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Influence of Customer Service Strategies on Firm Competitiveness: a Case of Boresha Savings and Credit Cooperative Society, Baringo County, Kenya

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Abstract:

Competitiveness among business enterprises in modern economies has become a very significant concept for both small and large-scale business enterprises and those engaged in one way or the other in business. Savings and Credit Cooperative Societies (SACCOs) in Kenya are some of the business firms that have enjoyed doing business with members of a particular profession. However, in the recent past, they have expanded their scope to serve other customers other than those in their existing customer base. As such, excellent customer service becomes imperative for their survival and success. The study examined how competitiveness can be harnessed through customer services in SACCOs. The study objectives were: To examine the level of customer feedback on competitiveness, to examine the level of information technology use on competitiveness and to examine the level of customer service training on competitiveness of Boresha Sacco. The study was carried out in Boresha Sacco Society, Baringo County. The study employed a mixed study approach with descriptive research design. The target population was 160 respondents from eight Boresha Sacco SACCO branches, where information was sought from managers and its employees. The study achieved a response rate of 74% with 118 respondents answering the questionnaires. Data collection was done using questionnaires. Data analysis was carried out using means and standard deviations for descriptive analysis. Analysed data was presented using frequencies, percentages, and tables. The study found that customer feedback played a key role in positively influencing competitiveness of firms. The study also found that use of mobile phones in communicating with customers leads the information technology use, as well as training of staff on customer responsiveness. The study recommends that SACCOs and other profit making firms should allocate more resources to customer feedback strategies and more so to the use of technology, and in particular developing customer feedback mobile phone applications.

Keywords: customer service, competitiveness, strategy

1. Introduction

Turban et al. (2002) defines customer service as a series of activities designed to enhance the level of customer satisfaction. This implies the feeling that a product or service has met the customer expectation. Customer service therefore, becomes an essential component that enables business firms to enjoy repeat business, customer loyalty and hence a competitive advantage. Customer service occurs during every stage of customer interaction and especially before, during and after a purchase. Customer satisfaction becomes vital in keeping customers happy and loyal to the business. Providing excellent customer service, will in addition to creating a competitive advantage, enable business firm to survive in tough and the ever-increasing uncertain business climate. Good customer service involves bonding with customers, leading to long term business relationship. The study further suggests that in achieving competitive advantage, firms need to place customer experience leader in place, in addition to adding customer experience management (C.E.M) expertise and resources.

According to SASRA (2012) the statistical report movement in Kenya is billed as the largest in Africa and among top ten globally with over 230 billion shillings in assets as saving portfolio constitute at 190 billion shillings, SACCO movement constitutes significant proportion about 20% of total domestic savings therefore SACCO's have become vital component of Kenyan economy and social development. SACCOs started venturing into the provision of services that were previously offered by banks. This included cheques' discounting, savings and fixed accounts and serving as salary pay point. This action by SACCOs marked genesis of the competition for customers between SACCOs and other financial institutions. Competition between SACCOs and other financial institutions is characteristic of globalized economy in which the business environment is dynamic and firms have adapted to such changes. The

modern customer is empowered and very difficult to please marketers who are contending with customers who are very knowledgeable, smarter; more price conscious and more forgiving. The consumers also like variety of firms that are promising to offer them better products and services than their competitors (Kotler, 2002). The global statistics indicate that in the year 2011, 100 countries had credit co-operatives that numbered 51,013 with membership of 196,498,735 (WOCCU, 2012). Globally, in the year 2009, there were 49,330 credit co-operatives with a membership of 183,916,050 which indicated growth. The WOCCU statistical report also indicated that Kenya is leading in membership, number of credit co-operatives and savings mobilization in the Africa continent. The statistics further show that Kenya ranks number seven globally in savings mobilization.

A company or brand image should convey the product distinctive benefits and positioning in a crowded market. A company that overlooks new and better ways to do things will eventually lose customers to another company that has found a better way. Successful brand management also results in perceived uniqueness even when the physical product is the same as competitors. Successful differentiation is displayed when a company either offers a premium price for the product or services, increases revenue per unit, or consumers' loyalty to purchase the company product or services increases. Differentiation drives profitability up when the added price of the product outweighs the added expense to acquire the product or services but it is ineffective when its uniqueness is easily replicated by its competitors (Kotler & Armstrong, 2011). The financial services providers are now offering products to entire SACCOs members in a bid to attract their clientele to the variety of products offered by the banking sector. This scenario has sparked off stiff competition for customers between SACCOs and other financial institutions. According to Kilonzi (2012) SACCOs do not have tighter structures to support effective delivery of services development. He further says that to enable SACCOs meet such challenges, new legislation was drafted in 2007 and passed in 2008 to guide withdrawals and deposit taking which SASRA took effects in 2010.

Assefa (2007) observes that intensity of variety seeking customer is a limitation to the potential achievement of customers' retention program based on perceived quality and customer satisfaction. Birchal *et al.*, (2008) observes that the level of involvement of services to the consumer is likely to increase by means of making services more important to the customer. Kamau (2006) found out that most SACCOs have no adequate loan policy governing savings and lending procedures, they also lack proper loan recovery procedures and loan write-off policy this causes greater risk to SACCOs liquidity. Other SACCOs lack sufficient funds to lend to members, who may have to wait for a long period of 14-30 days to access loans and others have to continuously save shares for duration of 6-12 months.

Previous studies have ranked customer service as the least strategy to be focused on as evidenced by Gichobi (2006). With little emphasis on customer service, SACCOs will continue to lose their members to commercial banks and other financial services like micro finance institutions and other upcoming competitors.

2. Materials and Methods

The study adopted a mixed approach with a descriptive research design in seeking in-depth customer service strategies that influenced competitive activities in Boresha SACCO in Baringo County. According to Orodho (2008) the design involves collecting information by interview or administering a questionnaire to a sample of individual. The research design ensured an arrangement of conditions for collection and analysis of data in a manner that combined relevance with the research purpose (Kombo & Tromp, 2006). Descriptive research determines and reports the way things are in its original phenomena (Mugenda & Mugenda, 2003). The design enabled the researcher to collect information and opinion in relation with customer services strategies in Boresha SACCO in Baringo County.

2.1. Target Population & Sample Size

A population is a group of individuals or objects or items from which samples are taken for measurement (Kombo & Tromp, 2006). Orodho (2008) notes that population refers to all the items or people under consideration in any field of inquiry. The target population for the study was all employees working at Boresha SACCO in Baringo County, comprising a workforce of 160. Census of all 160 respondents was carried out, since the number was too small to be sampled.

2.2. Data Collection & Analysis

To gather data the study used questionnaire. This was done by drop and pick method. As such, respondents were accorded adequate time to respond to questions. Data collected included both quantitative and qualitative in nature. Qualitative data was analyzed thematically using content analysis while quantitative data was analyzed using descriptive statistics which included use of mean, standard deviation.

3. Results and Discussion

3.1. Level of Customer Feedback

Customer feedback is measured by freedom of the customers to seek information from Boresha SACCOs. It is also the level of which the customers know the channels to communicate their feedback; and the will to initiate the step of seeking feedback. When the respondents were asked to rate whether customers are free to contact Boresha SACCOs and vice versa for questions and whatever they think, the following table was generated.

Response	Frequency	Percent
no	24	20.3
yes	94	79.7
Total	118	100.0
ICT medium use		
calls	27	22.9
sms	65	55.1
voice mails	6	5.1
whatsapp platforms	7	5.9
tweeter	4	3.4
Google portals	4	3.4
Total	9	7.6
company keeps track of service history		
strongly agree	13	11.0
disagree	49	41.5
not sure	43	36.4
agree	13	11.0
Total	118	100.0
responding to customers is timely		
strongly disagree	10	8.5
disagree	32	27.1
not sure	21	17.8
agree	14	11.9
strongly agree	41	34.7
Total	118	100.0
customer's complaints are acted upon		
no	48	40.7
yes	70	59.3
Total	118	100.0

Table 1: customers are free to contact the Sacco for services

Source: Primary data

Table 1 shows that 79.7 percent of respondents had a view that customer of Boresha SACCOs are free to contact the SACCO for services. The level of feedback can be tracked by checking whether the Sacco had a viable means of communication employed, and whether services are tracked and a history of service kept. The ICT medium is always vital for business success as observed from the literature review. Table 1, shows that Boresha SACCOs uses mainly short messages as a means of communication to her customer's. Customer feedback can also be explained by indicators such as satisfaction of services. If services are provided adequately, the customers are likely to seek extra services. This is supported by Assefa (2007) findings that the intensity of variety seeking customer is a limitation to the potential achievement of customers' retention program based on perceived quality and customer satisfaction.

It is observed that most employees of the Boresha SACCOs do not keep history of their services to customers with 49% reporting so, adding with 13% of those who strongly disagree as evidenced in Table 1. It is also observable that most employees are also not sure of their service history. Therefore, the level of customer feedback is adversely affected by lack of service history. From Table 1, it is noted that customers' feels well served, as they are served well in time. Among the respondents who strongly agree, and those inclined to simply agree that customers are served in time are 34.7% and 11.9% respectively. Table 1 shows that 59.3 percent of respondents agree that customer's complaints are acted upon in time, while 40.7 percent do not agree.

3.1.1. Level of Information Technology on Competitiveness of Boresha SACCOs

	Frequency	Percent
No	31	26.3
Yes	87	73.7
Total	118	100.0
which technology accessories are mostly used		
computers	61	51.7
printers	37	31.4
telephones	20	16.9
Total	118	100.0
train employees on technology and their accessories		
No	42	35.6
Yes	76	64.4
Total	118	100.0
there is a 24-hour contact centre for customers		
No	74	62.7
Yes	44	37.3
Total	118	100.0
customer queries are returned within 24 hours		
No	55	46.6
Yes	63	53.4
Total	118	100.0
which are your ICT communication media mostly used		
calls	27	22.9
sms	65	55.1
voice mails	6	5.1
whatsapp platforms	7	5.9
tweeter	4	3.4
Google portals	9	7.6
Total	118	100.0

Table 2: Does the company chose the latest ICT medium

Source: primary data

As per Table 2 Boresha SACCOs uses the latest information technology to satisfy its customers as evidenced by 73.7 percent of the respondents. It is also shown that employees of SACCOs use computers to facilitate their service as shown by 51.7 percent in Table 2. According to Kilonzi (2012) SACCOs need to have tighter structures and technology to support effective delivery of services development, while Orlando et al. (2013) examine the contribution of SACCOs in financial stewardship to the growth of SACCOs wealth in Kenya as measured by staff competence and innovation. The firm also trains its employees on technology especially on how to use computers as shown in the table with 64.4 percent of the respondents agree to that. 62.7 percent of the respondents show that SACCOs do not offer 24 hours contact for customers as evidenced in Table 2. While 53.4 percent agree that customer's queries are returned within 24 hours as shown in Table 2. 55.1 percent of the respondents shows that sms is the most common mode of communication used by employees of Boresha SACCOs to deliver their services to its customers.

3.2. Level of Customer Trainings

These are series of trainings used to cause customer satisfaction. The following table is a frequency and percentage table showing the views of the respondents.

	Frequency	Percent
No	39	33.1
Yes	79	66.9
Total	118	100.0
train employees on technology		
No	42	35.6
Yes	76	64.4
Total	118	100.0
Sacco carry out evaluation on technology		
strongly disagree	2	1.7
disagree	1	.8
not sure	38	32.2
agree	32	27.1
strongly agree	45	38.1
Total	118	100.0
Sacco carry out evaluation on service delivery		
strongly disagree	1	.8
disagree	4	3.4
not sure	19	16.1
agree	39	33.1
strongly agree	55	46.6
Total	118	100.0
company recognizes and rewards employees for motivation		
No	45	38.1
Yes	73	61.9
Total	118	100.0
value for appropriate tone while serving customers		
No	60	50.8
Yes	58	49.2
Total	118	100.0

Table 3: trainings on service delivery

Source: primary data

Customers training in Boresha SACCOs will lead to customer satisfaction hence gain competitive advantage. The employees' of Boresha SACCOs are taken in for training on services as shown in Table 3, with a percentage of 66.9 respondents. As evidence in literature review Nilda et al, (2009) suggests that presenting suitable training services creates possibility of increasing the level of customer service and hence the customer satisfaction. Using trained staff also increases the accountability of the company. 64.4 percent of the respondents shows that employees are trained on technology as evidence in Table 3. Table 3 shows that Boresha SACCOs carries out evaluation on technology by 38.1 percent respondents, while 46.6 percent of the respondents shows that the firm carry out evaluation on technology as shown in Table 3. According to Table 3, it is noted that the company recognizes and rewards its employees for motivation by 61.9 percent of the respondents, while 50.8 percent of the respondents shows that the SACCOs do not have appropriate tone while serving the customers as evidenced in Table 3. Birchal *et al.*, (2008) tends to agree that the level of involvement of services to the consumer is likely to increase by means of making services more important to the customer through concerted efforts as shown in Table 3.

3.3. Influence of Sacco Policy on Boresha SACCOs

Boresha has a number of policies it seeks to use in order to excel in her services. On checking these policies, the following is realized.

	Frequency	Percent
No	77	65.3
Yes	41	34.7
Total	118	100.0
customer feedback is practiced by Boresha		
agree	77	65.3
disagree	41	34.7
Total	118	100.0
listen to customer and prop to get information		
strongly disagree	7	5.9
disagree	23	19.5
not sure	5	4.2
agree	48	40.7
strongly agree	35	29.7
Total	118	100.0
always follow ups are done to customers		
No	58	49.2
Yes	60	50.8
Total	118	100.0
Company honors commitments made to customers		
No	43	36.4
Yes	75	63.6
Total	118	100.0

Table 4: are there enough number of staff to serve customers

Source: primary data

From Table 4 it is noted that Boresha SACCOs in understaffed, making the employees to strain so much in service delivery, at the same time the company at a level best have a feedback mechanism with 65.3 percent of the respondents as evidence in Table 4. Table 4 shows that Boresha SACCOs listen to its customers to get information for easy service delivery, it is encouraging to note that 40.7 percent of the respondents shows that Boresha SACCOs shows concern by making follow ups for the sake of obtaining information as shown in Table 4. It is also observed that the SACCO does honor commitments towards customer service by offering satisfactory responses to its customers. As such, by creating distinct and unparalleled customer service, the firm may drive profitability up when the added price of the product outweighs the added expense to acquire the product or services but it is ineffective when its uniqueness is easily replicated by its competitors (Kotler & Armstrong, 2011).

4. Conclusion

The research findings revealed that customer service in the SACCOs is vital for keeping pace with the competitors. Firstly, the research finding highlighted that adoption of information and communication technology in Boresha SACCOs is low. Some of the machines are obsolete hence make the customers not to be served effectively and efficiently. Though employees report that they have been getting training on the same technologies on periodical basis, SACCOs have not invested in the use of social media and use of related information technology to communicate and serve better its customers.

The second obstacle is the series of trainings used to cause customer satisfaction. Boresha SACCOs do not train its employees specifically on customer service strategies. This means that customers will eventually seek services from other financial institutions like banks and micro-finance institutions that compete for the same customers. Finally, Boresha SACCOs are slow in giving feedback to its customers; customers are not responded to timely. In addition, they do not follow up the customers and at times few of its staff honor commitments made to customers. This has therefore led to customer not having trust in the firm and most of them opt to seek services from other financial institutions. It was also noted that Boresha SACCOs have few staff who normally handle customer queries. This discourages potential customers and reduces the firm's ability to expand and grow.

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