FACTORS INFLUENCING CUSTOMER LOYALTY IN SAVINGS AND CREDIT CO-OPERATIVES IN UASIN GISHU COUNTY, KENYA

BY

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DECLARATION

This thesis is my original work and has not been submitted for a degree in any other university.

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DEDICATION

This work is dedicated to my late parents Mr. and Mrs. Samuel Rae whose values on hard work have brought me this far.

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ABSTRACT

Diverse and uncertain environments have forced organizations to restructure themselves in order to enhance their chances of survival and growth. Restructuring efforts have included, among others, the emergence of relationship marketing. Relationship marketing acknowledges that a stable customer is a core business asset, which is achieved through customer loyalty. This study was designed to assess factors that influence customer loyalty in savings and credit co-operative societies (Saccos) in Uasin Gishu County, Kenya. Studies have shown that companies are losing customers at a staggering rate, without really hearing from most of them. Each year the average company loses 10-15% of its customer base, "84% of customers, who leave, do so because of poor service" and a typical business only hears from 4% of its dissatisfied customers, the other 96% leave, 91% for good. Co-operatives in Kenya are also facing a similar challenge and reports have shown that their customer base is declining and with it the financial base which constitutes share capital and deposits. Businesses today are faced with stiff competition (Beerli et al, 2004) and in the case of Co-operatives; this comes from banks, micro- finance institutions, and self-help groups/ welfare organizations among others. This study therefore sort to find out the factors attributed to decline in customer base in co-operatives and was guided by five specific objectives, namely, to determine the extent to which quality service delivery, satisfaction, perception of switching costs, trust and corporate image influence customer loyalty. The study was based on the social exchange theory which indicates that individuals are willing to maintain relationships because of that expectation that to do so will be rewarding. To achieve these objectives; data was collected from a sample of 174 respondents using structured questionnaires with close ended questions. Questionnaires were administered to individual members of Sacco societies. The data was analyzed quantitatively with the use of descriptive statistics to present the profile of the respondents and inferential statistics method specifically correlation and multiple regression were used to establish the relationships of the variables. The results shows that trust ($p < 0.001$), service quality ($p < 0.01$), switching cost ($p < 0.05$) and image ($p < 0.05$) all significantly affect the customer loyalty. The results further indicated that the most important predictor variables that affected the customer variables are trust followed by service quality but satisfaction was found not to be significantly associated with customer loyalty. It is recommended that since trust is a major concern for customers in Saccos, deliberate efforts should be made to build it by improving service quality and the overall image of these organizations. The costs of the Sacco products should be kept at reasonable levels so that the customer's stay in the Sacco is by choice and not out of fear of losing shares or deposits built over a long period of time.

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ACRONYMS

AT&T	American Telephone and Telegraph
ATM	Automated Teller Machine
B2B	Business to business
MOCD&M	Ministry of Co-operative Development and Marketing
Sacco	Savings and Credit Co-operative
SERVQUAL	Service quality
SPSS	Statistical Package for Social Sciences
VIF	Variance Inflation Factor
VSA	Very Strongly Agree
VSD	Very Strongly Disagree

DEFINITION OF TERMS

Customer Loyalty — Customer behaviour characterized by a positive buying pattern during an extended period measured by means of repeat purchases, frequency of purchase, wallet share or other indicators and driven by a positive attitude towards the company and its products or services.

Loyalty — A deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour.

Relationship Marketing — The marketing with conscious aim/objective to develop and manage long-term and trusting relationship with customers, distributors, suppliers or other parties in the marketing environment

Customer Satisfaction — A judgment that a long-term relationship with a supplier provides (or is providing) a desired level of purchase-related fulfillment, including levels of under or over fulfillment.

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter contains the background of the study, the statement of the problem, objectives of the study, hypothesis and significance of the study and its scope.

1.2 Background to the Study

Relationship marketing shifts the focus of the marketing exchange from transactions to relationships (Foss and Stone, 2001, Rowley, 2005, Kuusik and Varblane (2009). Relationship marketing acknowledges that a stable customer base is a core business asset. The essence and nature of relationships and their business vale is summed up in the concept of customer loyalty, and its associated literature. The fight to attract and keep customers has resulted in the development of relationship marketing strategies (Gustafson et al, 2004). Companies are developing a mix of relationship-marketing tools to establish and build profitable customer relationships.

Indeed, customer loyalty constitutes an underlying objective for strategic market planning (Kotler, 2004) and represents an important basis for developing a sustainable competitive advantage- an advantage that can be realized through marketing efforts. The benefits of customer loyalty to a provider of either services or products include: lower customer price sensitivity; reduced expenditure on attracting new customers; and improved organizational profitability, as the cost of recruiting a new customer is said to be five times more than the cost of retaining an existing customer (Dick and Basu, 1994). In the present environment of increasing global competition with rapid market entry of innovative products, on the one hand, and maturity conditions in

certain product markets, on the other, the task of managing loyalty has emerged as a focal managerial challenge (Dick and Basu, 1994)

The costs of customer retention are substantially less than the relative costs of customer acquisition, and loyal customers, if served correctly, are said to generate increasingly more profits each year that they stay with a company (Reichheld, (2000). However, other authors have pointed out that loyal customers are not always profitable (Reinartz and Kumar, 2002). Given the claimed benefits for businesses of loyal customers, it is not surprising that many businesses have invested substantial amounts in developing customer retention and cross-selling programs in an attempt to retain customers and to obtain a higher percentage of their business. Customers may demonstrate their loyalty in any one of a number of ways; they may choose to stay with a provider, whether this continuance is defined as a relationship or not, or they may increase the number of purchases or the frequency of their purchases or even both. They may also become advocates of the organization concerned by playing a powerful role in the decision-making of others (Reichheld, 2000; Bolton, 2000). However retaining and attracting customers today can be a difficult task. This is because customers face a bewildering array of products and services to choose from. Co-operatives as business organizations have not been spared this predicament and as competition intensifies more companies close in on their customers who have been loyal for years on end. Co-operatives, being unique organizations and especially the Saccos have been trying to imitate their competitors instead of offering unique value to their customers which only they can offer.

Customer loyalty has therefore been the subject of extensive marketing research in recent years.

Research has been done on customer loyalty in various industries: Banking sector Bridge (2006), Lam and Burton (2005), Beerli, Martin and Quintana (2004), Lee and Cunningham (2001), Telecommunication industry: Kuusik and Varblane (2009), Gustafsson, Roos and Edvardson (2004), Dean (2002), Hotel industry: Kandampully and Hui-Hu (2007), Hostels: Chitty, Ward and Chua (2007), On-line shopping: Grace and Sun (2009), Retail Stores (club loyalty): Turner and Wilson (2006) and Rowley (2007), Training services sector: Brotherton and Evans (2010), Fashion magazine Bailey and Seock (2008). Studies have also been done as Inter Sector comparison for example by Ruiz-Molina, Gil-Saura and Berenguer-Contri (2008). They have come up with several factors that influence customer loyalty for example: satisfaction, trustworthiness, quality of service, corporate image, commitment, price, switching costs, some of which are common in various studies. Other studies have been done to find out how one particular factor affects customer loyalty, for example study on employee engagement by Goring (2008).

However, no studies have been done on customer loyalty in Co-operatives. A co-operative society is an association of persons who have come together, to pool their resources together for mutual economic and social benefits. It is an organization that members form consciously and by choice. It is a member based, member controlled organization founded on co-operative principles which set a co-operative society apart from any other organizations, thus: open and voluntary membership, democratic member control, economic participation by members, education training and information, co-operation among Co-operatives, autonomy and independence and concern for the community in general. There are several types of co-operatives: Saccos, marketing co-operatives, investment co-operatives housing co-operatives, consumer etc. Co-operatives focus on their members who also double up as customers

and disloyalty among members is a threat to their very existence. This study focuses on Saccos because of the competition challenge they are facing from banks, micro-finance institutions, and welfare groups among others. The purpose of this study therefore is to establish to what extent some particular factors influence customer loyalty: satisfaction, trust, perceived service quality, switching costs and corporate image.

1.3 Statement of the Problem

The globalization of competition, saturation of markets, and development of information technology have enhanced customer awareness and created a situation where long-term success is no longer achieved through optimized product price and qualities (Kuusik, 2007). This is because customers face an array of products and services to choose from. Instead, companies build their success on a long-term customer relationship. The average U.S. Company loses half of its customer base every five years Reichland (2000). Further studies have shown that companies are losing customers at a staggering rate, without really hearing from most of them. Each year the average company loses 10-15% of its customer base (Bain & Company). "84% of customers who leave, do so because of poor service" (Forum Corp) and a typical business only hears from 4% of its dissatisfied customers, the other 96% leave, 91% for good" (Jim Barnes, Secrets of CRM). Co-operatives in Kenya are also facing a similar challenge and reports have shown that their customer base is declining, Uasin Gishu County Annual Report (2012/13 & 2013/14), Rift Valley province Annual Report, (2007, 2008).

Many business organizations fail to identify what their customers truly value and fall prey to two common miscalculations (Kuusik, 2007). Either they treat all customers

the same, assuming erroneously that all customers have the same perceptions of value; or they invest in inappropriate product or service development, throwing capital at features or other offerings that customers do not want. This not only wastes corporate resources – it looses customers. Businesses today are faced with stiff competition (Beerli et al, 2004) and in the case of Co-operatives; this comes from banks, micro- finance institutions, and self-help groups/ welfare organizations among others. Customers leave their organizations at will mostly due to delayed payments, low prices for produce delivered, lack of credit facilities, lack of support services like ATMs, farm input & school fees and lack of information or poor dissemination of information from the society to members. Co-operatives can only survive by having loyal customers retained through relationship marketing.

Several studies have been done on factors that influence customer loyalty in different industries for example, on-line customers, retail banking market, commercial banking, Business to Business situations, hotel industry, telecommunication industry and even customer loyalty as influenced by employees as a major factor in customer retention. However, there are no studies that have been done to specifically determine factors that influence customer loyalty in Co-operatives and more specifically Saccos. Many times, findings on customer loyalty from studies on the banking industry have been applied to Saccos which have included: Satisfaction, Corporate image, Personal switching cost, Relationship between customer and service providers, Perceived service quality, management of complaints, trust, and quality of products among others. This study sort to find out to what extent some of these factors influence customer loyalty in Sacco societies namely: satisfaction, trust, service quality, switching costs and image.

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of this study was to assess the factors that influence customer loyalty among members of Co-operative societies in Uasin Gishu County, Kenya.

1.4.2 Specific Objectives

The specific objectives of this study were as follows:

1. To determine the extent to which customer satisfaction enhances customer loyalty.

2. To assess the extent to which trust impinge on customer loyalty.

3. To verify the extent to which customer's perception on switching costs affects customer loyalty.

4. To establish the extent to which Sacco service quality affects customer loyalty.

5. To find out the extent to which corporate image affects customer loyalty.

1.4.3 Research Hypotheses

The specific objectives above were meant to test the following hypotheses:

Ho1. Customer satisfaction does not significantly enhance customer loyalty.

Ho2. Trust in the Sacco and its products have no significant influence on customer loyalty.

Ho3. Customers' perception of switching costs has no significant influence on customer loyalty.

Ho4. Quality service delivery has no influence on customer loyalty.

Ho5. Sacco image does not significantly enhance customer loyalty.

1.5 Significance of the Study

Although many studies have investigated models and/or methods for testing the significance of specific factors in influencing a consumer's loyalty in various industries, the current body of literature on loyalty tendency lacks thorough information on consumers' loyalty toward Co-operatives. Therefore, the purpose of this study was to examine the factors that have influence on consumer loyalty in Co-operatives and specifically Savings and Credit Co-operatives. The findings of this study were meant to benefit leaders and managers in organizations and more particularly in co-operative societies by assisting them to understand their customers and develop strategies that will ensure customer attraction and retention and thereby, loyalty. The researcher gained more insight into the factors that actually influence customer loyalty and was therefore be able to close the knowledge gap was outlined in the statement of the problem. The study has provided both the County and the National government with a reservoir of information that it can draw from while making policies that promote customer loyalty in Co-operatives rather than legislation that curtail customer freedom and enjoyment.

1.6 Scope of the Study

This study was limited to Saccos in Uasin Gishu County, Kenya. Although the research focused on the County the results may be generalized in other counties because all co-operatives in Kenya operate under the same principles and one Act of Parliament, the Co-operative Societies Act. The lessons drawn from this study may therefore be used elsewhere. The study endeavored to assess the extent to which satisfaction, trustworthiness, switching costs, quality service delivery, and corporate image, contribute towards customer loyalty in Saccos.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, literature was reviewed on the concept of relationship marketing and how it leads to customer loyalty. The social exchange theory has been explained and how it contributes to customer loyalty. Literature on customer loyalty has been reviewed and its two measurements thus attitudinal and behavioural loyalty. The factors that affect customer loyalty: satisfaction, trust, switching cost, perceived quality of service and corporate image have been explained.

2.2 Theoretical Framework: Social Exchange Theory

This study is based on the Social exchange theory. Social exchange theory indicates that individuals are willing to maintain relationships because of the expectation that to do so will be rewarding (Blau, 1968). Individuals voluntarily sacrifice their self benefits and contribute these benefits to another individual with the expectation for more future retains and gains. The theory mainly uses a cost-benefit framework and comparison of alternatives to explain how human beings relate with each other, how they form relationships and bonds and how communities are formed through relational exchanges. Thibaut and Kelly (1959) proposed that whether an individual retains a relationship with another one depends on the comparison of current relationship, past experience and potential alternatives. The constant comparison of social and economic outcomes between a series of interactions with current partners and available alternatives determines the degree of an individual's commitment to the current relationship. Following this line, Rusbult (1980) proposed the investment

model. It is employed in many research areas including social, psychological and organizational studies and offers a powerful explanation to commitment and stay/leave. The investment model emphasizes that evaluative criteria for maintaining relationship are the comparisons of satisfaction levels of the current relationship, the quality of alternatives, and the investments in the current relationship. An individual generates switching behavioral intention based on commitment, which is a function of these elements in the investment model. If customers think the benefit of switching supplier is less than of staying in current relationship, they tend to perform high loyalty, even if they are not fully satisfied with suppliers' service (Jones et al., 2000).

Hence, the reasons why people engage in a social exchange have been posited as: an expected gain in reputation and influence on others; an anticipated reciprocity on the part of others; altruism; and direct reward. Saccos do not realize that people need more benefits than just loans and savings avenues. Framed in social exchange theory, Saccos take but do not reciprocate from the exchange with customers suggesting that they consider the cost of implementing customer loyalty strategies as too high or have not appreciated the tangible contributions of customer loyalty.

2.3 Concept of Customer Loyalty

Loyalty has been defined by Oliver (1997) as a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour. Customer loyalty could be termed as "customer's commitment to do business with a particular organization, purchasing their goods and services repeatedly, and recommending the services and products to friends and associates" (McIlroy and Barnett, 2000). Looy *et*

al, (1998) define customer loyalty as customer behaviour characterized by a positive buying pattern during an extended period (measured by means of repeat purchases, frequency of purchase, wallet share or other indicators) and driven by a positive attitude towards the company and its products or services. Customer loyalty, according to Anderson and Jacobsen (2000) "is actually the result of an organization creating a benefit for a customer so that they will maintain or increase their purchases from the organization. True customer loyalty is created when the customer becomes an advocate for the organization, without incentive".

The Customer Loyalty Grid' has been used to help explain the concept of customer loyalty and thus provide better understanding.

2.3.1 The Customer Loyalty Grid

This grid is divided into four zones: the zone of indifference, the zone of satisfaction, the zone of delight and the zone of loyalty as depicted in figure 2.1.

		Expected	**Unexpected**
How Customer Expectations Influence Satisfaction, Delight and Loyalty	**Stated**	Zone of Satisfaction	Zone of Delight
	Unstated	Zone of Indifference	Zone of Loyalty

Figure 2.1: The Customer Loyalty Grid
Source: Affinity Consulting (2000-2001)

Zone one is the zone of indifference, Unstated/Expected. Literally, this includes all those customer needs and wants that are basic to fulfilling the contract between you and them. For example, customers expect to be treated with courtesy and respect, and would probably be puzzled (and maybe even insulted) if you asked them if this was a need. It of course is, and if you don't meet this need, you will cause *dissatisfaction*. If you meet this basic and obvious need, the best you can hope for is *indifference*. Zone 2 is the zone of satisfaction, Stated/Expected. This is where your customer actually *tells* you what is important to them. Listen carefully here, as this is a key stepping stone to customer loyalty. Meeting a customer's needs here will cause *satisfaction*, whereas not meeting them will cause *dissatisfaction*. For example, a customer might expect a volume discount on a purchase, but knows that they have to specifically ask (or negotiate) for it. It is an expectation, simply because other organizations that the customer deals with provide this benefit. Zone 3 is the zone of delight, Stated/Unexpected.

This is where your customer *hopes* for something, *asks* for it, but really does not expect you to provide it. This is your opportunity to provide something beyond their expectations and by so doing will create *delight*. For example, a customer might ask for something that is usually available only in a premium priced product. Not providing it will unlikely to cause dissatisfaction. Therefore this is an area for particular attention in building a *loyal* customer base. Zone 4 is the zone of loyalty, Unstated/Unexpected. This is an area where your expertise in whatever product or service you provide and the customer's lack of expertise can really pay off! Providing benefits above and beyond what the customer is even aware of can create a *loyal* customer. This requires you to be really proactive in suggesting to customers new innovations that they can really benefit from. Many customers will be even willing to pay extra for this. For example, airbags in automobiles when first introduced were an innovation that saved lives, but customers had no way of asking for this innovation, or expecting it, before it became known to them.

There are two possible ways to conceptualize customer loyalty: behavioural, which is based on repeat-purchase behaviour, and attitudinal, which reflects the inherent affective and cognitive components of loyalty. There is a significant difference between satisfaction, the result of past service encounters, and loyalty, an ongoing relationship with a specific service provider. The concept of a customer's loyalty to one "brand" of service implies a rejection of other service providers on the grounds that theirs are inferior to the preferred brand. Customer loyalty is a concept under relationship marketing.

2.4 Loyalty Principles

Driggs and Kasolowsky (2008) have come up with the six loyalty principles that have been explained here below: the first principle refers to begin at the beginning. The factors that create and influence customer loyalty begin to take effect even before a customer becomes a customer. The relationship a customer develops with the brand during the acquisition stage strongly influences customer value and retention. The second principle refers to recognizing every kind of loyalty. Loyalty is not necessarily an emotional connection to the brand. True brand evangelists or even potential evangelists are at best rare and possibly non-existent. Companies need to recognize, develop and manage more than one kind of customer loyalty: conditional, emotional and passive, using more than one kind of strategy (Driggs and Kosolowsky, 2008). Knowing what to look for is the third principle of loyalty. Most companies know a lot about their customers, and comparatively little about the factors influencing acquisition and retention. Achieving high performance in customer retention means aligning activities throughout the relationship lifecycle, including acquisition and using econometric and return-on-investment analytics to study and maximize conversion rates and other customer behaviors across channels and throughout the lifecycle (Driggs and Kosolowsky, 2008). The fourth principle is 'know what to measure'. Companies often measure the wrong things when trying to measure customer profitability and loyalty—loyalty indicators are far more involved than customer satisfaction scores. Establishing and managing cross-functional key performance indicators throughout the customer lifecycle helps prevent the loss of current and potential customer value. The fifth principle is 'view the entire value chain'. Third-party channels and routes to market also affect customer loyalty—and can destroy unless they are managed effectively. Analysis and decisions concerning such factors

as offers, sales incentives, pricing, service delivery—all dimensions of the customer experience—should include all the trading partners who contribute to the customer experience (Driggs and Kosolowsky, 2008). Last but not least, the six principle centers on managing complexity. Products, service bundles, channels—these and many other factors have grown exponentially more complex in recent years, making customer loyalty more complex to manage as well. Providers must retain the ability to react quickly to changing customer needs and market conditions. Customer retention has always been essential to achieving profitable organic growth; for many organizations it will prove essential to surviving current economic conditions as well. However, many of these organizations suffer from a performance gap that will make it more difficult for them to master the retention challenges that today's more challenging economic environment may trigger (Driggs and Kosolowsky, 2008).

Additional research conducted by Accenture (2008), however, has found that many firms seem to be failing to satisfy customer expectations with appropriate customer experiences. The challenges to being "customer-centric" in the current business environment are many—we see them falling into three distinct categories: knowing the customer, reaching the customer and delivering a differentiated experience. In mature markets, customers are growing more diverse and specialized, and they expect providers to understand their changing needs and interests and cater for them. As more companies turn to new markets for growth, they are encountering entirely new consumer segments, with distinct values and preferences of their own, that must be studied and understood so that they can know their customers (Kotler, 2002)

Channel fragmentation and proliferation make it harder for companies to reach the right customers with the right messages at the right time. Increasingly, consumers control the messages they are willing to receive and notice. Digital and social

networking channels play a growing role in their lives—particularly for younger consumers—and most companies are still learning how to factor these effectively into the marketing mix (Balasubramanian and Mahajan, 2005). If they are targeting foreign markets for growth, companies must also find new routes to these markets—typically, a mix of direct and indirect channels—to reach and connect with local customers successfully. The new complexities of knowing and reaching customers ultimately impact the experience companies create for them. Customers tend to have distinct preferences regarding multiple factors that shape their perceptions of and satisfaction with the experience: product functionality, price and service terms, the variety and availability of service channels, to name a few (Beerli, Martin and Quintana, 2004).

Understanding and addressing all these preferences is indeed challenging—particularly for companies that serve a large, demographically varied customer base, spanning geographic markets. Changing the corporate mindset can be an important step (Accenture, 2008). When companies think about customer retention, they often frame the issue as "How do we keep customers from going to someone else?" By approaching the issue as a negative—something they must keep from happening—companies may lose focus on the ultimate goal—loyalty. Customer care may start to seem like a distraction from the core agenda. A more useful perspective casts the issue as a positive: "How do we get customers to want us more than the alternatives?" By truly knowing what customers want and expect today, companies create a better basis for determining needs, predicting future behavior and shaping customer experiences (Accenture, 2008).

2.5 Relationship Marketing Theory

Diverse and uncertain environments have forced organizations to restructure themselves in order to enhance their chances of survival and growth. Restructuring efforts have included, among others, the emergence of relationship marketing. Relationship marketing is one of the oldest approaches to marketing. Over the last decade, considerable emphasis has been placed on the importance of relationship marketing. This reorientation of marketing has been proposed in contrast to the traditional approach, transactional marketing (Lindgreen et al., 2000), which centers on the 4Ps.

Relationship marketing can be defined as attracting, maintaining and – in multi-service organizations, enhancing customer relationships (Berry et al., 1983).Relationship marketing can also be defined as the marketing with conscious aim/objective to develop and manage long-term and trusting relationship with customers, distributors, suppliers or other parties in the marketing environment (Christopher et al, 1991). Zineldin (1995) defined a business-to-business (B2B) relationship in the following way: B2B is a dynamic link between at least two parties operating within a given industry and expecting mutual benefits from each other. The behavior and activities of one partner are always more or less dependent on the outcome of those of others. It is a highly adapted relationship and involves a complex pattern of interaction. The interaction includes business and social exchange. The quality and nature of the relationship depends on the quality of the interaction process. This relationship may involve co-operation as well as conflict between the two parties (Zineldin, 1995). Relationship marketing aims at creating a client relationship from

the start to satisfy and retain existing customers, while transactional marketing tries to make the sale and find a new customer (Vence, 2002, Zineldin and Philipson, 2007).

According to previous studies, it can cost as much as six times more to win a new customer than it does to keep an existing one (Rosenberg and Czepiel,1984). Depending on the particular industry, it is possible to increase profit by up to 60 per cent after reducing potential migration by 5 per cent (Reichheld, 1993). Hence, we can see that the increase and retention of loyal customers has become a key factor for long-term success of the companies. The main emphasis in marketing has shifted from winning new customers to the retention of existing ones. Success does not come solely from the manipulation of marketing mix elements but by building a long-term relationship between buyer and seller (Kotler, 2002). The marketing mix approach is considered too limited (Gustafsson, Roos and Edvardsson, 2004), the argument being that the 4Ps do not take sufficient account of building a long-term relationship between a buyer and seller. Therefore, relationship marketing has been seen as a shift in paradigm, moving away from the marketing mix (or so called Kotlerism) with the 4Ps in focus (Zineldin and Philipson, 2007).

Transaction marketing is more useful than relationship marketing when the customer has a short time horizon and can easily switch from one supplier to another without spending more (Kotler, 2002). Relationship marketing can pay off if customers have a long-term perspective and there will be high costs for switching supplier. He further argues that the decision whether to use relationship marketing or transactional marketing depends on the industry and the needs of the customer. There are two types of customers; one valuing a high-service supplier and committed to that supplier for a long time, and others who rather want to cut costs and will switch supplier easily.

Thus, relationship marketing cannot be considered the most appropriate way in all situations. To be working and worthwhile the relationship revenue has to exceed the cost of the relationship (Kotler and Keller, 2009).To survive and even thrive in today's difficult economic environment, many organizations should take a fresh look at their strategies and methods for retaining customers—and if necessary renew their commitment to customer centricity. The threat of declining customer revenues and defection is real and must be addressed—at the same time, however, the economic climate creates new opportunities to strengthen market position and position for growth by building customer trust, providing meaningful brand differentiation, tailoring offers in light of new customer needs and, if appropriate, negotiating new terms (Driggs and Kosolowsky, 2008).

The increasing importance of relational marketing in recent years, particularly in the service and manufacturing industries, has been accompanied by a bundle of works on customer loyalty. Several authors emphasize the positive relationship existing between customer loyalty and business performance (Reichheld, Markey and Hopton, 2000; Reichheld, 2003). Loyal customers not only increase the value of the business, but they also enable it to maintain costs lower than those associated with attracting new customers. Creating loyal customers is therefore at the heart of every business (Kotler and Keller, 2009). As marketing experts Don Peppers and Martha Rogers say: 'The only value your company will ever create is value that comes from customers-the ones you have now and the ones you will have in future. Businesses succeed by getting, keeping, and growing customers. Customers are the only reason you build factories, hire employees, schedule meetings, lay fibre-optic lines or engage in any business activity. Without customers, you don't have a business'. Kotler and Keller (2009) consider the traditional organization chart **(Figure 2.2)** – a pyramid with the

president at the top, management in the middle, and frontline people and customers at the bottom- obsolete.

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                    /\
                   /  \
                  /    \
                 /      \
                / Top    \
               / Management\
              /------------ \
             /   Middle      \
            /  Management      \
           /------------------- \
          /   Frontline People   \
         /----------------------- \
        /       Customers          \
       /--------------------------- \
      /_____\
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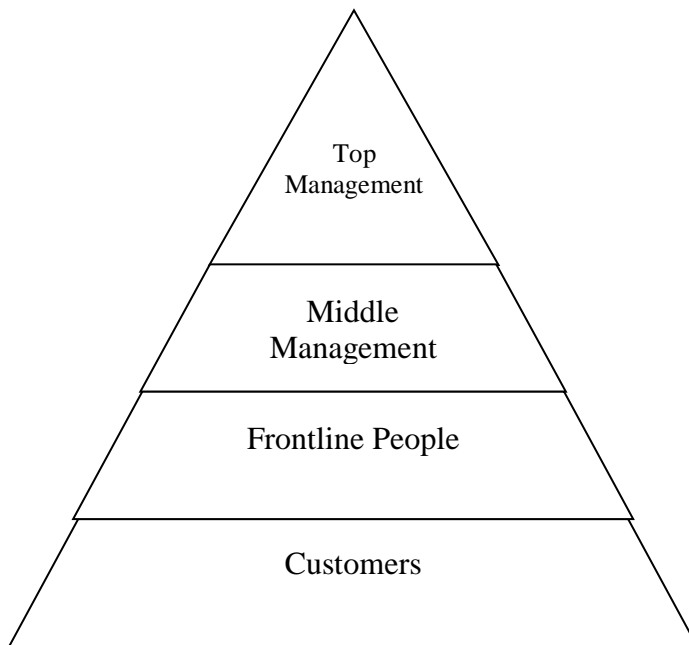
Figure 2.2: Traditional Organization Chart
Source: Kotler and Keller (2009)

However, managers of successful companies believe that the company's only true 'profit centre' is the customer and invert the chart. At the top are customers; next in importance are frontline people who meet, serve and satisfy customers; under them are the middle managers, whose job is to support the frontline people so that they can serve customers well; and at the base is top management, whose job is to hire and support good middle managers. Customers are added along the sides of **Figure 2.3** to indicate that managers at every level must be personally involved in knowing, meeting and serving customers.
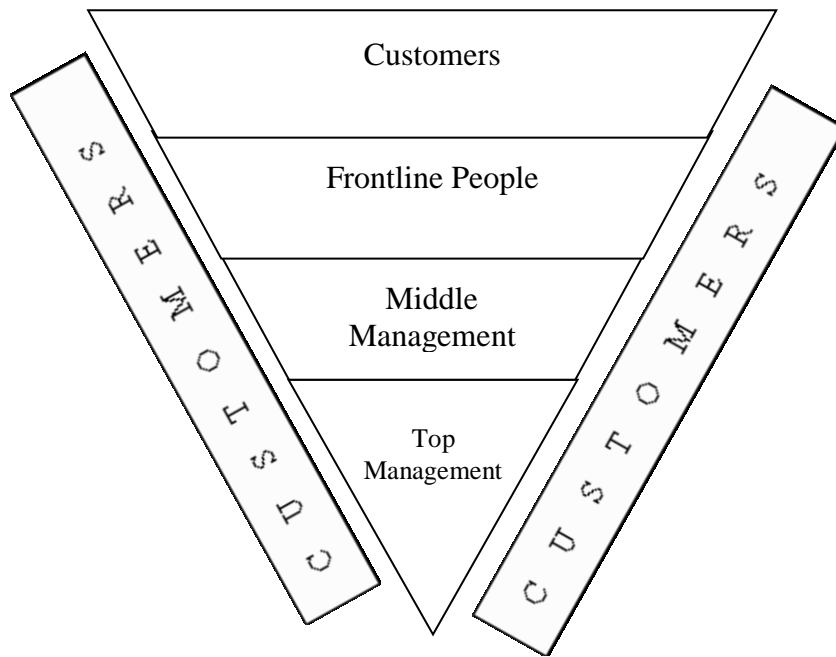
Figure 2.3: Inverted Organizational Chart
Source: Kotler & Keller, 2009

2.6 Factors that influence customer loyalty

Previous studies have shown that there are several factors that influence customer loyalty. This study was based on five factors; satisfaction, trust, switching costs, service quality and image. In this section, literature has been reviewed on each of the five factors.

2.6.1 Satisfaction and its Influence on Customer Loyalty

There is a wide agreement that customer satisfaction is a key factor in determining a customer's loyalty level (Anderson and Mittal 2000, Van Dolen and De Jong 2002 and Wangenheim 2003). Customer satisfaction is a judgment that a long-term relationship with a supplier provides (or is providing) a desired level of purchase-related fulfillment, including levels of under- or over-fulfillment (Oliver 1999, Homburg 2003). Hereby, the satisfaction judgment is related to all the experiences made with a certain supplier and his/her product(s) or service(s).The relationship

between customer satisfaction and customer loyalty has become a critical issue in the academic and practice literature. Academic and popular writings have argued that a management focus on attaining superior customer satisfaction will yield higher levels of customer loyalty (Beerli and Quintana, Brige, 2006). It can be argued that satisfied customers tend to repeat purchases, afford cross selling opportunities, provide positive word-of-mouth & referrals, and are less price elastic (Dick and Basu 1994). Collectively, these actions of satisfied customers yield superior firm performance (Oliver 1999; Anaro 2009). As such, in an attempt to yield higher market share and profitability, much of the focus within the practice environment has been on yielding high levels of customer satisfaction. Hence, the strong focus on customer satisfaction is based on the implicit assumption that there is a strong relationship between customer satisfaction and loyalty. A moderating role of certain variables on the satisfaction-loyalty link has implications for market segmentation and prioritization of customer groups- in short, if the strength of the relationship between satisfaction and loyalty differed with respect to certain characteristics, customer groups could be segmented based on those variables (Wangenheim, 2003). Subsequently, groups for which the relationship between satisfaction and loyalty is stronger could primarily be targeted with satisfaction programs, because prospective returns on satisfaction improvement are higher (Mittal and Kamukura 2001, Wangeinheim, 2003).

Expectations regarding future costs and benefits are mainly influenced by prior experiences in the relationship. It has been argued that satisfaction judgments are nothing else but the cumulated prior experiences in the relationship (i.e. long term) rather than a transactional (i.e. one-time) view of customer satisfaction (Wangeinheim 2003).While research during the 1980s has emphasized that customer satisfaction

reflects the assessment of a one-time experience, the relationship satisfaction view receives more and more support in literature (e.g. Dwyer, Schurr and Oh 1987, Wangeinheim 2003). Consistent with this view, this study defines customer satisfaction as the outcome of a comparison between expected and perceived performance throughout the customer relationship. Studies have shown that as satisfaction increases, so does loyalty. In highly competitive markets, studies show that there is a tremendous difference between the loyalty of satisfied customers and completely satisfied customers. Even a slight drop from complete satisfaction can create an enormous drop in loyalty. For example, one study showed that completely satisfied customers are nearly 42 percent more likely to be loyal than merely satisfied customers. Another study by AT & T, showed 70 percent of customers who say they are satisfied with a product or service are still willing to switch to a competitor; customers who are *highly* satisfied are much more loyal. Xerox found that its totally satisfied customers are six times more likely to purchase Xerox products than are its satisfied customers. This therefore means that companies must aim high if they want to hold on to their customers. Customer delight creates an emotional relationship with a product or service, not just a rational preference. This in turn creates high customer loyalty (Kotler and Armstrong, 2004).

Kotler and Armstrong (2004) contend that in non-competitive markets, such as those served by regulated monopolies or dominated by powerful or patent-protected brands, customers tend to remain loyal no matter how dissatisfied. This might seem like an ideal situation for the protected or dominant firm. However, such firms may pay a high price for customer dissatisfaction in the long run. If a firm looses its monopoly, disaster can result. For example, when Xerox lost patent protection on its copiers in

the late 1970s, dissatisfied customers defected to the new competitors. Its share of the market plunged from 80percent to less than 35percent in just five years. Thus even highly successful companies must pay close attention to customer satisfaction and its relationship to customer loyalty.

2.6.2 Trust and its influence on Customer Loyalty

Trustworthiness of a partner is a factor that has certain impact on the establishment of loyalty – nobody expects a long-term relation with a partner that cannot be trusted (Kuusik, 2007). Trustworthiness is one criterion for measuring the value of the partner.. Trust has been referred to as a cornerstone of the strategic partnership (Doney and Cannon). Trust is a major determinant of relationship commitment: brand trust leads to brand loyalty because trust creates exchange relationships that are highly valued (Aaker, 1999). Chauduri and Holbrook (2001) have showed that brand trust is directly related to both purchase and attitudinal loyalty. Many authors have accented that trust is important in conditions of uncertainty (Dwyer *et al.* 1987; Moorman *et al.* 1992; Morgan *et al.* 1994; Doney *et al.* 1997; Kuusik, 2007). Uncertainty may be caused by dependence or large choice: people tend then to prefer popular or familiar brands or partners.

Trust has been identified as an important construct in the adoption of Internet-based technologies (Maiyaki and Moktar 2009; Pavlou 2003). Trust can also be a major driver of multi-channel synergies (Balasubramanian, Sridhar, and Mahajan 2005). Additionally, it can enhance positive evaluations of the currently used channel, since it drives customer service satisfaction (Chaudhri and Holbrook, 2001). Studies on the adoption of technology in online environments have consistently stressed the importance of trust. Trust allows the consumer to subjectively rule out undesirable yet

possible behaviors of the vendors by reducing risk, fear, and (social) complexity both in an offline and online environment (Balasubramanian, Sridhar, and Mahajan 2005). For instance, empirical evidence has found that trust in an Internet store reduces the risk of buying from that store. Additionally, Pavlou (2003) states that trust create more positive attitudes toward Self- Service Channels. Overall satisfaction with and trust in the service provider result in an attitude that stimulates favorable behavioral intentions toward the provider in general and perceptions of its services offered (Van Birgelen, 2002).

2.6.3 Switching Costs and its Influence on Customer Loyalty

The concept of switching costs is theoretically backed by both social psychological exchange theory (Blau 1964) and newer institutional economics (Williamson, 1975). Both approaches highlight that exchange relationships depend to a large extent on the investments made by both parties that are devoted to it. These investments can be described as "the value of specific capital that, in other uses is, by definition, much smaller than the specialized use for which it has been intended"(Williamson, 1981).

From both customer's and provider's perspective, having made a specific investment creates switching costs; which are the investment actions that inhibit changing suppliers or customers (Nguyen and LeBlanc, 1998). A number of different types of switching costs can be considered; for example, in high technology markets, switching costs can arise from incompatibility of an installed product or service (e.g. software) with competing offers. However, this research was only concerned with time and hassle as potential sources of switching costs. Time costs evolve because of the time-consuming nature of a search process for a new provider, while hassle refers to the psychic costs for a provider change, including the termination with the old

transaction partner. By definition, high switching costs imply that switching is strongly inhibited by past transaction-specific investments. In that case customer loyalty becomes more independent of satisfaction judgments. In other words, high switching costs will eventually outweigh the perceived switching benefits arising from dissatisfaction (Mascarenhas, Kesavan and Bernacchi 2006). For example, price increases will not directly translate into lower loyalty, but will be weighed against these investments, and the relationship between satisfaction and loyalty is weakened.

2.6.4 Service Quality and its Influence on Customer Loyalty

The empirical results shows that service quality have a positive association with customers' positive attitudes and their likelihood of retention (Dean, 2002). Perceived service quality is defined as "the consumer's judgment about a product's overall excellence or superiority" (Dean, 2002). Quality consists of two primary elements: (1) to what degree a product or service meets the needs of the consumers, and (2) to what degree a product or service is free from deficiencies (Abdullah and Buttle, 2002). Service quality is believed to depend on the gap between expected and perceived performance (Gul and Banu, 2010).

Perceived value takes into account the price of the service in addition to the quality. According to Gul and Banu (2010), "perceived value is the customer's overall assessment of the utility of a product based on perceptions of what is received and what is given". Consumers´ perception of value is influenced by differences in monetary costs, non-monetary costs, customer tastes, and customer characteristics (Dean, 2002). In the *Perceived Quality Model* (Grönroos 1988) perceived quality is a function of expected quality (generated from market communication, image, word-of mouth, and customer needs) and experienced quality (generated from technical

quality and functional quality). Customer satisfaction/dissatisfaction requires experience with the service, and is influenced by the perceived quality and the value of the service (Maiyaki and Mokhtar, 2009). Perceived performance of service quality on attribute level is believed to impact the satisfaction judgment of the transaction and the perception of value. Value is an aggregated variable reflecting the perception of all quality attributes as a function of price is believed to impact the satisfaction judgment of the transaction. Parasuraman, Zeithaml and Berry (1988) developed a 22-item questionnaire and called it the SERVQUAL model (later modified in 1991 and 1994). The SERVQUAL model has provided a comprehensive conceptualization of service quality with an instrument to measure perceived service quality (Amin & Isa, 2008). They further observe that this method has been very popular with academicademicians and researchers to assess the customer perception of service quality for a variety of service industries.

Effective service delivery is an important means for organizations to gain a competitive edge in today's service economy (Parasuraman, Zeithaml, & Berry, 1988; Bowen & Schneider, 1988). Service quality is generally recognized as a critical success factor in a firm's endeavours to differentiate itself from its competitors; and a great deal of research has addressed various aspects of service quality (Gul and Banu, 2010). Various studies have revealed over the years that good service quality leads to the retention of existing customers and the attraction of new ones, reduced costs, an enhanced corporate image, positive word-of-mouth recommendation, and, ultimately, enhanced profitability (Reichheld and Sasser, 1990; Cronin et al., 2000; Kang and James, 2004; Yoon and Suh, 2004; Maiyaki and Mokhtar, 2009). In summary the study on service quality suggests that loyalty to the same service company or same

product/service is based on a confirmation based satisfaction of previous purchases and a general attitude toward the company.

2.6.5 Corporate Image and its Influence on Customer Loyalty

Image of brand or supplier is one of the most complex factors. It affects loyalty at least in two ways. Firstly, a customer may use his preferences to present his own image. That may occur both in conscious and subconscious level (Kuusik, 2007). According to the Belk's theory of extended self, people define themselves by the possessions they have, manage or create. Aaker (1999) has shown how consumers prefer brands with personality traits that are congruent with their personality traits. Secondly, according to social identity theory, people tend to classify themselves into different social categories. That leads to evaluation of objectives and values in various groups and organizations in comparison with the customer's own values and objectives. They prefer partners who share similar objectives and values. For fully bonded loyalty, the consumable must be part of the consumer's self-identity and his or her social-identity (Oliver, 1999).

The construct of corporate image from attitudinal perspective as a perception of an organization held in consumers' memory and influences his/her operation of the company (Kotler and Keller, 2009). Image has been described as a hierarchical network of meanings stored in memory that range from holistic general impressions to very elaborate evaluations of objects, and these meanings are linked to the individual's personal values. (Nguyen & LeBlanc, 1998 and Maiyaki & Mokhtar, 2009). Based on the transaction driven nature of the satisfaction experience, several writers claim that corporate image is a function of the cumulative effect of customer (dis)satisfaction Oliver and Linda (1981), Johnson & Fornell (1991), Bolton & Drew

(1991) and Fornell (1992). A company with a good image is more likely to stand out in the market place because it attracts both repeat customers and trial users (Aaaker, 1999). From the marketing literature of goods we have learned that brand reputation has been defined as a perception of quality associated with the name (Aaker and Keller 1990). On the company level, image has been defined as: *"perceptions of an organization reflected in the associations held in consumer memory" (Keller, 1993).* Corporate image in the service marketing literature was early identified as an important factor in the overall evaluation of the service and the company (Grönroos 1984, Gummesson and Grönroos 1988). Apart from image as a function of accumulation of purchasing/consumption experience over time, most organizations also provide complex and noisy informational environments (e.g. advertising, direct marketing, or Public relaltions) in order to attract new and keep existing customers.. According to Grönroos "*(corporate) image is a filter which influences the perception of the operation of the company*". This is in line with Gummesson (1993), who states that customer perceived quality is a function of "*quality in fact and quality in perception*". A favourable image separates and distinguishes a company from its competitors. The purpose of image is to reflect a company's distinctive competence in comparison to their competitors. And therefore, corporate image has an effect on customer's choice of company when service attributes are difficult to evaluate and it also influences customers' perception of the goods and services offered (Parasuraman, Zeithaml & Berry, 1988). It has been observed that since services are intangible and based on performances, a better understanding of the components of image would likely help management to improve the competitive performance of the firm (Nguyen and LeBlanc, 1998).

Corporate image can be an extrinsic information cue for both existing and potential buyers and may or may not influence customer loyalty (e.g. willingness to provide positive word-of-mouth). Corporate image is consequently assumed to have an impact on customers´ choice of company when service attributes are difficult to evaluate. Corporate image is established and developed in the consumers´ mind through communication and experience. Corporate image is believed to create a halo effect on customers´ satisfaction judgment. When customers are satisfied with the services rendered, their attitude towards the company is improved. This attitude will then affect the consumers´ satisfaction with the company.

2.7 Conceptual Framework

Loyalty has been defined by Oliver (1997) as a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour. There are multiple approaches to customer loyalty. Theories of behavioral loyalty were dominating until 1970 considering loyalty as the function of the share of total purchases (Cunningham 1956; Farley 1964), function of buying frequency or buying pattern (Tucker 1964; Sheth 1968) or function of buying probability (Harary *et al.* 1962; McConnell 1968; Wernerfelt 1991). These approaches looked at brand loyalty in terms of outcomes (repeat purchase behavior) rather than reasons, until Day (1969) introduced the two-dimensional concept of brand loyalty, which stated that loyalty should be evaluated with both behavioral and attitudinal criteria. In this case loyalty goes beyond simple purchase repetition behaviour. Contemporary researches consider and accent the psychological (mostly attitudinal and emotional) factor of loyalty

(Dick and Basu 1994; Oliver 1999; Chaudhuri 2001; Reichheld 2003; Beerli 2004). However, there is debate about the nature of the interaction. East (1996), for example, believes that thought and feelings are interwoven and that changes in one component may affect others in the system. Indeed, there is a range of conceptualizations as to what constitutes loyalty. These range from repeat purchases to a lifetime relationship (Dick and Basu, 1994).

In the behavioural concept, loyalty is based on inertia, where a brand is bought out of habit merely because this takes less effort and the consumer will not hesitate to switch to another brand if there is some convenient reason to do so. In the attitudinal concept, there is true brand loyalty, which is a form of repeat purchasing behaviour reflecting a conscious decision to continue buying the same brand, and it must be accompanied by an underlying positive attitude and a high degree of commitment toward the brand. Dick and Basu (1994) introduce the notion of relative attitude as a means to provide better theoretical grounding to the loyalty construct. Relative attitude refers to "a favorable attitude that is high compared to potential alternatives". They suggest that loyalty is evidenced both by a more favorable attitude towards a brand (as compared to other alternatives) and repeat patronage. Dick and Basu (1994) further suggest that low relative attitude with low repeat purchase connotes absence of loyalty, while low relative attitude with high repeat purchase indicates spurious loyalty. Loyalty behaviours include relationship continuance, increased scale or scope of relationship, and recommendations (Maiyaki and Mohtar, 2009). Satisfaction is thus viewed as an antecedent of relative attitude because without satisfaction consumers will not hold a favorable attitude towards a brand as compared to other alternatives available.

Studies have revealed that several factors affect customer loyalty as stated earlier. This study sought to determine to what extent satisfaction, service quality, trust, switching costs and image influence customer loyalty. Customer satisfaction is a judgment that a long-term relationship with a supplier provided (or is providing) a desired level of purchase-related fulfillment, including levels of under- or over-fulfillment (Oliver 1996, Homburg 2003). Trustworthiness of the partner is a factor that has certain impact on the establishment of loyalty – nobody expects a long-term relation with a partner that cannot be trusted. Trustworthiness is one criterion for measuring the value of the partner (Doney et al 1997). Trust a cornerstone of the strategic partnership. Trust is a major determinant of relationship commitment: brand trust leads to brand loyalty because trust creates exchange relationships that are highly valued (Spekman, 1988). Switching costs arise out of the investments made by both parties that are attached to it. From both customer's and provider's perspective, having made a specific investment creates switching costs; which are the investment actions that inhibit changing suppliers or customers (Nielson, 1996). Perceived service quality is defined as "the consumer's judgment about a product's overall excellence or superiority" (Zeithaml 1988). Service quality is believed to depend on the gap between expected and perceived performance (Anderson, Fornell et al. 1994). Keller (1993) analyses the construct of corporate image from attitudinal perspective as a perception of an organization held in consumers' memory that influences his/her operation with the company. Figure 1 below shows how these factors influence customer loyalty.

Independent Variables   **Dependent Variable**
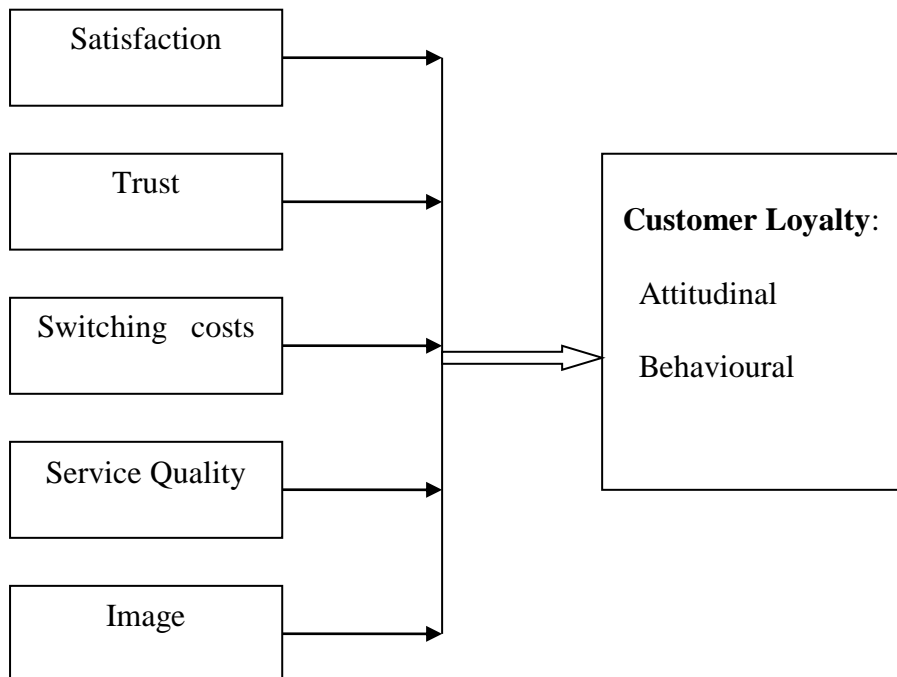
Figure 2.4: Conceptual Framework on Customer Loyalty
Source: Researcher

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research area, the research methodology, the study population, the sampling procedures, the research instruments, the validity and reliability of the research instruments, data collection procedures and data analysis procedures.

3.2 Research Design

A cross sectional survey was used to obtain data from the population of interest. A survey research provides a description of trends, attitudes, intentions awareness, behaviour, motivations and opinions of a population by studying a sample of that population. From the sample results, the researcher generalizes or makes claims about the population (Pollonsky & Waller, 2005), justified conducting of survey census for an exploratory study since it provides a more accurate picture. Survey research is the appropriate mode of inquiry for making inferences about a large group of people from data drawn on a relatively small number of individuals from that group (Saunders, Lewis and Thornhill, 2009). According to Maxwell and Mittapali (2013), survey research is one of the few techniques available to provide information on beliefs, attitudes and motives. It is an efficient way of collecting large amounts of data at low cost in a short period of time. A survey research is also accurate and allows replicability. In order to achieve the purpose of research design which is to reduce ambiguity of much research evidence, a survey was conducted by use of structured questionnaires given to the population sample identified, which were designed to elicit specific information from respondents. The data generated was projected to

represent the population as a whole by using a representative sample (Saunders, Lewis and Thornhill, 2009) and various statistical analysis techniques.

Explanatory research was also used because it is quantitative in nature and typically tests prior hypotheses by measuring relationships between variables and the data was analyzed using statistical techniques (Maxwell & Mittapali, 2013). Explanatory research was also used because it attempts to build and elaborate on theories and add to predictions and principles where possible. This is done by using the scientific method to test the evidence to extend an idea put forth or uses it to reach into new areas and issues as well as new topics which science can address in an attempt to improve the quality of life for people.

3.3 Target Population

The population of interest was the members of the 41 Sacco societies in Uasin Gishu County totaling 15,605. The study was concerned with investigation of various variables and their influence on customer loyalty. A list of all active Sacco societies was obtained from the County Co-operative Office, Uasin Gishu, and from there members were sampled. The target population was obtained from Saccos in the six Sub counties as follows:

Table 3.1: Target Population

SUB COUNTY	NO. OF SACCOS	NO. OF MEMBERS
Kapseret	4	377
Kesses	6	4,007
Ainabkoi	12	7,632
Moiben	4	1,069
Turbo	12	1,979
Soy	3	541
Total	**41**	**15,605**

Source: Researcher, 2012

3.4 Sampling Techniques

In this study multi-stage sampling was used followed by Systematic sampling

techniques.

Table: 3.2: Sampling Techniques

SUB COUNTY	NO. OF SACCOS PICKED	NO. OF MEMBERS	SAMPLE SIZE
Kapseret	1	148	15
Kesses	2	420	42
Ainabkoi	4	889	89
Moiben	1	100	10
Turbo	4	302	30
Soy	1	141	14
Total	**13**	**2000**	**200**

Source: Researcher, 2012

The target population was members of Sacco societies in Uasin Gishu County. In

many situations, it is not feasible or practical to draw a simple random sample or a

systematic sample from the whole source population (Saunders, Lewis and Thornhill,

2009). This is either because a sampling frame is unavailable and the effort involved

in drawing one up would be too great, or because the population is dispersed over a

very large geographical area. Multi-stage sampling therefore came in handy in this

situation and was used to select the Sacco societies whose members participated in the study. The population was first divided into clusters composed of the six sub counties in Uasin Gishu County and a list of these first-stage units was drawn. A random sample of the first-stage units was then selected from this list where Sacco societies with over 100 members were selected. In each of the selected first-stage units, a sampling frame of the second-stage units consisting of individual members of Sacco societies was drawn up. Systematic sampling was then used to select members who participated in the research because it is more convenient compared to simple random sampling (Cooper and Schindler, 1999). To do this, the sample size was first computed through a sample size calculator. The members' registers from individual Sacco societies were found to be suitable sampling frame (McNabb, 2008). The members were then selected by picking every fifth member who came to be served in the Sacco office. These were then given the questionnaires to fill.

3.5 Data Collection Method

This study adopted the quantitative data collection method. Quantitative research is the systematic empirical investigation of observable phenomena via statistical, mathematical or computational techniques (Craig, 2011). Quantitative methods emphasize objective measurements and the statistical, mathematical, or numerical analysis of data collected through polls, questionnaires, and surveys, or by manipulating pre-existing statistical data using computational techniques (Babbie, 2010). The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships. Quantitative data is any data that is in numerical form such as statistics, percentages; etc. The researcher analyzes

the data with the help of statistics. The researcher hopes the numbers will yield an unbiased result that can be generalized to some larger population (Craig, 2011).

A structured questionnaire was used which captured diverse experiences into predetermined response categories. Questionnaires were selected because of their advantages thus: they are inexpensive, free from bias of the researcher; respondents have time to give well thought out answers; the researcher is able to reach respondents who are unapproachable and the fact that questionnaires can make use of large samples thereby making the results dependable and reliable (Kothari, 2003). They were also found appropriate because of the high literacy levels in Sacco societies and the respondents are also co-operative (Polonsky & Waller, 2005). In addition to that, they produce results that are easy to summarize, compare, and generalize. In order to maximize return rates, the questionnaire was designed to be as simple and clear as possible, with targeted sections and questions (Pollonsky & Waller, 2005). Although Questionnaires have been found to yield the highest quality and quantity of data compared to other modes, even better results are assured by supplementing it with drop and pick later approach (McNabb, 2008). This helps to curb the problem of unavailability of the respondent when the researcher intends to conduct the interview. Every data collection method has its limitations and multiple methods are usually helpful in achieving accuracy of the research results (Maxwell and Mittapali, 2013). However, in this study only one method was used.

The questions in the questionnaire were designed to capture matters of concern in each of the research objectives. On satisfaction, the questions sort to bring out whether members were delighted, happy or content with the service provided the

speed with which the information is provided, whether the advice given is customized to personal needs and the office opening time.

To gauge the extent to which trust affects customer loyalty, the questions tested issues of honesty, integrity, trustworthiness, concerns about the member's welfare and the understanding with which the member's problems are handled. To look at the extent to which customer's perception on switching costs affects customer loyalty, the questions tested whether the customer considered seeking financial services elsewhere time consuming, the interest rate charged by the Sacco and the member's fear of loosing their shares. The questions testing the extent to which service quality affects customer loyalty centered on whether the service was excellent, high quality or high standard, whether the Sacco delivers superior service in every way and whether the member is happy with the time taken by employees to serve him/her. The extent to which corporate image affects customer loyalty was tested on areas of whether the member considers the Sacco his/her first choice for all financial needs now and in the future.

3.6 Validity and Reliability of the Research Instruments

3.6.1 Reliability

Golafshani (2003) defines reliability as the extent to which results are consistent over time. It can also be defined as an accurate representation of the total population under study and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. Reliability also refers to the extent to which assessments are consistent. Just as we enjoy having reliable cars (cars that start every time we need them) we strive to have reliable, consistent instruments to measure constructs (Haertel, 2013). Reliability also refers to the repeatability of

findings. If the study were to be done a second time and it yields the same results then the data is reliable. If more than one person is observing behavior or some event, all observers should agree on what is being recorded in order to claim that the data are reliable. The reliability of the research instrument concerns the extent to which the instruments yield the same results on repeated trials. Although unreliability is always present to a certain extent, there will generally be a good deal of consistency in the results of a quality instrument gathered at different times (Haertel 2013).

Validity refers to the accuracy of an assessment whether or not a test measures what it is supposed to measure. In other words, does the research instrument allow you to hit "the bull's eye" of your research object? (Golafshani, 2003 and Phelan & Wren, 2006). Even if a test is reliable, it may not provide a valid measure. Validity also refers to the credibility or believability of the research. While reliability is necessary, it alone is not sufficient. For a test to be reliable, it also needs to be valid. For example, if your scale is off by 5kgs, it reads your weight every day with an excess of 5kgs. The scale is reliable because it consistently reports the same weight every day, but it is not valid because it adds 5kgs to your true weight. Therefore, it is not a valid measure of your weight (Phelan & Wren, 2006). To ensure reliability and validity, the questionnaires were prepared on the basis of the research objectives. The supervisors in the School of Business and Economics of Moi University read through the research instruments to determine content validity. The validity was further verified through the pilot study. The shortcomings, errors and omissions detected in the questionnaire while testing the research instruments were rectified and modified before the final data collection.

3.7 Data Analysis

Data was analyzed using quantitative data analysis techniques, namely descriptive and inferential statistics. Descriptive entailed using proportions, percentages, means and frequency distributions. Inferential employed multiple regression and Gamma coefficients to determine how the independent variables influence customer loyalty. Regression technique was used for hypothesis testing. The regression equation adopted was as follows: $Y = \beta_0 + \beta_1\chi_1 + \beta_2\chi_2 + \beta_3\chi_3 + \beta_4\chi_4 + \beta_5\chi_5$, where $\chi_1 =$ Satisfaction , $\chi_2 =$ Trust, $\chi_3 =$ Switching Cost, $\chi_4 =$ Service quality ; and $\chi_5 =$ Image

When we take the observed values of *X* to estimate or predict corresponding *Y* values, the process is called simple prediction. When more than one *X* variable is used, the outcome is a function of multiple predictions. Simple and multiple predictions are made with a technique called regression analysis (Saunders *et al*, 2000). The relatedness of correlation and regression would suggest that beneath many correlation problems is a regression analysis that could provide further insight about the relationship of *Y* and *X* (Saunders et al, 2000). Analysis was done using Statistical Package for Social Sciences Program (SPSS).

3.8 Ethical Considerations

Privacy may be seen as the cornerstone of the ethical issues that confront those who undertake research (Saunders, Lewis & Thornhill, 2009). For example, consent, confidentiality, participant reactions and the effects of the way in which data is used, analyzed and reported, all have the capacity to affect, or are related to, the privacy of the participants. In this study, the researcher ensured complete confidentiality of the information collected. Permission to carry out the study was sought from the relevant

authority and from the participants in the study. The nature and purpose of the research was explained to the respondents through an introductory letter. The researcher respected the individual's rights to safeguard their personal integrity and respondents were not required to reveal their names or personal identification numbers and an assurance was made to that effect in the questionnaire. They were also assured that the information they provided would be used for academic purposes only. The respondents offered the information voluntarily.

3.9 Limitations of the Study

This study was conducted in Uasin Gishu County of Kenya and whether the results would be consistent with Sacco customers in other counties need to be verified through further research. The study was limited to only five factors that influence customer loyalty in Saccos. More variables need to be identified and specified in future research for a better understanding of this increasingly important behavior of customers in Saccos.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

In this chapter data has been analyzed and presented in to show the extent to which each independent variable affects customer loyalty. The hypotheses have been tested and results summarized. It also contains discussions and findings and interpretation of the data analyzed.

4.2 Demographic Profiles

The demographic profile of the surveyed respondents is presented in Table 4 which includes gender, age distribution, monthly income, education level and duration of membership. The total sample for the survey consists of 174 respondents. The gender distribution of the survey is 47.1% males and 52.9% females. Most (89.6%) of the respondents were aged between 25years and 54 years with the majority of those falling within 35-44years at 35.6 per cent. 51of the respondents earn 10,000-20,000 which represent 29.3 per cent followed by 44 earning 30,000-40,000 representing 25.3% of the respondents. Those who earn 20,000-30,000 were 38 representing 21.8 % while those earning 40,000-50,000 were 29 representing16.7% of the respondents. Very few respondents 4.6% and 2.3% earns above 50,000 or less than 10,000 respectively. As concerns education level, the highest percentage of the respondents, 28.2 per cent have attained diploma level of education, followed by those with certificate at 23 per cent followed by O-level at 19.5 per cent. This group actually forms the bulk of the respondents at 123 out of 174 as compared to those who had

attained first degree (16.7%) Masters (8.6%) or PHD (4%) forming a total of 51 respondents.

In this research, majority (62.1%) of the respondents have been members of the SACCO for 4-10 years and a good number 23.6%, 13.2% having been members for 1-3 years and more than 10 years respectively.

Table 4.1: Demographic Profiles

		Frequency	Percentage
Gender	Male	82	47.1
	Female	92	52.9
	Total	174	100
Age distribution	18-24	5	2.9
	25-34	58	33.3
	35-44	62	35.6
	45-54	36	20.7
	55-64	11	6.3
	Over 65	2	1.1
	Total	174	100
Monthly income	Less than 10,000	4	2.3
	10,000 – 20,000	51	29.3
	20,000 – 30,000	38	21.8
	30,000 – 40,000	44	25.3
	40,000 – 50,000	29	16.7
	Over 50,000	8	4.6
	Total	174	100
Education level	O-level	34	19.5
	Certificate	40	23.0
	Diploma	49	28,2
	First degree	29	16.7
	Masters	15	8.6
	PHD	7	4.0
	Total	174	100
Duration of membership	Less than one year	2	1.1
	1-3 years	41	23.6
	4-10 years	108	62.1
	More than 10 years	23	13.2
	Total	174	100

Source: Researcher 2012

4.2.1 Cross Tabulations

Cross tabulation was done to ascertain whether there was any relationship between demographic data and the independent variable using chi square test. Often

descriptive or numerical data will be summarized as a two-way contingency table. The chi square test is used to find out how likely it is that the two variables are associated (Saunders, Lewis & Thornhill, 2009). It is based on a comparison of the observed values in the table with what might be expected if the two distributions were entirely independent. Therefore an assessment is done on the likelihood of the data in the table, or data more extreme, occurring by chance alone by comparing it with what would be expected if the two variables were independent of each other. This could be phrased as the null hypothesis: 'there is no significant difference . . .' Saunders, Lewis and Thornhill (2009) further state that the chi square test calculates the probability that the data in the table, or data more extreme, could occur by chance alone.

Most statistical analysis software does this automatically. However, when using a spreadsheet the probability is looked up in a 'critical values of chi square' table using calculated chi square value and the degrees of freedom. A probability of 0.05 means that there is only a 5 per cent chance of the data in the table occurring by chance alone, and is termed statistically significant. Therefore, a probability of 0.05 or smaller means you can be at least 95 per cent certain that the relationship between the two variables could not have occurred by chance factors alone. When interpreting probabilities from software packages: owing to statistical rounding of numbers a probability of 0.000 does not mean zero, but that it is less than 0.001.

 The relationship between monthly income and academic qualification, monthly income and gender and monthly income and age was tested using chi square. In the case of monthly income and academic qualification, the following hypothesis was tested: There is no significant relationship between monthly income and academic qualification. The results are depicted in the table 4.2.

Table 4.2: Monthly income * highest level of education Cross tabulation

Count

	Highest level of education						Total
	o-level	Certificate	Diploma	first degree	Masters	PHD	
less than 10,000	3	1	0	0	0	0	4
10,000-20,000	18	17	13	3	0	0	51
20,000-30,000	3	10	12	10	3	0	38
30,000-40,000	3	12	15	12	0	2	44
40,000-50,000	5	0	8	3	9	4	29
over 50,000	2	0	1	1	3	1	8
Total	34	40	49	29	15	7	174

Source: Researcher, 2012

Table 4.3: Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.714	.000
	Cramer's V	.319	.000
	Contingency Coefficient	.581	.000
N of Valid Cases		174	

Source: Researcher, 2012

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

The results in table 4.2 show that $P<0.05$ meaning that there is a significant relationship between monthly income and academic qualification and the hypothesis is therefore rejected. Cross tabulation was also done between monthly income and gender and the following hypothesis was tested: There is no significant relationship between monthly income and gender. The results are depicted in the table 4.4.

Table 4.4: Monthly income * gender Cross tabulation

Count

		Gender		Total
		female	male	
Monthly income	less than 10,000	1	3	4
	10,000-20,000	32	19	51
	20,000-30,000	19	19	38
	30,000-40,000	26	18	44
	40,000-50,000	13	16	29
	over 50,000	1	7	8
Total		92	82	174

Source: Researcher, 2012

Table 4.5: Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.240	.074
	Cramer's V	.240	.074
	Contingency Coefficient	.234	.074
N of Valid Cases		174	

Source: Researcher, 2012

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

The results show that there is no significant relationship between gender and monthly income given that p>0.05 at 0.074. The hypothesis is therefore accepted. The third cross tabulation done was between age and monthly income and the following hypothesis was tested: There is no significant relationship between monthly income and age. The results are presented in the table 4.6 below showing p<0.05 meaning that there is a significant relationship between monthly income and age. The hypothesis is therefore rejected.

Table 4.6: Age * Monthly Income Cross tabulation

Count

		Monthly income						Total
		less than 10,000	10,000-20,000	20,000-30,000	30,000-40,000	40,000-50,000	over 50,000	
Age	18-24 years	1	3	0	1	0	0	5
	25-34 years	0	19	16	12	9	2	58
	35-44 years	2	18	16	15	9	2	62
	45-54 years	1	8	4	12	7	4	36
	55-64 years	0	2	1	4	4	0	11
	over 65 years	0	1	1	0	0	0	2
Total		4	51	38	44	29	8	174

Source: Researcher, 2012

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.408	.264
	Cramer's V	.183	.264
	Contingency Coefficient	.378	.264
N of Valid Cases		174	

Source: Researcher, 2012

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

4.3 Dependent variable: Customer Loyalty

Customer loyalty was measured using seven-point Likert scale where 1 – very strongly disagree, 2 – strongly disagree, 3 – disagree, 4 – neutral, 5 –agree, 6 – strongly agree and 7 – very strongly agree. Six questions were used to capture the level of customer loyalty by members of Sacco societies. The reliability coefficient for the scale was 0.732. Out of the six questions the highest mean is 5.90 where the members are loyal to the extent that they are positive about recommending the Sacco to someone who seeks their advice while the lowest mean is 4.84 where the question was seeking to find out if the customer loyalty was as a result of the Sacco offering a

variety of products that suits the member's needs other than loans. It is important to note that four out of the six questions had a mean above 5.61 as shown in Table 4.7.

Table 4.7: Customer Loyalty

	Very strongly disagree						Very strongly agree	Mean	Sd
I will do more business with the Sacco in the next few years.	5	4	12	6	45	35	67	5.61	1.53
I will recommend the Sacco to someone who seeks my advice	4	2	2	9	40	43	74	5.90	1.31
I consider my Sacco my first choice to buy services	3	8	11	7	26	35	84	5.79	1.58
I say positive things about my Sacco to other people	3	5	12	7	34	38	75	5.75	1.50
I like my Sacco because it pays high dividends	7	11	20	16	47	40	33	4.94	1.66
My Sacco offers a variety of products other than loans that suits my needs.	6	13	27	22	31	39	36	4.84	1.74
Composite Mean								5.47	1.55

Source: Researcher, 2012

4.4 Independent Variables

The independent variables were measured using a seven point Likert scale 1 denoted "very strongly disagree", 2 denoted 'strongly disagree', 3 denoted 'disagree', 4 denoted 'I don't Know', 5 denoted 'Agree', 6 denoted 'Strongly agree' and 7 denoted 'very strongly agree'. A total of 25 questions were developed to capture the five factors that were under study to determine the extent to which they determine customer loyalty.

4.4.1 Extent to which satisfaction affects customer loyalty

The mean here ranged between 5.03 and 5.43. The lowest mean here showed that among that factors that gave them satisfaction in their Sacco, the members were least satisfied with the speed with which information is provided by the Sacco. The highest mean at 5.32 and 5.43 show that members are either happy or delighted with the services they are getting from their Sacco as depicted in Table 4.8. It is important to note that all the seven questions under this variable had a mean of more than 5.0.

Table 4.8: Extent to which satisfaction affects customer loyalty

	Very strongly disagree						Very strongly agree	Mean	Sd
I am delighted with my Sacco's service.	7	5	12	5	58	47	40	5.32	1.52
I am happy with my Sacco's service.	6	5	11	6	46	57	42	5.43	1.50
I am content with my Sacco's service	5	8	16	16	41	52	35	5.17	1.56
I am happy with the speed at which information is provided in my Sacco.	5	7	22	19	49	34	38	5.03	1.59
I am happy with the advice especially adjusted to my personal situation	4	6	20	14	52	41	36	5.14	1.51
I am happy with the attention service employees pay to me	4	6	18	9	56	35	46	5.28	1.53
I am happy with the opening times of the office.	9	7	16	14	45	32	51	5.18	1.73
Composite Mean								5.22	1.56

Source: Researcher, 2012

4.4.2 Extent to which trust affects customer loyalty

The mean range for this independent variable was between 5.08 and 5.48 as shown in Table 4.9 with the question about the Sacco having a high integrity attracting the lowest mean and a good number feeling the Sacco, that is both the Board members and the staff are concerned about the members' welfare.

Table 4.9: Extent to which trust affects customer loyalty

	Very strongly disagree						Very strongly agree		
								Mean	Sd
My Sacco is honest about problems.	5	10	19	11	52	32	45	5.13	1.64
My Sacco has high integrity.	9	6	18	18	44	36	43	5.08	1.69
My Sacco is trustworthy.	3	7	8	16	52	41	46	5.39	1.44
My Sacco is concerned about my welfare.	3	6	7	13	53	42	49	5.48	1.41
When I confide my problems to my Sacco, I know they will respond with understanding.	4	5	11	9	59	38	46	5.40	1.45
I can count on my Sacco considering how their actions affect me.	5	6	12	16	50	47	38	5.26	1.49
Composite Mean								5.29	1.52

Source: Researcher, 2012

4.4.3 Extent to which customer's perception on switching costs affects customer loyalty

Four questions were used to measure this independent variable. The means here are very strong ranging between 5.36 and 6.17 as shown in Table 4.10. A majority of the members do not want to switch to other financial institutions because they do not want to lose their shares. Many more also feel that their Sacco is more understanding than other financial institutions and/or the interest rates in the Sacco are more customer friendly with a mean of 5.79.

Table 4.10: Extent to which customer's perception on switching costs affects customer loyalty

	Very strongly disagree						Very strongly agree	Mean	Sd
Seeking financial services from other places is time consuming	13	6	11	13	31	33	67	5.36	1.86
I do not want to lose my shares	2	6	3	2	30	25	106	6.17	1.34
My Sacco is more understanding than other financial institutions	3	1	12	6	41	39	72	5.79	1.38
The interest rates in my Sacco are customer friendly.	4	5	10	5	35	36	79	5.79	1.51
Composite Mean								5.78	1.52

Source: Researcher, 2012

4.4.4 Extent to which Sacco service quality affects customer loyalty

There were five questions that were used to measure this variable the mean ranges between 4.89 and 5.11. Most members feel that the Sacco has an excellent overall service (5.11) and are happy with the time taken by the employees to serve them (5.09) as shown in Table 4.11.

Table 4.11: Extent to which Sacco service quality affects customer loyalty

	Very strongly disagree agree						Very strongly	Mean	Sd
My Sacco has an excellent overall service	9	1	22	15	51	35	41	5.11	1.62
My Sacco has a service of very high quality	5	13	16	20	49	39	32	4.95	1.61
My Sacco provides a high standard service	6	9	19	16	53	40	31	4.98	1.58
My Sacco delivers superior service in every way	9	4	21	22	55	34	29	4.89	1.58
I am happy with the time taken by employees to serve me.	1	8	20	17	65	25	38	5.09	1.44
Composite Mean								5.00	1.57

Source: Researcher, 2012

4.4.5 Extent to which corporate image affects customer loyalty

Three questions were used to assess this independent variable and the Means were almost equal at 5.57, 5.69 and 5.76 as shown in Table 4.12. This means that there was only a difference of 0.07 between the three Means. Most members will open a savings account or get a loan from their Sacco in the future, many believe that in five years' time, they will still consider their Sacco to be the most important financial provider (5.69) and that they consider their Sacco the first choice for all their financial needs (5.57).

Table 4.12: Extent to which corporate image affects customer loyalty

	Very strongly disagree strongly agree							Mean	Sd (Very)
I consider the Sacco my first choice for all financial I need	7	8	11	7	32	37	71	5.57	1.71
If I want to open a savings account or to get a loan in the future, I will do so in my Sacco	3	5	6	10	38	43	69	5.76	1.41
In about 5 years, I expect that I will still consider my Sacco my most important financial provider	4	4	11	13	29	42	70	5.69	1.52
Composite Mean								5.67	1.55

Source: Researcher, 2012

4.4.6 Reliability Results

The reliability of the questionnaire was tested using Cronbach $\propto$ measurements and the results depicted in Table 4.13. The reliability coefficients ($\propto$) of each independent variable are as follows: customer loyalty (0.732); satisfaction (0.865); trust (0.868); service quality (0.897); switching cost (0.670) and image (0.881). The reliability coefficients of all the independent variables are above 0.70 apart from switching cost (0.670), which concurs with the suggestion made by Nunnally (1978).

Table 4.13: Reliability statistics

Variables	Cronbach's Alpha	No. of Items
Customer loyalty	.732	6
Trust	.868	6
Satisfaction	.865	7
Service quality	.897	5
Switching cost	.670	4
Image	.881	3

Source: Researcher, 2012

4.4.7 Correlations

Table 4.15 shows the correlation between the variables under investigation. First thing to note is the N – this is sample size of which we can see that all the variables in the model did not have any missing values. Secondly, all the variables correlated strongly with each other i.e. all the r values were above 0.6 also the p-values were all <0.001 (i.e. less than 0.001) which is a high association level. In a nutshell this means that, those who were positive about loyalty also were positive in trust, satisfaction, services quality, cost and image.

This table 4.15 is summarized below as:

Table 4.15: Correlation results

	Loyalty	Trust	Satisfaction	Service quality	Cost	Image
Loyalty	1					
Trust	$.792^{**}$	1				
Satisfaction	$.759^{**}$	$.815^{**}$	1			
Service quality	$.764^{**}$	$.732^{**}$	$.804^{**}$	1		
Cost	$.714^{**}$	$.682^{**}$	$.712^{**}$	$.713^{**}$	1	
Image	$.658^{**}$	$.632^{**}$	$.613^{**}$	$.619^{**}$	$.678^{**}$	1
Note: **Correlation significant at $p<0.001$ level (2-tailed). N=174						

Source: Researcher, 2012

All the hypothesized relationships developed were found to be statistically significant at level $p<0.001$. That is, H1 ($r=.764$, $p<0.001$), H2 ($r=.759$, $p<0.001$), H3 ($r=.714$, $p<0.001$), H4 ($r=.658$, $p<0.001$) and H5 ($r=.792$, $p<0.001$). These relationships were strong ($r>.6$) and were positive, that is an increase in the dependent variable was associated with an increase in each predictor variable.

4.4.8 Regression

In order to test for multi-collinearity among the predictor variables, variance-inflation factor (VIF) and tolerance were applied. The multi-collinearity statistics showed that the tolerance indicator for trust, satisfaction, service quality, switching cost and image

are all greater than 0.1, and their VIF values are less than 10. The result indicates that no multi-collinearity problem has occurred thus it is appropriate to use the multiple regression model (Bowerman & O'Connell, 1990; Myers, 1990; Menard, 1995; Neter et al., 1996; Ott and Longnecker, 2001). The F-statistics produced (F =89.906) which was significant (p<0.001), thus confirming the fitness for the model. Therefore, there was a statistically significant relationship between the predictor variables and the customer loyalty. The coefficient of determination R^2=0.728. This means that the predictor variables could significantly account for 72.8% in the customer loyalty. The results shows that trust (p< 0.001), services quality (p <0.01), switching cost (p < 0.05) and image (p < 0.05) all significantly affect the customer loyalty. Based on Table 4.4.3, it indicated that the most important predictor variables that affected the customer variables are trust followed by service quality but satisfaction was found not to be significantly associated with customer loyalty.

4.4.9 Hypotheses testing

Ho1. Customer satisfaction does not enhance customer loyalty.

The results show that satisfaction has no positive influence on customer loyalty with the level of significance at 0.341. Thus even though a customer may be satisfied with the products and services offered by a Sacco, that does not translate to loyalty if other factors like trust and service quality are not to the level of the customer's expectations. The hypothesis Ho1 is therefore accepted. T-value is less than +2, therefore hypothesis is accepted.

Ho2. Trust in the Sacco and its products have no influence on customer loyalty.

The results show that trust in the Sacco and its products has a positive influence on customer loyalty at 0.000 level of significance. A customer will have trust in his or

her Sacco if he/she feels that his issues will be handled with understanding. When the players in the Sacco discharge their duties with honesty and integrity this builds a customer's trust in the Sacco. The customer's trust is also built when they feel the Sacco is concerned about their welfare. Thus trust has a positive influence on customer loyalty. T-value is greater than +2, therefore hypothesis Ho2 is rejected.

Ho3. Customers' perception of switching costs has no influence on customer loyalty.

The results show that a customer's perception of switching costs has a positive influence on customer loyalty at a significance level of 0.032. The fear by the customer to loose their shares in the Sacco or consideration of interest rates in other financial institutions as more expensive or the thought of changing to another financial institution as time consuming which may end up in delay in accessing financial products are aspects of high switching costs. Thus the higher the switching costs, the more loyal a customer is. T-value is greater than +2, therefore hypothesis Ho3 is rejected.

Ho4. Quality service delivery has no influence on customer loyalty.

The results show that quality service delivery has a positive influence on customer loyalty at a significance level of 0.001. Thus improved service quality resulted in increased customer loyalty. The hypothesis Ho4 is therefore rejected.

Ho5. Sacco image does not enhance customer loyalty.

The results show that the Sacco image has a positive influence on customer loyalty at a significance level of 0.034. A customer's continued use of a Sacco's services is determined by how they view the particular Sacco. This includes a customer's perception on the Sacco's ability to provide the services required, the financial stability of the Sacco and the expectation of its continued existence for a long period

of time. Thus the more positive a customer's image of his Sacco the more loyal he/she

is to the Sacco. T-value is greater than +2, therefore hypothesis Ho5 is rejected.

Customer loyalty(Y)_ Function (Satisfaction, Trust, Customers' perception of

switching costs, Quality service & Image).

$Y = \beta_0 + \beta_1 \chi_1 + \beta_2 \chi_2 + \beta_3 \chi_3 + \beta_4 \chi_4 + \beta_5 \chi_5$

Table 4.16: Regression results

Predictor variables	B	T	Sig.	Tolerance	VIF
Satisfaction (χ_1)	$(+\beta_1)$ .072	.954	.341	.235	4.260
Trust (χ_2)	$(+\beta_2)$ .313	4.966	.000	.297	3.365
Switching Cost(χ_3)	$(+\beta_3)$ .132	2.162	.032	.369	2.707
Service quality (χ_4)	$(+\beta_4)$ .210	3.457	.001	.302	3.307
Image(χ_5)	$(+\beta_5)$ .094	2.135	.034	.478	2.093

Source: Researcher, 2012

$Y = 1.74 + \beta_1 \chi_1 + \beta_2 \chi_2 + \beta_3 \chi_3 + \beta_4 \chi_4 + \beta_5 \chi_5$

$Y = \beta_0 + .072 \chi_1 + .313 \chi_2 + .132 \chi_3 + .210 \chi_4 + .094 \chi_5$

Notes: Dependent Variable is Loyalty. Overall model (F) =89.906 p <0.001; R^2=

0.728; adjusted R^2=0.72

4.5 Discussions on the findings

In this study, it was found that satisfaction does not have a significant correlation on

customer loyalty. The findings are a departure from prior studies (Anderson and

Mittal, 2000; Khalifa and Cheng, 2002; Wangenheim, 2003; Shin, 2007), which

suggested the importance of satisfaction in predicting customer loyalty. As most

Sacco members in this study are mostly between the age of 25 and 54, they are

considered to be in the lead segment (Wong and Hiew, 2005) and since they have

been in the Sacco for long they have tried and tested various products and are happy with the experience. Although satisfied customers tend to repeat purchases, afford cross selling opportunities, provide positive word of mouth referrals and are less price elastic (Dick and Basu, 1994), they can easily be lured elsewhere where other factors like image, switching cost and service quality are taken into consideration. Hence, it is important for Sacco societies to consider the satisfaction factor to encourage more members to be loyal to their organizations.

Trust factor was found to be an important determinant of customer loyalty in many existing studies (Luarn and Lin, 2005; Lin and Wang, 2005; Cho, 2007; Wei 2008). The finding in this study supports these existing findings and showed that there is a strong positive relationship between trust and customer loyalty. Saccos have operated in conditions of uncertainty (Moorman et al. 1992; Doney et al. 1997; Kuusik, 2007) owing to the factors in the external environment beyond their control and also some internal factors like election of board members which is a highly political process. Trust is therefore very important to motivate Sacco members to use the services provided by Sacco Societies in such uncertain environment. In order to increase the usage of Sacco products in Uasin Gishu, the service providers and elected leaders should concentrate on building trust by developing savings and loan products that meet members needs and adopting software system with valuable function to enable members access services anywhere while also assuring the security and privacy of the users.

Switching cost was found to be a strong factor that determines customer loyalty in Saccos. The results show that respondents felt that seeking financial services from other places is time consuming; they fear losing their savings and also find their Sacco

more understanding to their financial needs compared to other financial institutions. In this case, switching is inhibited by past transaction specific investments. In other words, high switching costs will eventually outweigh the perceived switching benefits arising from dissatisfaction (Jones, Mothersbaugh and Beatty, 2000). For example, price increases like increase in interest rates will not directly translate into lower loyalty, but are weighed against these investments and the member chooses to stay.

Service quality was found to be a strong determinant to customer loyalty. This confirms results of other studies made in similar situations (Anaro, 2009; Maiyaki and Mokhtar, 2009). The empirical results of other studies show that service quality has a positive association with customers' positive attitudes and their likelihood of retention (Ranaweera and Neel, 2003). In this research, results have shown that time taken to offer a service is a major factor in determining whether the service is of high quality. Saccos should not only strive to provide effective service delivery that their members desire but also do so within the time expected if they are to gain a competitive edge in today's service economy. Customer loyalty will only increase if the service quality is of high standard. This is because Saccos being financial providers operate in an external environment that is highly competitive and if members do not get good quality service they quickly move to other financial service providers who are their organizations' competitors. In conclusion, the better the service quality, the more useful the members perceive the Sacco and its products and the more they are likely to be retained in the Sacco and increase their patronage. Hence, service providers' and vendors' attention should focus on designing the reliable system that will meet the users' needs, as well as providing the useful and quality information to users.

Customer loyalty also depends to a great deal on the organization's image. This research looked at image both of the organization generally and also its products/services. Other studies have found out that corporate image has an impact on customers' choice of company and is established and developed in the consumers' mind through communication and experience (Kurnia, 2006; Wei, 2009; Maiyaki and Mokhtar, 2009). This study confirmed this as a majority of the respondents consider their Sacco their first choice for all their financial needs and answered in the affirmative that they will consider their Sacco their most important financial provider in the next five years. In addition, majority of the respondents are satisfied with the services rendered and this confirms past researches that have found out that when customers are satisfied with services rendered their attitude towards the company is improved (Zeithaml & Bitner, 1996; Andreassen & Lindestad, 1998).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this section of the report, results are summarized, and conclusions drawn. From the literature reviewed in chapter two, the five variables under study were found to strongly influence customer loyalty among members of Sacco societies.

5.2 Summary of Findings

The findings show that satisfaction has no positive influence on customer loyalty with the level of significance at 0.341. Thus even though a customer may be satisfied with the products and services offered by a Sacco, that does not translate to loyalty if other factors like trust and service quality are not to the level of the customer's expectations. Hence, it is important for Sacco societies to consider the satisfaction factor to encourage more members to be loyal to their organizations.

Trust in the Sacco and its products have a positive influence on customer loyalty at 0.000 level of significance. A customer will have trust in his or her Sacco if he/she feels that his/her issues will be handled with understanding. When the players in the Sacco discharge their duties with honesty and integrity this builds a customer's trust in the Sacco. The customer's trust is also built when the member feels the Sacco is concerned about his/her welfare. Thus trust has a positive influence on customer loyalty.

The results show that a customer's perception of switching costs has a positive influence on customer loyalty at a significance level of 0.032. The fear by the customer to loose their shares in the Sacco or consideration of interest rates in other

financial institutions as more expensive or the thought of changing to another financial institution as time consuming which may end up in delay in accessing financial products are aspects of high switching costs. Thus the higher the perception on switching costs, the more loyal a customer is.

The results show that service quality has a positive influence on customer loyalty at a significance level of 0.001. Thus improved service quality results in increased customer loyalty.

The Sacco image has a positive influence on customer loyalty at a significance level of 0.034. A customer's continued use of a Sacco's services is determined by how they view the particular Sacco. This includes a customer's perception on the Sacco's ability to provide the services required, the financial stability of the Sacco and the expectation of its continued existence for a long period of time. Thus the more positive a customer's image of his Sacco the more loyal he/she is to the Sacco.

5.3 Conclusion

One major conclusion drawn from this study is that trust is a major factor that influences customer loyalty. Where Saccos are trustworthy and concerned about the welfare of members and treat their issues with confidentiality, members become more loyal. Secondly, image is an important factor that influences customer loyalty. The image of not only the individual Sacco but the co-operative movement as a whole determines whether a customer considers the Sacco as a first choice for all his/her financial needs and the most important financial provider even in the future. Service quality is important to customers in Saccos in that excellent overall superior service which is delivered within the shortest time possible tends to delight customers and makes them loyal. Heavy investment made by customers in Saccos and the

relationship they develop with service providers make them stick in these organizations. Lastly, although a customer maybe delighted about services in a Sacco or generally satisfied, that does not translate into loyal customers contrary to literature reviewed.

5.4 Recommendations

Co-operative societies in Kenya are important players in the socio-economic development of the country. They have a membership of over 10 million in 14,000 registered co-operatives. The Sacco sub-sector in Kenya, in particular, has mobilized over Kshs. 230 billion in savings (MOCD&M Co-operative Development Policy, 2011). Uasin Gishu County has mobilized over Kshs. 1,991,180,394 billion in shares and deposits (Uasin Gishu County Annual Report 2012). Since lots of efforts and money have been invested in Saccos by people, it is important to ensure that the loyalty of customers using them is maintained at high levels.

In order to attract more customers and encourage the membership in Saccos, it is believed that merely introducing Saccos as vessels for economic development may not be sufficient. By using the derived results in the analysis, the management and board of directors or management committee members should focus on building their members' trust on the organization and also on the products. The trust building strategies include advertising campaign, privacy guarantees, company policies and statement among others. Furthermore, the strong relationship between switching cost and customer loyalty in the study suggests that the creative promotional and pricing strategies, including cost reduction should be implemented to attract price-conscious customers.

Service quality is also quite a critical factor among the independent variables. The service providers should develop the products and services which users will find valuable and relevant and offered within customer acceptable time limits to solve their immediate and long term financial needs. Design of the savings and loan products should be focused on the important and unique characteristics of Sacco members, such as, personalization and high appetite for loans.

Saccos should strive to improve their image in order to attract and retain customers. This should be done by improvement of physical facilities and use of modern communication channels and social networks such as face book, twitter, what's up and informal seminars in addition to well-planned and structured member education forums. The attention of management should also be focused on development of usefulness of the software system for easy access of accounts and products by members. and also trust building and cost reduction, which will in turn result in satisfaction of the services received.

It is also recommended that services be offered that delight members, information provided with speed, advice on personal finances provided and accessibility of services improved such that the customers can access them any time anywhere. This will make members fell that switching to another service provider is costly and therefore opt to stay.

Besides, the above implications for practices, this study provides several implications for scholars too. This study successfully extend the TAM in the context of m-commerce by incorporating one trust-based construct (trust), one behavioral control construct (switching cost) and one subjective norm construct (image). This extended

TAM model is developed to achieve the greater understanding of customer loyalty in Saccos in Uasin Gishu County while remaining the frugality of the model in the same time. In conclusion, the model in this study presents a considerable improvement in explanatory power.

5.5 Suggestions for Further Studies

This research was conducted in Uasin Gishu County of Kenya and the results would be consistent with Sacco customers in other counties. Future studies can focus on conducting a multi-county comparison to test the influence of moderating factors such as culture in those particular counties. The future research should follow the longitudinal approach to predict beliefs and behaviour over time since the model is this study is cross-sectional, which measures the intention only at a single point in time (snapshot approach),

This study has a demographic profile that cuts across the productive age of most respondents (Table 4.1). Thus, it is possible that if the results would have been taken from a particular age group only it might have different findings. For example, respondents from the younger age group may consider image and social influence to be major factors determining customer loyalty in Saccos, thus trust might not be the most significant factor influencing customer loyalty in Saccos. It would therefore be useful to make a comparison study between users from different age groups in future studies.

The result from this study could be due to the services provided by the various Sacco societies. For example, one Sacco might offer better products and services than the other. Therefore, future studies can also do a comparative study to investigate if there are any differences in customer loyalty between Saccos in various sectors or between

deposit taking and non-deposit taking Saccos. As switching cost is found to be a factor determining customer loyalty, it would be interesting to do a comparison on investment levels by different customers in their Saccos and see if the customers with lower shares and deposits will actually be loyal to their Saccos.

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APPENDICES

APPENDIX 1: LETTER TO THE RESPONDENT

Dear respondent,

I am a student at Moi University pursuing a degree leading to award of Masters of Business Management. Part of the requirements is to carry out research work. My research is on factors that influence customer loyalty in Sacco societies in Uasin Gishu County.

This is therefore to kindly request you to fill in this questionnaire to enable me gather information for the purposes of the research. I wish to assure you that the information will be used for research purposes only and you do not even need to indicate your name for confidentiality purposes.

Thank you in advance for your co-operation.

Yours faithfully,

Roselyne A. Rae
RESEARCHER

APPENDIX 2: QUESTIONNAIRE

This questionnaire is aimed at seeking your opinion about customer loyalty in Sacco societies. You are kindly requested to provide your genuine response about each question. The information you provide will be strictly confidential and used for academic purpose only. Please do not put your name on the questionnaire.

SECTION 'A'

Please circle the most appropriate number of each statement which corresponds most closely to your desired response. **Key: 1-Very Strongly Disagree (VSD), 2- Strongly Disagree (SD), 3 – Disagree (D), 4- I don't know (IDK), 5 – Agree (A), 6 – Strongly Agree (SA), 7- Very Strongly Agree (VSA).**

VSD   **VSA**

a) Customer Loyalty

I will do more business with the Sacco in the next few years.	1	2	3	4	5	6	7
I will recommend the Sacco to someone who seeks my advice	1	2	3	4	5	6	7
I consider my Sacco my first choice to buy services	1	2	3	4	5	6	7
I say positive things about my Sacco to other people	1	2	3	4	5	6	7
I like my Sacco because it pays high dividends	1	2	3	4	5	6	7
My Sacco offers a variety of products other than loans that suits my needs.	1	2	3	4	5	6	7

b) Satisfaction

I am delighted with my Sacco's service	1	2	3	4	5	6	7
I am happy with my Sacco's service	1	2	3	4	5	6	7
I am content with my Sacco's service	1	2	3	4	5	6	7
I am happy with the speed at which information is provided in my Sacco	1	2	3	4	5	6	7
I am happy with the advice especially adjusted to my personal situation	1	2	3	4	5	6	7
I am happy with the attention service employees pay to me	1	2	3	4	5	6	7
I am happy with the opening times of the office	1	2	3	4	5	6	7

c)Trust

My Sacco is honest about problems.	1	2	3	4	5	6	7
My Sacco has high integrity.	1	2	3	4	5	6	7
My Sacco is trustworthy.	1	2	3	4	5	6	7
My Sacco is concerned about my welfare.	1	2	3	4	5	6	7
When I confide my problems to my Sacco, I know they will respond with understanding.	1	2	3	4	5	6	7
I can count on my Sacco considering how their actions affect me.	1	2	3	4	5	6	7

d) Service Quality

My Sacco has an excellent overall service	1	2	3	4	5	6	7
My Sacco has a service of very high quality	1	2	3	4	5	6	7
My Sacco provides a high standard service	1	2	3	4	5	6	7
My Sacco delivers superior service in every way	1	2	3	4	5	6	7
I am happy with the time taken by employees to serve me.	1	2	3	4	5	6	7

e) Switching Costs

Seeking financial services from other places is time consuming	1	2	3	4	5	6	7
I do not want to lose my shares	1	2	3	4	5	6	7
My Sacco is more understanding than other financial institutions	1	2	3	4	5	6	7
The interest rates in my Sacco are customer friendly.	1	2	3	4	5	6	7

f) Image

consider the Sacco my first choice for all financial I need	1	2	3	4	5	6	7
If I want to open a savings account or to get a loan in the future, I will do so in my Sacco	1	2	3	4	5	6	7
In about 5 years, I expect that I will still consider my Sacco my most important financial provider	1	2	3	4	5	6	7

SECTION 'B'

Please tick the appropriate box that describes you.

Gender		Age/years		Monthly Income (Kshs)	
Female	☐	18-24	☐	Less than 10,000	☐
Male	☐	25-34	☐	10,000-20,000	☐
		35-44	☐	20,000-30,000	☐
		45-54	☐	30,000-40,000	☐
		55-64	☐	40,000-50,000	☐
		Over 65	☐	Over 50,000	☐

Highest level of education you earned

O-level	☐
Certificate	☐
Diploma	☐
First Degree	☐
Masters	☐
PHD	☐

How long have you been a member of this SACCO	less than 1 year	☐
	1-3years	☐
	4-10years	☐
	more than 10years	☐

THANK YOU VERY MUCH

APPENDIX 3:LIST OF SACCO SOCIETIES IN UASIN GISHU COUNTY

1	ELDORET MUNICIPAL SACCO SOC. LTD	161
2	WARENG' TEACHERS' SACCO SOC. LTD	4447
3	LANGAS SACCO SOC. LTD	71
4	STARCH SACCO SOC. LTD	104
5	RIVATESE SACCO SOC. LTD	56
6	PLYWOOD SACCO SOC. LTD	538
7	KEN-KNIT SACCO SOC. LTD	400
8	RIVABOT SACCO SOC. LTD	200
9	WARECCO SACCO SOC. LTD	54
10	ELDORET GOLF CLUB SACCO SOC. LTD	70
11	SIRIKWA HOTEL SACCO SOC. LTD	107
12	MSINGI SACCO SOC. LTD	45
13	BONDE LA KERIO SACCO SOC. LTD	505
14	ELBAICO SACCO SOC. LTD	77
15	CHEPKOILEL MATATU SACCO SOC. LTD	82
16	MOI UNIVERSITY SACCO SOC. LTD	3380
17	C.P.K. ELDORET SACCO SOC. LTD	104
18	ELDOPOLY SACCO SOC. LTD	70
19	LOCHAB SACCO SOC. LTD	148
20	TESTIMONY SACCO SOC. LTD	112
22	AINABKOI FARMERS RURAL SACCO SOC. LTD	1100
24	AMECEA WORKERS SACCO SOC. LTD	50
25	AUTONIPP SACCO SOC LTD	85
26	PYRAPACK SACCO SOC. LTD	54
27	CHUMA SACCO SOC. LTD	106
28	PROGRESSIVE RURAL SACCO SOC. LTD	100
29	CFC LIFE ELDORET SACCO SOC. LTD	18
30	CATHOLIC DIOCESE OF ELDORET SACCO SOC. LTD	345
21	TARAKWA RURAL SACCO	200
32	REFERRAL SACCO SOC. LTD	617
33	RUPA SACCO SOC. LTD	300
34	UTULIVU SACCO SOC. LTD	29
35	ELDO-NEZA SACCO SOC. LTD	350
36	ALPHAX SACCO SOC. LTD	21
37	ELGON VIEW COLLEGE STAFF SACCO SOC. LTD	114
38	ELDORET SHUTTLE SACCO SOC. LTD	70
39	POA PLACE SACCO SOC. LTD	42
40	MOI-NAB SACCO SOC. LTD	845
41	ELDOWAS SACCO SOC. LTD	141
	TOTAL	15,605