td>
</tr>
<tr>
<td>Human Resource</td>
<td>4</td>
<td>1.5</td>
<td>Real Estate</td>
<td>1</td>
<td>0.4</td>
</tr>
<tr>
<td>Journalism</td>
<td>5</td>
<td>1.9</td>
<td>Strategic Management</td>
<td>6</td>
<td>2.3</td>
</tr>
<tr>
<td>Maintenance</td>
<td>1</td>
<td>0.4</td>
<td>Technician</td>
<td>3</td>
<td>1.2</td>
</tr>
<tr>
<td>Management</td>
<td>4</td>
<td>1.5</td>
<td>Technology</td>
<td>2</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>259</strong></td>
<td><strong>100</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.2.5 Level in the Sacco
Figure 4.4 represents the position level of the respondents in the Sacco. Majority of the respondents were members of the Sacco represented by 90%. This was followed by a response of 7% of the staff members from the respective Saccos. A percentage of 4% respondents were Sacco management.
4.2.6 Marital Status
Table 4.3 shows that the respondents under the married category were the majority with 58.3%. This was followed by those that are single with a percentage of 30.9%. Respondents that were engaged were 6.9% and the least being those that are widowed with 3.9%.

Table 4.3 Marital Status

<table>
<thead>
<tr>
<th>Marital status</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>80</td>
<td>30.9</td>
</tr>
<tr>
<td>Engaged</td>
<td>18</td>
<td>6.9</td>
</tr>
<tr>
<td>Married</td>
<td>151</td>
<td>58.3</td>
</tr>
<tr>
<td>Widowed</td>
<td>10</td>
<td>3.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>259</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.2.7 Income level
As shown in Figure 4.5, the respondents receiving an income between 41K-60K were the majority with a percentage of 35%. This was followed by those earning an income between 10K-20K represented by 25%. Respondents earning above 60K were represented by 21% and lastly those earning between 21K and 40K were represented by 18%. 0.8% of the respondents were not earning.
The researcher also asked each respondent how long they have been members of their particular Sacco. Majority of the members have been members between 0-5 years which was represented by 41%. This was followed by those who have been members between 6 to 10 years and they were represented by 35% of the respondents. 14% respondents have been members for a period between 11 to 15 years and those that have been members for more than 15 years were 11% as indicated in Figure 4.6.

**Figure 4.6 Period of Membership**

4.3 Descriptive Analysis of study Variables
4.3.1 Information Technology on customer retention
The study sought to find out if information technology affects customer retention and respondents were asked questions relating to information technology. Respondents were asked to rate each question with the least being strongly disagree (1) and the most strongly agree (5). Majority of the respondents agreed that the Sacco maintains a complete database on members and this is represented by a mean of 3.92 and standard deviation of 0.783. They also agreed that
individual customer information is available at every point of contact with a mean of 3.65. A mean of 3.60 represented respondents agreeing that Sacco has the right technical staff to provide the required technical support in building long term relationships. A mean of 3.58 represented respondents agreeing that technology used creates personalized offerings. The least mean recorded was 3.56 representing the variable that the firm has the right hardware to serve members.

Data is represented on Table 4.4.

**Table 4.4 Information Technology**

<table>
<thead>
<tr>
<th>Information Technology</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>N (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm has the right hardware to serve members (IT1)</td>
<td>2</td>
<td>14</td>
<td>23</td>
<td>51</td>
<td>11</td>
<td>3.56</td>
<td>0.914</td>
</tr>
<tr>
<td>The Sacco maintains complete database on members (IT2)</td>
<td>0</td>
<td>6</td>
<td>17</td>
<td>57</td>
<td>20</td>
<td>3.92</td>
<td>0.783</td>
</tr>
<tr>
<td>Individual customer information is available at every point of contact (IT3)</td>
<td>3</td>
<td>7</td>
<td>24</td>
<td>52</td>
<td>14</td>
<td>3.65</td>
<td>0.921</td>
</tr>
<tr>
<td>The Sacco has the right technical staff to provide the required technical support in building long term relationships (IT4)</td>
<td>3</td>
<td>8</td>
<td>33</td>
<td>38</td>
<td>18</td>
<td>3.6</td>
<td>0.969</td>
</tr>
<tr>
<td>Technology used creates personalised offerings to members (IT5)</td>
<td>1</td>
<td>14</td>
<td>25</td>
<td>46</td>
<td>14</td>
<td>3.58</td>
<td>0.934</td>
</tr>
</tbody>
</table>

Key: SD-Strongly Disagree; D- Disagree; N- Neutral; A-Agree; SA- strongly Agree

**4.3.2 Customer Recognition on customer retention**

The study sought to find out how customer recognition affects customer retention and respondents were asked various questions related to customer recognition. Respondents were asked to rate each question, with the least being strongly disagree (1) and the most strongly agree (5). As shown on the table below, the highest mean recorded was 4.02 which represented the variable that staff is always willing to help members with any queries in a responsive manner. This was followed by a mean of 3.70 representing average of respondents that agree that all members are treated with great care. A mean of 3.67 represented respondents that agree that staff is always on time when rendering services. A mean of 3.54 represented responses that services are personalized to fit members’ needs and
wants and the least recorded mean was 3.41 representing response that Sacco makes an effort to find out the needs and wants of each member as indicated in Table 4.5.

Table 4.5 Customer Recognition

<table>
<thead>
<tr>
<th>Customer Recognition</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>N (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacco makes an effort to find out the needs and wants of each member (CR1)</td>
<td>4</td>
<td>10</td>
<td>39</td>
<td>34</td>
<td>12</td>
<td>3.41</td>
<td>0.966</td>
</tr>
<tr>
<td>Services are personalized to fit members’ needs and wants (CR2)</td>
<td>4</td>
<td>11</td>
<td>29</td>
<td>40</td>
<td>17</td>
<td>3.54</td>
<td>1.016</td>
</tr>
<tr>
<td>All members are treated with great care (CR3)</td>
<td>1</td>
<td>8</td>
<td>24</td>
<td>54</td>
<td>13</td>
<td>3.7</td>
<td>0.822</td>
</tr>
<tr>
<td>Staff is always on time when rendering services (CR4)</td>
<td>4</td>
<td>4</td>
<td>28</td>
<td>48</td>
<td>16</td>
<td>3.67</td>
<td>0.939</td>
</tr>
<tr>
<td>Staff is always willing to help members with any queries in a responsive manner (CR5)</td>
<td>1</td>
<td>3</td>
<td>21</td>
<td>44</td>
<td>32</td>
<td>4.02</td>
<td>0.849</td>
</tr>
</tbody>
</table>

Key: SD-Strongly Disagree; D- Disagree; N- Neutral; A-Agree; SA- strongly Agree

4.3.3 Loyalty Programs on Customer Retention
This section presents the analysis of loyalty programs and shows how it influences customer retention. Respondents were asked to rate the various questions with the highest being strongly agree (5) and least being strongly disagree (1). Table 4.6 shows descriptive results on loyalty programs with the highest mean recorded of 4.08 which represented respondents that agreed that the Sacco has friendly interests. This was followed by a mean of 4.05 which represented respondents that agreed that Sacco staff treat them with respect. A mean of 3.92 represented respondents that agreed that Sacco takes care of them and this was followed by those that responded that they feel attached to their particular Sacco with a mean of 3.80. The least mean recorder was 3.66 representing a response that Sacco values and member values are aligned.
Table 4.6 Loyalty Programs

<table>
<thead>
<tr>
<th>Loyalty Programs</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>N (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacco values and member values are aligned (LP1)</td>
<td>2</td>
<td>6</td>
<td>25</td>
<td>59</td>
<td>8</td>
<td>3.66</td>
<td>0.778</td>
</tr>
<tr>
<td>Sacco has friendly interest rates (LP2)</td>
<td>1</td>
<td>6</td>
<td>14</td>
<td>44</td>
<td>36</td>
<td>4.08</td>
<td>0.89</td>
</tr>
<tr>
<td>I feel a strong sense of belonging to the Sacco membership (LP3)</td>
<td>0</td>
<td>0</td>
<td>29</td>
<td>41</td>
<td>31</td>
<td>4.01</td>
<td>0.792</td>
</tr>
<tr>
<td>I feel attached to the brand (LP4)</td>
<td>0</td>
<td>2</td>
<td>35</td>
<td>41</td>
<td>21</td>
<td>3.8</td>
<td>0.809</td>
</tr>
<tr>
<td>Sacco staff take better care of me (LP5)</td>
<td>1</td>
<td>6</td>
<td>19</td>
<td>50</td>
<td>25</td>
<td>3.92</td>
<td>0.857</td>
</tr>
<tr>
<td>Sacco staff treat me with respect (LP6)</td>
<td>1</td>
<td>4</td>
<td>15</td>
<td>50</td>
<td>31</td>
<td>4.05</td>
<td>0.824</td>
</tr>
</tbody>
</table>

Key: SD-Strongly Disagree; D- Disagree; N- Neutral; A-Agree; SA- strongly Agree

4.3.4 Customer Retention

Table 4.7 shows descriptive results on Customer retention with the highest mean recorded of 3.60 which represented that respondents agreed that the overall performance was high. This was followed by a mean of 3.47 which represented that respondents were of the opinion that Membership growth rate was high. Majority of the respondents felt that the Market share for the Sacco was high (mean=3.27) and investment return growth rate was high (mean =3.35).

Table 4.7 Customer Retention

<table>
<thead>
<tr>
<th>Customer Retention.</th>
<th>VL (%)</th>
<th>L (%)</th>
<th>N (%)</th>
<th>H (%)</th>
<th>VH (%)</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership growth rate (RET1)</td>
<td>0</td>
<td>10</td>
<td>47</td>
<td>29</td>
<td>14</td>
<td>3.47</td>
<td>.856</td>
</tr>
<tr>
<td>Market share (RET2)</td>
<td>11</td>
<td>9</td>
<td>27</td>
<td>46</td>
<td>6</td>
<td>3.27</td>
<td>1.087</td>
</tr>
<tr>
<td>Investment return growth rate (RET3)</td>
<td>3</td>
<td>15</td>
<td>31</td>
<td>44</td>
<td>7</td>
<td>3.35</td>
<td>.934</td>
</tr>
<tr>
<td>Overall performance (RET4)</td>
<td>3</td>
<td>3</td>
<td>40</td>
<td>38</td>
<td>16</td>
<td>3.60</td>
<td>.907</td>
</tr>
</tbody>
</table>

Key: VL- Very Low; L- low; N- Neutral; H-High; VH- Very High

4.4 Modelling

The data analysis followed a two-step approach. First the measurement model was assessed and analyzed to confirm construct validity. The second step involved establishing the relationships between Information technology, Customer
Recognition, Loyalty Programs and Customer Retention using structural equation modelling (SEM). Partial Least squares (PLS) algorithm and Bootstrapping algorithm was run in Smart PLS 2.0

4.4.1 Measurement model
The confirmatory factor analysis was conducted in order to assess the extent to which the observed data fits the pre-specified theoretically driven model. The model fits for the measurement model in partial least squares (PLS) were validated using four criteria. These were construct uni-dimensionality, construct reliability, convergent validity and discriminant validity (Hair et al., 2011).

4.4.2 Construct Uni-dimensionality
Construct uni-dimensionality was initially assessed by verifying that the measurement items measured the specific construct. Further construct uni-dimensionality was performed through the verification of the cross loadings of scales and constructs to ensure that the scales loaded heavily on the relevant constructs. The loadings and cross loadings are indicated in Table 4.8. All the loadings and cross loadings were adequate and demonstrated construct uni-dimensionality.
### Table 4.8 Cross Loadings

<table>
<thead>
<tr>
<th></th>
<th>Customer Retention</th>
<th>Information</th>
<th>Loyalty</th>
<th>Recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR1</td>
<td>0.357</td>
<td>0.417</td>
<td>0.575</td>
<td>0.850</td>
</tr>
<tr>
<td>CR2</td>
<td>0.437</td>
<td>0.545</td>
<td>0.591</td>
<td>0.864</td>
</tr>
<tr>
<td>CR3</td>
<td>0.315</td>
<td>0.455</td>
<td>0.413</td>
<td>0.873</td>
</tr>
<tr>
<td>CR4</td>
<td>0.266</td>
<td>0.549</td>
<td>0.458</td>
<td>0.691</td>
</tr>
<tr>
<td>CR5</td>
<td>0.361</td>
<td>0.603</td>
<td>0.653</td>
<td>0.803</td>
</tr>
<tr>
<td>IT1</td>
<td>0.447</td>
<td>0.819</td>
<td>0.394</td>
<td>0.423</td>
</tr>
<tr>
<td>IT2</td>
<td>0.282</td>
<td>0.737</td>
<td>0.571</td>
<td>0.517</td>
</tr>
<tr>
<td>IT3</td>
<td>0.384</td>
<td>0.839</td>
<td>0.549</td>
<td>0.519</td>
</tr>
<tr>
<td>IT4</td>
<td>0.249</td>
<td>0.718</td>
<td>0.329</td>
<td>0.493</td>
</tr>
<tr>
<td>IT5</td>
<td>0.433</td>
<td>0.812</td>
<td>0.474</td>
<td>0.543</td>
</tr>
<tr>
<td>LP1</td>
<td>0.355</td>
<td>0.606</td>
<td>0.729</td>
<td>0.626</td>
</tr>
<tr>
<td>LP2</td>
<td>0.234</td>
<td>0.459</td>
<td>0.703</td>
<td>0.633</td>
</tr>
<tr>
<td>LP3</td>
<td>0.273</td>
<td>0.363</td>
<td>0.829</td>
<td>0.547</td>
</tr>
<tr>
<td>LP4</td>
<td>0.308</td>
<td>0.422</td>
<td>0.859</td>
<td>0.646</td>
</tr>
<tr>
<td>LP5</td>
<td>0.358</td>
<td>0.493</td>
<td>0.922</td>
<td>0.777</td>
</tr>
<tr>
<td>LP6</td>
<td>0.326</td>
<td>0.487</td>
<td>0.828</td>
<td>0.630</td>
</tr>
<tr>
<td>RET1</td>
<td>0.760</td>
<td>0.391</td>
<td>0.319</td>
<td>0.393</td>
</tr>
<tr>
<td>RET2</td>
<td>0.850</td>
<td>0.486</td>
<td>0.267</td>
<td>0.308</td>
</tr>
<tr>
<td>RET3</td>
<td>0.904</td>
<td>0.384</td>
<td>0.374</td>
<td>0.399</td>
</tr>
<tr>
<td>RET4</td>
<td>0.863</td>
<td>0.340</td>
<td>0.342</td>
<td>0.361</td>
</tr>
</tbody>
</table>

#### 4.4.3 Construct Reliability

Construct reliability was assessed by computing the composite reliability and the Cronbach’s alpha of the constructs. Composite reliability measures were evaluated by using Smart PLS. The Cronbach alphas were all above the 0.6 threshold as specified for PLS analysis (Hair et al., 2010). This therefore indicated good reliability and composite reliability of reflective items were all above the acceptable 0.7 threshold which means all the variables in the study exhibited construct reliability. All constructs were viewed to have acceptable reliability levels because the composite reliability scores for all constructs were above the 0.7 threshold. Details of construct reliability are presented in Table 4.9.
Table 4.9 Reliability of variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Composite Reliability&gt;0.7</th>
<th>Cronbach's Alpha&gt;0.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Retention</td>
<td>0.909</td>
<td>0.866</td>
</tr>
<tr>
<td>Information</td>
<td>0.890</td>
<td>0.847</td>
</tr>
<tr>
<td>Loyalty</td>
<td>0.922</td>
<td>0.897</td>
</tr>
<tr>
<td>Recognition</td>
<td>0.910</td>
<td>0.876</td>
</tr>
</tbody>
</table>

4.4.4 Convergent Validity.

Convergent validity is the degree to which two or more items that measure a construct in theory converge or share high proportion of variance in reality. It is measured by three measures; factor loadings, composite reliability (CR) and average variance extracted (AVE). Convergent validity is achieved if composite reliability values for the construct are least 0.7 and the average variance extracted (AVE) are at least 0.5 (Hair et al., 2010). Also all factor loadings should be statistically significant and should be above 0.5, as indicated in Table 4.10.
### Table 4.10 Convergent Validity

<table>
<thead>
<tr>
<th>Variables</th>
<th>Factor loading</th>
<th>T Statistics</th>
<th>P-values</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Recognition</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CR1</td>
<td>0.850</td>
<td>54.432</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>CR2</td>
<td>0.864</td>
<td>71.388</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>CR3</td>
<td>0.873</td>
<td>71.289</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>CR4</td>
<td>0.691</td>
<td>18.607</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>CR5</td>
<td>0.803</td>
<td>37.137</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Information technology</td>
<td></td>
<td></td>
<td></td>
<td>0.619</td>
</tr>
<tr>
<td>IT1</td>
<td>0.819</td>
<td>46.204</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>IT2</td>
<td>0.737</td>
<td>23.672</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>IT3</td>
<td>0.839</td>
<td>51.302</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>IT4</td>
<td>0.718</td>
<td>22.567</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>IT5</td>
<td>0.812</td>
<td>56.663</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Loyalty Programs</td>
<td></td>
<td></td>
<td></td>
<td>0.664</td>
</tr>
<tr>
<td>LP1</td>
<td>0.729</td>
<td>20.939</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>LP2</td>
<td>0.703</td>
<td>21.605</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>LP3</td>
<td>0.829</td>
<td>48.728</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>LP4</td>
<td>0.859</td>
<td>66.589</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>LP5</td>
<td>0.922</td>
<td>123.948</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>LP6</td>
<td>0.828</td>
<td>39.036</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Customer Retention</td>
<td></td>
<td></td>
<td></td>
<td>0.670</td>
</tr>
<tr>
<td>RET1</td>
<td>0.760</td>
<td>40.178</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>RET2</td>
<td>0.850</td>
<td>88.319</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>RET3</td>
<td>0.904</td>
<td>74.106</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>RET4</td>
<td>0.863</td>
<td>52.318</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

### 4.4.5 Discriminant Validity.

Discriminant Validity refers to the extent to which items measuring one construct differentiate from items measuring other constructs. There are two criteria used to assess the discriminant Validity. The first criterion is that the inter-construct correlation should not be higher than 0.9. Secondly the square root of the Average Variance Extracted (AVE) of the construct should be larger than its correlation with the other constructs. This is illustrated in the correlation matrix in Table 4.11 the diagonal elements are the square root of the average variance extracted of all the latent constructs. The discriminant validity is assumed if the diagonal elements are higher than other off-diagonal elements in their rows and columns. This situation is apparently the case in the correlation matrix and thus the discriminant validity is confirmed.
Table 1  Table 4.11 Discriminant Validity

<table>
<thead>
<tr>
<th>Variables</th>
<th>Customer Retention</th>
<th>Information</th>
<th>Loyalty</th>
<th>Recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Retention</td>
<td>0.846</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td>0.474</td>
<td>0.787</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loyalty</td>
<td>0.386</td>
<td>0.586</td>
<td>0.815</td>
<td></td>
</tr>
<tr>
<td>Recognition</td>
<td>0.433</td>
<td>0.625</td>
<td>0.794</td>
<td>0.819</td>
</tr>
</tbody>
</table>

4.4.6 Structural model estimation
The structural model was run and the results are shown in the Figure 4.7 and Figure 4.8 below.

Figure 4.7 Path of coefficients for the Structural model
4.5 Information Technology on Customer Retention

Information Technology was found to have a positive and statistically significant relationship with Customer Retention. The path coefficient was positive and significant at the 0.05 level ($\beta=0.329$, T-value =6.537 $p<0.05$) as indicated in table 4.12, Figure 4.7 and Figure 4.8. The positive relationship means if Information
Technology increases by 1, Customer Retention of the respondents will increase by 0.329.

4.6 Customer Recognition on Customer Retention
Customer Recognition was found to have a positive and statistically significant relationship with Customer Retention. The path coefficient was positive and significant at the 0.05 level (β=0.200, T-value =3.032 p<0.05) as indicated in Table 4.12, Figure 4.7 and Figure 4.8. The positive relationship means if Customer Recognition increases by 1, Customer Retention of the respondents will increase by 0.200.

4.7 Loyalty programs on Customer Retention
Loyalty programs was found to have a positive and statistically insignificant relationship with Customer Retention. The path coefficient was positive and significant at the 0.05 level (β=0.035, T-value =0.496 p>0.05) as indicated in Table 4.12, Figure 4.7 and Figure 4.8.

4.8 Chapter Summary
This chapter presented the results and interpretation of the data collection. The first section was an analysis of the personal data of all respondents. The other sections were an analysis of the independent variable and dependent variables. Aim of the researcher was to find out the influence of the independent variables on the dependent variable. The research also aimed to establish whether there was a relationship between the dependent variable and the independent variables. The next chapter presents the discussion, conclusions and recommendations of the study.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter addresses the results and findings on how Customer Relationship Management factors influence Customer Retention in the Sacco industry in Kenya. The findings are outlined according to specific objectives of the study. These are based on the responses from the questionnaires filled and information gathered on the research questions. The researcher provides a discussion on the findings of the research as compared to the findings in the literature review based on the specific objectives.

5.2 Summary
The general objective of the research was to establish the customer relationship management factors that influence customer retention in Sacco Industry. The research was based on the following research objectives: To find out the effect of Information Technology on Customer Retention among Saccos, to examine how Customer Recognition affects Customer Retention and to establish the effect of Loyalty programs on Customer Retention among Saccos.

Descriptive Research Design was used in the study. The research was conducted using Shekainah Sacco ltd and USIU-A Sacco as case studies. The sampling frame from this study was provided by the Sacco staff members who assisted the researcher in distributing the questionnaires. The researcher randomly emailed the questionnaires as well as physically administered some questionnaires. Out of a target of 285 respondents, 259 members responded to the questionnaires and this represented 90.87% effective response rate. The data gathered was edited and transformed into a quantitative form through coding. The data was analyzed by use of Statistical Package for Social Sciences (SPPS) software using descriptive statistics indexes such as means, median, mode, standard deviation, percentages and frequency distribution method. The data was presented in the form of tables and figures according to the research objectives.
The findings on the influence of information technology on customer retention established that information technology was a significant factor in customer retention for Sacco industry. Majority of respondents agreed that the respective Saccos maintained a complete database on members. The least recorded mean was on the hardware used by the Sacco, and respondents did not agree that the respective Saccos had the right hardware to serve members. The results also showed that improving information technology would increase customer retention.

The findings on the influence of customer recognition on customer retention established that customer recognition was a significant factor in influencing customer recognition. The findings indicated that most of the respondents agreed that staff is always willing to help members with any queries in a responsive manner. Respondents however were neutral on the issue that Sacco makes an effort to find out the needs and wants of each member. The results and findings also showed that if customer recognition is improved it will increase customer retention.

The findings on the influence of loyalty programs established that there was indeed a relationship between loyalty programs and customer retention. The study found that the respondents agreed that the Saccos have friendly interest rates. The findings also indicated that most of the respondents agreed that they feel a strong sense of belonging and that the staff treats them with better care. The relationship however was not significant to the study. The study showed that customer retention would increase if loyalty programs increased this was however to a much lesser extent.

5.3 Discussion

5.3.1 Influence of Information Technology on Customer Retention
The study sought to find out if information technology is an influential factor on customer retention. Aim was to find out whether there is a relationship between the two variables and the extent to which the independent variable affects the dependent variable that is, customer retention. The study showed that majority of the respondents from the respective Saccos agreed that there exists a complete database with information about all members.
The findings revealed that information technology had an impact on customer retention. This was consistent with the study by Wanjau (2011) which showed that information technology led to increased customer retention and that it helps build relationships with the customers.

The respondents also agreed that information is available at every point of contact. This means that the Sacco provides as much information as they possibly can to the customers. Information technology is not only about gathering information from customers but also making sure that this information is analyzed and is useful to both the organization and the customer. This therefore means that when customers require information the firm should be in a position to provide this information; this will improve interaction between the firm and their customers and as a result build a lasting relationship with them. According to Kumar (2012) the increased availability of data allows firms to collect and analyze data which will in turn improve interaction between customers and the firm.

Yeuh et al. (2010) believed that in order to create personalized products a company has to collect data and analyze it and this will form the foundation of success for the company. The results of the study showed that members from the respective Saccos believed that their Sacco provides personalized services. This can be achieved by data collected by the Saccos. The Saccos determine the needs of the members first and then provide services that best satisfy these needs for example, if data is collected and Sacco finds out information such as, income level, marital status, whether or not the member has children; such information can be useful to make inferences and predict what sort of service would best suit the that particular member.

Eckerson and Watson(2000) believe that using technology to “optimize interactions” with customers, companies are able to learn from past interactions to optimize future ones. This means that by analyzing the behavior of members the firm is able to predict the needs of members and this is achieved by collecting information and analyzing accurately. Peppard (2000) also agreed that information is important and that it enables organizations to tailor products and services and also create lifetime value.
5.3.2 Influence of Customer Recognition on Customer Retention
The study sought to establish whether or not customer recognition affects customer retention. The findings showed that customer recognition indeed influences customer retention and for any organization to succeed they should know everything there is to know about their customers. Majority of the members agreed that the staff responds to their queries and that they are always willing to help. This is consistent with study by Abdullateef, Mokhtar and Yussoff (2010) whereby they incorporated customer needs and customer feedback. Customers need to be given feedback; this means that they know what the organization is doing towards satisfying their needs. Usitalo, Hakala and Kautonen (2008) believe that it is not just about getting feedback on customers’ queries but it extends to the point where the firm removes the source of the queries and customers complaints. The members also agreed that they were treated with care and this can influence whether or not members can come back for more.

Vyas and Sina (2008) believed that an insight on who is buying from you helps determine customers’ tastes and preferences, this means that firm can establish what type of service to provide for their customers based on the information they gather about tastes and preferences. The results from the study showed that some members agreed that the services provided fit their needs. This is consistent with a study carried out by Mascareigne (2009) which showed that some customers acknowledge the advantages of pinpointing products directly to them. This tells customers that the firm is not focused on providing whatever services they have to customers without considering their needs and wants first. Homburg et al. (2011) believed that the heart of market orientation is its customer focus. According to Mekonin (2014) market orientation is a business culture that focuses on creating superior value for customers. Firms should therefore focus on creating value for customer by focusing on the needs of the customers. Levitt (1960) clarified that a business that focuses on customer and not production/service tends to do better if they make satisfying customer’s needs and wants their objective. Companies therefore stop growing because of not seeing the bigger picture.

Kotler (2000) explained the marketing philosophies that guide business organizations and according to Kotler business today succeed because firms are concentrating more on the customer rather than the products or service they offer. Customer orientation focuses on maximizing both efficiency and effectiveness at a
customer level (Smith & Chang, 2010). The results of this study showed that some of the members agreed that the firm tries to find out the needs and wants of each member. This enables firm to provide services that satisfy a particular need and therefore gives members a reason to continue with service. This is in contrast with a study carried out by Wanjau (2011) which showed that most organizations did not invest enough on research to understand how the customers should be recognized and uplifted. Her study showed that Kenya Commercial Bank concentrated more on selling extra to the customer rather than recognizing the customer in order to retain the customer. The research focused more on new product innovation rather than how to recognize the current customer’s value.

5.3.3 Influence of Loyalty Programs on Customer Retention
The study sought to investigate the influence of loyalty programs on customer retention. The results showed that not much was done by the two Saccos in terms of loyalty programs however they were some loyalty programs that had an impact on customers, for example the interest rates provided by the respective Saccos. Majority of the members agreed that there were very friendly interests which influence customer retention. According to Liu (2007) firms can potentially gain more repeat business through loyalty programs. This means that it is believed that for customers to come back for more of the service, there has to be an incentive. Ngambi and Ndifor (2014) argue that financial bonding is a CRM strategy that attempts to make the customer attach to a particular firm through financial incentives. Studies also show that loyal customers are more likely to purchase more, with a high-margin of supplemental products and services and reduce costs associated with consumer education and marketing loyal customers are also known to be low price sensitive. According to study done by Magatef and Tomaleigh (2015) all the loyalty programs are useful and important for building and maintaining customer retention. This is in contrast with the results from this study which showed that increase in loyalty programs will insignificantly increase customer retention. This contrast could be due to the fact that the study was carried out in a different industry. According to Bowen (2015) customers who provide repeat business and also hold a positive attitude toward the brand are known to be true loyal customers.
Grahame and Hammond (2003) stated that loyalty programs have two aims, the first aim is to increase sales and revenues and therefore increasing profitability and the other aim is to create a bond between customers and the service provider or firm, and maintain the current customer base. The results of this study showed that majority of the members from the two Saccos felt a strong sense of belonging towards their brand and that of the Sacco respectively. Some of the members also felt that their values and the values of the respective Saccos were aligned. This means that customer retention can be achieved if customers are loyal and if they feel attached to a brand. There is a relationship between the loyalty of the members and customer retention.

Some of the members of the respective Saccos agreed that the Sacco treats them with respect. This can therefore influence customer retention as customers become loyal. According to Brink and Brendt (2008) the only way to keep some customers loyal is by giving them a reason to be loyal; it is believed to be an emotional state since customers develop a particular bond with their service providers. A study by Verhoef (2003) showed that providing economic incentives positively influenced customer retention but he found out that this effect is rather small. Although the results of this study showed a relationship between loyalty programs and customer retention it was established that the relationship was not significant to this study.

5.4 Conclusions

5.4.1 Influence of Information technology on Customer Retention
The results showed that there was indeed a relationship between information technology and customer retention. Members from the respective Saccos agreed that the Sacco maintains a complete database of all members. Information forms the foundation of all successful business and without information about customers it is hard to determine purchase patterns and what customers really want. The two Saccos had the right technology to support information gathered about their respective members. Members are also able to access information that they need at every point of contact and this is also important for the organizations.

5.4.2 Influence of Customer Recognition on Customer Retention
The study showed that staff is willing to help members with queries and in a responsive manner. This means that they value the opinions of their respective members and that they try to put members needs and wants first before any
decisions are made. It is important to focus on the customer rather than forcing products on the customer that they do not need. A firm that does not put the needs of the customers first is more prone to failure than a firm that puts the customer first.

5.4.3 Influence of Loyalty program on Customer Retention
The results showed that although there was a relationship between loyalty programs and customer retention, it was not significant to this study. The findings suggest that the measure did not apply to the variable. This could be due to the fact that the study was carried out in a different country and different industry. The dimension was lost in translation and therefore insignificant to this study.

5.5 Recommendations
5.5.1 Recommendations for Further Improvements
5.5.1.1 Information Technology and Customer Retention
The results showed that the two Saccos maintained a complete database for their respective members. Relatively few respondents agreed that services provided are personalized the researcher therefore recommends that they find ways in which services can be personalized. This can encourage more members to join if they know that their specific needs are personalized. The researcher also recommends use of CRM based technology to make it easier for the company to analyze data through data warehousing and predict future behavior of members. The study clearly proves that if information technology is improved then customer retention will increase. Researcher also recommends that the Saccos implement e-CRM so as to stay relevant with the changing trends in business.

5.5.1.2 Customer Recognition and Customer Retention
Customer recognition is believed to be vital for the continued success of any business. Firms have to be able to identify their key customers and provide services that best suit their needs. The researcher therefore recommends that the Saccos make an effort to find out the needs of members so that they can improve performance, satisfy members and therefore retain members. The researcher also recommends a feedback system whereby they carry out surveys to get feedback from customers on how effective and efficient their services are.

5.5.1.3 Loyalty Programs and Customer Retention
The results showed that loyalty programs have a relationship with customer retention, however it was established that the relationship was not significant to
this particular study. Although the results showed that it was not significant, the results showed that if loyalty programs are developed and improved customer retention will increase and therefore the researcher recommends that the Saccos develop loyalty programs that can serve as incentives to retain customers and also attract new customers. It is believed that this creates an emotional bond between customer and service provider. These incentives should be relevant to the type of industry for example a reward awarded to those members that are loyal with subscriptions for 12 consecutive months. This can encourage other members, create competition within the organization and therefore increase retention. Review of literature showed that a lot of studies carried out proved that loyalty programs are significant to customer retention, this strategy should however be carefully implemented as it is easy to duplicate loyalty programs and this can lead to unsuccessful customer retention for some firms.

5.5.2 Recommendations for Further Studies
Since the Sacco industry is a growing industry in Kenya the researcher recommends that further research be done in the Sacco industry. There are other factors that have not been explored in this study that can contribute to customer retention in the Sacco industry. The researcher recommends research to be done on factors such as CRM organization, Knowledge management; these are among the dimensions of CRM. The researcher combined information technology and knowledge management as a single variable and customer orientation was termed customer recognition.

The researcher however recommends further studies to be done on the dimensions of CRM as single independent elements. Customer Relationship Management is a broad concept and limited studies have been done in Kenya and in the Sacco industry. It is therefore recommended that further research be done in order to gain more insight on the concept. Similar studies can also be done to increase statistical prowess of the study.
REFERENCES


APPENDIX I: LETTER

Shammah Madziwa
USIU-A
Nairobi

Dear Respondent,

RE: KIND REQUEST FOR COMPLETION OF QUESTIONNAIRE

I am a student at United States International University-Africa carrying out a research on examining Influence of Customer Relationship Management on Customer Retention in Sacco industry. This is in partial fulfillment for the award of Master of Business Administration (M.B.A) degree program. This is an academic research and confidentiality is strictly observed. I am kindly requesting that you would assist me in completion of questionnaire that follows to help in carrying out the study. Your personal details will not feature anywhere in the study. Your response to this questionnaire will be greatly appreciated.

Thank you,

Yours faithfully,

Shammah Madziwa

Mobile: +254 701 549 809
APPENDIX II: QUESTIONNAIRE

The purpose of this study is purely academic and your participation is entirely voluntary and you retain the right to withdraw at any time. All individual responses will be held in strictest confidence and only group data will be reported. Thank you for agreeing to participate in this questionnaire. In case you may need a preview of the report of this work, you can give your email…………………………..

Instructions: please answer each question to the best of your ability. Remember, all responses are completely confidential and only group data will be reported

SECTION ONE: PERSONAL DATA

1. Age: (18-24)……(25-34)----(35-44)------(45-54)------- (Above 55)-----
2. Gender: Male--------Female--------
3. Level of education: High School (.......) Undergraduate (.........) Master (.........) Doctorate (.........)
4. Area of Concentration/Major…………………………………………………………
5. Level in the Sacco: Management(......)Staff(......)Member (......) other (......)
6. Marital Status: Single (......) Engaged (......) Married (......) Widowed (......)
7. Income level: (10K- 20K)...... (21K-40K)...... (41K-60K)....... (Above 60 000ksh)......
8. I have been a Sacco Member for: (0-5years)...... (6-10 years)...... (11-15years)...... (Over 15 years)......

64
**SECTION B: INFORMATION TECHNOLOGY**

By ticking an appropriate box below in the five point Likert Scale (Where Strongly Disagree = 1, Disagree=2, Neutral =3, Agree=4 and Strongly Agree=5), please indicate the extent to which you agree with the following statements about influence of information technology on customer retention in the Sacco Industry.

<table>
<thead>
<tr>
<th>Does Information technology affect customer retention?</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Firm has the right hardware to serve members</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. The Sacco maintains complete database on members</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. Individual customer information is available at every point of contact.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. The Sacco has the right technical staff to provide the required technical support in building long term relationships.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. Technology used creates personalized offerings to members</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

**SECTION C: CUSTOMER RECOGNITION**

Tick an appropriate box below in the five point Likert Scale and answer; to what extent do you agree that the following factors influence retention in your particular Sacco.

<table>
<thead>
<tr>
<th>How does Customer Recognition affect Customer Retention?</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sacco makes an effort to find out the needs and wants of each member.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. Services are personalized to fit members’ needs and wants.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. All members are treated with great care</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. Staff is always on time when rendering services</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
5. Staff is always willing to help members with any queries in a responsive manner.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sacco values and member values are aligned</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. Sacco has friendly interest rates</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. I feel a strong sense of belonging to the Sacco membership</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. I feel attached to the brand</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. Sacco staff take better care of me</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6. Sacco staff treat me with respect</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

**SECTION D: LOYALTY PROGRAMS**

Tick an appropriate box below in the five point Likert Scale and answer; to what extent do you agree that the following factors influence retention in your particular Sacco.

**SECTION D: CUSTOMER RETENTION**

Relative to your principal competitors, rate your Sacco’s performance over the last three years on a scale of: (1 = very low; 5 = very high)

<table>
<thead>
<tr>
<th></th>
<th>Very Low</th>
<th>Low</th>
<th>Neutral</th>
<th>High</th>
<th>Very High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members growth rate</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Market share</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Investment return growth rate</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Overall performance</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Thank you for your participation!!