

Personalization Strategies and Customer Loyalty among Deposit-Taking SACCOs in Western Kenya

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ABSTRACT

Deposit-taking SACCOs in Western Kenya are experiencing intense competition and a declining customer base, underscoring the need for advanced personalization strategies in relationship marketing. This study aimed to evaluate the impact of personalization on customer loyalty among these SACCOs, focusing on Lifetime Value, User Satisfaction, and Conversion Rate Enhancement. Using a 5-point Likert Scale, the study assessed how SACCOs tailored services to individual needs, considering factors such as value achievement and ease of adopting new approaches. The research, grounded in Relationship Commitment, Social Exchange, and Commitment Trust theories, involved 23 SACCOs and 37,137 customers, with data collected from 396 respondents, including a pilot study. Descriptive and correlational research designs were used, and data was analyzed using SPSS with assessments of validity, reliability, and assumptions like normality and linearity. The study achieved an 87.63% response rate, revealing significant correlations ($p < 0.05$) among variables. The findings indicated that personalization significantly influenced customer loyalty, with personalized responses and individual engagement from frontline workers enhancing loyalty, regardless of institution size. This personalized approach made customers more receptive to changes and contributed to the SACCOs' sustainability. The study recommends that SACCOs improve customer loyalty through personalized interactions, focusing on customer lifetime value, user satisfaction, and conversion rates. It also suggests assigning frontline workers to individual members to build trust, investing in staff training for better interpersonal skills, and establishing a feedback system to continuously refine personalization strategies.

Keywords: Personalization, Customer Loyalty, Customer Lifetime Value, User Satisfaction, Conversion Rate

INTRODUCTION

Since the mid-20th century, deposit-taking SACCOs have focused on enhancing customer loyalty and fostering long-term relationships through relationship marketing (RM) (Jepkosgei, 2022). In Kenya, the

expansion of SACCOs has introduced challenges, including increased competition from commercial institutions and innovative alternatives like M-PESA, leading to potential business losses. Financial regulators observed inconsistent customer numbers and a decline in customer satisfaction from 57% in 2015 to 49% in 2021, signaling potential issues with loyalty among SACCOs (Jeruto *et al.*, 2020).

Personalization in financial services manifests in various ways, including personalized product recommendations, customized communication, and individualized financial advice (Jepkosgei, 2022). Research indicates that personalized interactions significantly enhance customer trust and satisfaction, which are critical drivers of customer loyalty (Mwirigi, 2018). Personalized service delivery has been shown to make interactions more relevant and meaningful, thereby increasing the likelihood of long-term customer retention (Mwirigi, 2018; Mohamed *et al.*, 2022).

The practice of personalization as a relationship marketing strategy, which focuses on building long-term connections with customers, has evolved globally since the early 20th century (Rosário & Casaca, 2023; Masika & Simiyu, 2019). In the financial sector, personalized marketing aims to boost customer loyalty, engagement, and establish enduring relationships (Afifi & Amini, 2019). Globally, RM strategies such as personalization are recognized as vital for enhancing customer relations (Chakiso, 2017). Changes in financial sector policies and standards, influenced by institutions like the IMF and World Bank, have heightened the need for strategic market positioning and effective marketing practices (Central Bank of Kenya, 2022; Omboi, 2022), including personalization strategies (Muturi *et al.*, 2017; Nguyen *et al.*, 2021; Mohamed, 2022).

In developed regions such as the U.S., Canada, the UK, and Australia, financial institutions have adopted advanced marketing strategies to retain customers (Masika & Simiyu, 2019). European financial institutions use RM factors like loyalty programs and customer lifetime value to drive decision-making (Guerola-Navarro *et al.*, 2022). In Asia, RM's impact on service quality and customer loyalty is underscored by the importance of trust and personalization (Nguyen *et al.*, 2021). In Africa, including Kenya, RM is crucial for achieving business success, with studies highlighting the need for SACCOs to meet customer expectations to enhance performance (Chakiso, 2017; Boateng, 2019; Taoana *et al.*, 2022). In Eastern Africa, there is a shift towards long-term relational strategies focusing on customer retention and satisfaction (Kiptoo & Wanjiru, 2023). Despite these efforts, Kenya faces challenges such as high customer turnover, with many leaving within their first year (Ngugi & Mutisya, 2023).

In the microfinance industry, especially within SACCOs, customer loyalty is essential for ensuring sustainability and growth. This loyalty is built on strong relationships characterized by trust, satisfaction, and perceived value (Nguyen *et al.*, 2021). SACCOs, being more community-focused than traditional banks, offer personalized financial services and emphasize social and communal involvement, thereby strengthening member bonds (Sebastian, 2022; Iesa *et al.*, 2022). Transparency and responsiveness further enhance long-term trust and loyalty (Nguyen *et al.*, 2021), making SACCOs key players in their members' financial journeys (Afifi & Amini, 2019). However, there is a notable gap in understanding RM dynamics within SACCOs, particularly concerning customer loyalty determinants.

The advent of digital platforms has transformed personalization marketing strategy by enabling personalized and targeted communication, thereby enhancing customer engagement and loyalty (Nguyen *et al.*, 2021). Digital tools such as social media, email marketing, and mobile apps facilitate real-time interaction with customers and allow for behavior analysis to refine marketing strategies (Gil-Gomez *et al.*, 2020). Automation and AI technologies have streamlined marketing efforts, though their impact on SACCOs remains underexplored.

In Kenya, the SACCO sector has rapidly expanded, with 19,600 cooperatives serving over 15 million members, making it a significant component of the financial industry (Central Bank of Kenya, 2023).

Deposit-Taking SACCOs (DTS) offer services similar to banks, including demand deposits and savings accounts (SASRA, 2017). Despite this growth, challenges such as high levels of non-performing loans (NPLs) threaten the stability of DTS SACCOs (SASRA, 2017). Effective relationship marketing can help address these issues by enhancing member engagement and reducing loan defaults. Western Kenya, with its 24 registered DTS SACCOs, faces challenges including competition and slow adoption of digital technologies (Jeruto *et al.*, 2020; Masika & Simiyu, 2019). Many SACCOs still use manual systems, which are inefficient and costly (Jepkosgei, 2022). The impact of digitization on these SACCOs, particularly in rural and peri-urban areas, requires further investigation. Understanding a factor such as personalization can provide valuable insights into enhancing customer loyalty and sustainability in SACCOs amid competition and technological advancements.

Existing research has primarily examined personalized marketing in commercial banking and SMEs, with limited focus on Deposit-Taking SACCOs, especially in rural and peri-urban areas like Western Kenya. Although studies explored personalized marketing attributes such as user satisfaction, customer retention, and customer recognition, the moderating role of digital platforms in this context remained underexplored.

The objective of this study was to evaluate the impact of personalization on customer loyalty among deposit-taking savings and credit societies in Western Kenya. Consequently, the study aimed to test the hypothesis that personalization does not have a significant effect on customer loyalty among deposit-taking savings and credit societies in Western Kenya.

LITERATURE REVIEW

Personalization stands as a cornerstone of relationship marketing, embodying the practice of adapting products and services, including interactions, to meet individualized customer needs and preferences (Kaur & Amanpreet, 2021). This entails customizing offerings based on various customer data points, such as past purchase behavior, demographics, and psychographics, to create unique and personalized experiences (Muturi *et al.*, 2017). The essence of personalization lies in fostering a strong bond between the customer and the organization, demonstrating attentiveness, understanding, and responsiveness to each customer's specific requirements.

The significance of personalization in relationship marketing is paramount, playing a pivotal role in cultivating customer loyalty and elevating overall satisfaction (Hennayake, 2017). Through personalized offerings and communications, organizations can boost customer engagement, satisfaction, and retention (Mbaabu, 2022). Furthermore, personalization serves as a means to differentiate from competitors and forge a deep emotional connection with customers, ultimately fostering brand loyalty and advocacy (Chandra *et al.*, 2019).

In assessing the efficacy of personalization in Relationship Marketing, previous studies have employed diverse measures. These encompass customer perceptions of the relevance and utility of personalized offerings and communications, along with behavioral metrics like repeat purchase behavior, cross-selling, and upselling (Lim & Zhang, 2022). Additionally, researchers have delved into the impact of personalization on customer satisfaction, loyalty, and advocacy through various methodologies including surveys, interviews, and experimental designs (Muturi *et al.*, 2017).

Emulating the propositions of Mbaabu (2022) and Hennayake (2017), this study considers that the utilization of sub-attributes such as Customer Lifetime Value, User Satisfaction, and Conversion Rate Enhancement under personalization provides crucial metrics for assessing the efficacy of personalized interactions. These metrics offer insights into long-term revenue potential, customer contentment, and the effectiveness of personalized strategies in driving desired customer actions. By incorporating these sub-attributes, the study aims to gauge the impact of personalized approaches on fostering customer loyalty

within relationship marketing.

In this study, the researcher adopted a multifaceted approach to measure personalization, in order to gauge their perceptions of the relevance, utility, and effectiveness of personalized offerings and communications from the SACCOS. Complementing this, qualitative approaches like in-depth key-informant interviews and focus-groups were conducted to delve into customer experiences and perceptions of personalization efforts by the SACCOS, providing nuanced insights into personalized interactions and their impact on customer loyalty. By employing this comprehensive array of measurement approaches, our study aimed to offer a holistic knowledge of the role of personalization in Relationship Marketing, together with its implications for customer loyalty within the context of deposit taking SACCOS in Western Kenya.

The increasing significance of personalization is directly linked to advancements in marketing efficiency within various service industries where personalized practices are prevalent (Boudet *et al.*, 2019). However, previous reviews have often been narrow in scope, focusing on specific aspects of personalization rather than examining the field comprehensively. For instance, some studies have concentrated on customers' concerns regarding privacy and trust in personalized efforts (Salonen *et al.*, 2016; Seele *et al.*, 2021), while others have emphasized the expanding scope of the personalization concept (Anshari *et al.*, 2019; Samara *et al.*, 2020), and explored its application in customer relationship management (Anshari *et al.*, 2019).

A study by Kruhovy (2023) in Lithuania delved into Customer Loyalty Strategy Development within the European Market's Small and Medium-Sized Fin-Tech Businesses. Their aim was to unravel the relationship between personalization strategies and customer loyalty in this burgeoning sector. Employing a multifaceted research design that integrated comparative, empirical qualitative correlational, and survey methods, the study scrutinized the intricate landscape of customer loyalty initiatives among fin-tech enterprises. The comprehensive approach ensured a holistic understanding of the strategic maneuvers undertaken by these businesses to foster loyalty among their customer base.

Data collection for the study was meticulous, involving the compilation of 50 responses and conducting interviews with marketing specialists from Bankera, a prominent player in the fin-tech industry. Additionally, an anonymous survey was disseminated across various fin-tech businesses to capture diverse perspectives. The findings of the study illuminated a clear correlation between personalized strategies and customer loyalty within the fin-tech domain. This revelation underscores the paramount importance of tailored approaches in nurturing enduring relationships with customers amid intensifying market competition (Kruhovy, 2023).

In light of the study's implications, it becomes imperative for fin-tech businesses to acknowledge the pivotal role of personalization in bolstering customer loyalty. By leveraging customer data and preferences to tailor products, services, and interactions, these enterprises can forge deeper connections with their clientele, thereby fostering loyalty and ensuring sustainable growth. The study accentuates the significance of personalized strategies as a cornerstone of success in the dynamic landscape of fin-tech, advocating for a customer-centric approach in shaping strategic endeavors. However, it's noteworthy that this study differs from the current research, which explores the nuances of Personalization within the context of Deposit-taking SACCOS in Western Kenya, thereby contributing uniquely to the understanding of customer loyalty dynamics across diverse markets.

Rane *et al.* (2023) conducted a study in Mumbai, India, examining Hyper-Personalization for Enhancing Customer Loyalty and Satisfaction in marketing systems. They investigated how predictive analytics and the recommendation engines enable real-time customization of interactions, delivering personalized contents, product recommendations, and channels of communication tailored to individual customer data. Their research emphasized essential tools such as Customer Data Platforms and advanced customer segmentation for targeted interactions. The study assessed the effectiveness of real-time personalization and omni-channel

strategies, revealing that organizations embracing hyper-personalization is capable of cultivating lasting customer relationships, eventually enhancing loyalty and satisfaction in the contemporary dynamic and competitive business environment (Rane *et al.* (2023)).

The findings underscored the transformative impact of hyper-personalization on marketing systems, highlighting its role in driving customer loyalty and satisfaction. By dynamically adjusting content and offers based on ongoing customer interactions, organizations can provide a seamless and relevant experience. Moreover, the integration of omnichannel strategies contributes to a cohesive and personalized customer journey, further enhancing the overall customer experience. Overall, the study emphasizes the importance of embracing hyper-personalization strategies to fulfil the evolving needs and opportunities for customers in today's digital age, finally leading to enhanced customer relationships and business success.

In a related study by Lindergreen and Antioco (as reviewed by Mohamed, 2022), it was found that while personalized attention positively influenced customer relationship management (CRM), personalized messages had a negative effect. This contradiction necessitated further clarification. The current study aims to bridge this gap by assessing the impact of value-based marketing on the satisfaction of account holders of financial institutions. Through this investigation, the study seeks to shed light on the nuanced relationship between personalization, CRM, and possible customer satisfaction within the banking sector.

This research is important since most scholars have opined that despite the attribute of personalization being an important element for consideration towards customer loyalty, it could be difficult to implement it effectively and businesses should be careful to strike a balance between personalization and privacy concerns. Key aspects of Personalization that the researcher identified as relationship marketing research gaps, and that this study sought to be bridged through scientific measurements, by correlating them loyalty, entailed sub-attributes such as (i) Customer lifetime value, (ii) User satisfaction and (iii) Conversion rate enhancement.

In study conducted by Jeruto *et al.* (2020) in Nairobi, Kenya, to investigate the Effect of Internet Banking on Corporate Performance of Deposit-Taking SACCOs in Nairobi County, Personalization was a key marketing attribute of focus. The study utilized descriptive research design, the target population comprised the 44 deposit-taking SACCOs licensed by SASRA, with IT managers as specific respondents. The study adopted a census approach, engaging all 44 deposit-taking SACCOs in Nairobi County, totaling 44 respondents. Data collection involved the utilization of structured, close ended questionnaires for primary data and secondary data obtained from SASRA reports on SACCO performance. Prior to data collection, a pilot study was conducted to safeguard the validity of instruments and reliability of the instruments.

Quantitative data analysis was conducted using Statistical Package for Social Sciences (SPSS, version 20), employing descriptive statistics, such as mean, percentage, and standard deviation, as well as inferential statistics, which entail correlation and multiple linear regression analysis. The findings of the study revealed a significant relationship between the personalization of marketing and customer trust, and their influence on internet banking on corporate performance (Jeruto *et al.*, 2020).

The current study on impact of personalization on customer loyalty among deposit-taking savings and credit societies in Western Kenya points to the limited exploration of personalization's role within SACCOs, given their cooperative nature, and the lack of comparative analyses between urban banks and rural SACCOs. Addressing these gaps could offer valuable insights into enhancing customer loyalty and organizational performance within the SACCO sector in Western Kenya.

MATERIALS AND METHODS

The study utilized both descriptive and correlational research designs to investigate the impact of

personalization strategies on customer loyalty among Deposit-Taking SACCOs in Western Kenya. The descriptive research component aimed to delineate the demographic and characteristic profiles of SACCO members, providing a comprehensive overview of the study population. The correlational aspect sought to examine the relationships between personalization strategies and customer loyalty, elucidating their potential effects.

The research was conducted across five counties in Western Kenya—Kakamega, Bungoma, Busia, Vihiga, and Trans Nzoia—regions known for their extensive network of licensed deposit-taking SACCOs. The target population comprised 37,137 members from 23 SACCOs operating in these counties. The combination of descriptive and correlational methods enabled an in-depth analysis of how personalization strategies influence customer loyalty. Descriptive research offered insights into the characteristics of the SACCO members, while correlational analysis explored the associations between personalization strategies and customer loyalty.

Data collection was carried out using structured questionnaires designed to capture information on demographic variables and personalization strategies. The questionnaires were segmented into distinct sections, each targeting specific dimensions of the study. The structured format facilitated the efficient collection of detailed and standardized data, essential for analyzing the complex relationships between personalization and customer loyalty.

To ensure the reliability and validity of the research instruments, a pilot study was conducted involving 38 participants. Construct, criterion, and content validity were assessed to confirm that the instruments accurately measured the intended variables. Reliability was evaluated using Cronbach's Alpha to ensure internal consistency across repeated measurements. These measures were crucial for validating the robustness of the research tools prior to full-scale data collection. Approval for the study was obtained from the School of Business and Economics at Masinde Muliro University of Science and Technology (MMUST) and a research permit was secured from the National Council of Science, Technology, and Innovation (NACOSTI). Data collection was executed by five trained research assistants, who administered the self-completed questionnaires to respondents in the 23 SACCOs using systematic sampling. This approach involved selecting every 5th customer to ensure a representative sample.

The study engaged 347 respondents, with data collected through a 5-point Likert Scale questionnaire. The data were analyzed using SPSS software version 27. Descriptive statistics, including percentages, means, and standard deviations, were used to summarize the data, while inferential statistics, such as Pearson's Correlation and Simple Linear Regression, were employed to examine the relationships between personalization strategies and customer loyalty. Diagnostic tests for normality, linearity, multicollinearity, and homoscedasticity were conducted to verify the assumptions underlying the regression analysis.

To investigate the impact of Personalization on customer loyalty, the study used Simple Linear Regression model to assess the effects of the independent variable on customer loyalty. The regression model was:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon \dots\dots\dots (3.1)$$

Where Y represents customer loyalty, β_0 is the intercept, β_1 is the coefficients for the independent variable (personalization (X_1)).

In this study, **personalization** served as the independent variable, evaluated through indicators such as Lifetime Value, User Satisfaction, and Conversion Rate Enhancement, each measured using a 5-point Likert Scale. Personalization focused on how SACCOs tailored their services to individual needs, including value achievement, user satisfaction, and the ease with which new approaches were adopted. The **dependent variable** was **customer loyalty**, assessed through Behavioral Loyalty, Emotional Loyalty, and Advocacy &

Engagement, also measured with a 5-point Likert Scale. This dimension of loyalty includes repeat patronage, emotional connections to the brand, and active involvement in brand promotion. The study aimed to determine how personalization impacts these elements of customer loyalty.

FINDINGS AND DISCUSSIONS

Pilot Study Results

A pilot study was conducted with 38 respondents from Vision Afrika SACCO, demonstrated high reliability for all questionnaire variables, with Cronbach’s alpha values ranging from 0.812 to 0.960, indicating that the items were reliable and well-suited for the study. A test for validity proved significantly positive as per analysis in Table 4.1

Table 4.1: Principal Component Analysis for construct validity of research data

| Component | Communalities | | Initial Eigenvalues | | | Component Matrix ^a | |
|-----------------|---------------|-------------|---------------------|---------------|---------------|-------------------------------|------|
| | Initial | Extra-ction | Total | % of Variance | Cumu-lative % | 1 | 2 |
| Personalization | 1.000 | .777 | 3.102 | 51.699 | 51.699 | .686 | .554 |

Extraction Method: Principal Component Analysis.; Source: Pilot Study Data (2024)

The principal component analysis (PCA) results reveal that “Personalization” primarily loads onto the first principal component, which explains 51.7% of the variance. This indicates that “Personalization” is significantly influenced by this component, highlighting its central role in the data structure. The secondary component also contributes, with a loading of .554, but to a lesser extent. The communalities and eigenvalues suggest that the first component is most crucial in capturing the variance associated with “Personalization,” providing valuable insights into its significance within the context of the study. Assumption tests were performed on the data prior to regression analysis, and results revealed that the data met normality, linearity, homoscedasticity, and multicollinearity limits.

Response Rate

The study collected and analyzed data from 396 distributed questionnaires, achieving an 87.63% response rate with 347 usable responses. The excluded 49 questionnaires were discarded due to errors in completion. The demographic analysis showed a near-equal gender distribution (52.4% male and 47.6% female) and similar perceptions across genders regarding Personalization and Customer Loyalty.

Descriptive Statistics

Respondents had been asked to rate the extent to which their SACCOS focused on Personalization using a five-point rating scale. This included sub-variables such as Customer Lifetime Value, User Satisfaction, and Conversion Rate (Table 4.2).

Table 4.2: Responses on Personalization

| Variable | Description | F | SD | D | N | A | SA | Mean | SDV |
|-------------------------|-----------------------------------------------------------------|---|-----|-----|------|-------------|--------------|---------------|-----|
| Customer Lifetime Value | The customer achieves value for the period of membership | 8 | 34 | 83 | 160 | 62 | 3.674 | 0.956 | |
| | | % | 2.3 | 9.8 | 23.9 | 46.1 | 17.9 | | |
| | Responses to concerns are addressed in person and not generally | 9 | 29 | 66 | 151 | 92 | 3.830 | 0.9985 | |
| | | % | 2.6 | 8.4 | 19 | 43.5 | 26.5 | | |
| | | | | | | AVG: | 3.752 | 0.9772 | |

| Variable | Description | | SD | D | N | A | SA | Mean | SDV |
|-----------------------------|---------------------------------------------------------------------|---|-----|-----|------|------|-------------|--------------|---------------|
| User Satisfaction | Member is happy with personalized engagement | F | 7 | 27 | 48 | 183 | 82 | 3.881 | 0.9252 |
| | | % | 2 | 7.8 | 13.8 | 52.7 | 23.6 | | |
| | Frontline workers are assigned to individual members | F | 8 | 18 | 59 | 170 | 92 | 3.922 | 0.9201 |
| | | % | 2.3 | 5.2 | 17 | 49 | 26.5 | | |
| | | | | | | | AVG: | 3.902 | 0.9226 |
| Conversion Rate Enhancement | Customer easily takes up new approaches of involvement by the SACCO | F | 7 | 15 | 54 | 180 | 91 | 3.959 | 0.8792 |
| | | % | 2 | 4.3 | 15.6 | 51.9 | 26.2 | | |

Source: Study Data (2024)

The results reveal that **Personalization** in deposit-taking SACCOs is rated moderately high for Customer Lifetime Value ($M = 3.752$, $SD = 0.9772$), indicating a fairly accurate measurement with some variability. Most members (64.0%) felt they received value from their membership, and a notable 70.0% appreciated in-person attention to their concerns. **User Satisfaction** received a higher rating ($M = 3.9020$, $SD = 0.9226$), showing less variability, with 76.3% satisfied with personal engagement and 75.5% noting individualized attention from frontline workers. The highest rating was for **Conversion Rate Enhancement** ($M = 3.959$, $SE = 0.0472$, $SD = 0.8792$), reflecting precise measurement and lower variability, with 78.1% finding new engagement approaches easy to adopt. Approximately 17.86% of respondents were neutral regarding the effectiveness of Personalization indicators, mostly those with less than 5 years of membership. These findings challenge the view of other authors that personalized attention is not crucial for loyalty, instead supporting Chandra *et al.*'s (2019) assertion that ineffective communication and understanding of customer needs negatively affect client relationships.

Correlation Analysis

Results were obtained from Pearson's Correlation and Simple Linear Regression analyses. Table 4.3 presents the correlation analysis between the four constructs of Personalization and customer Loyalty.

Table 4.3: Correlation Analysis Between Personalization and Customer Loyalty

| Variables | | Personalization | Customer Loyalty |
|------------------|---------------------|-----------------|------------------|
| Personalization | Pearson Correlation | 1 | |
| | Sig. (2-tailed) | | |
| | N | 347 | |
| Customer Loyalty | Pearson Correlation | .629** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 347 | 347 |

** . Correlation is significant at the 0.01 level (2-tailed).; *Source: Study Data (2024)*

The correlation analysis reveals a significant and positive association between Personalization and Customer Loyalty. The Pearson correlation coefficient of $r=0.629$ indicates a moderate to strong positive relationship, suggesting that as the level of personalization in services increases, customer loyalty also tends to increase. This relationship is statistically significant with a p-value of 0.000, meaning that the likelihood of this

correlation occurring by chance is extremely low. The data were drawn from a sample of 347 respondents, reinforcing the reliability of the finding. In summary, the results support the idea that enhancing personalization in customer interactions is likely to improve customer loyalty. These findings support the assertion by Guerola-Navarro *et al.*, (2022) that effective personalization involved a range of integrated strategies and technologies.

Simple Linear Regression Analysis and test of hypothesis

To evaluate the impact of Personalization on Customer Loyalty within Deposit-Taking Savings and Credit Societies in Western Kenya, a simple linear regression analysis was conducted, with Personalization as the independent variable and Customer Loyalty as the dependent variable (see Table 4.4)

Table 4.4: Simple Linear Regression Model Summary^b for IV (Personalization)

| R | R Square | Adjusted R ² | Std. Error of the Estimate |
|-------------------|----------|-------------------------|----------------------------|
| .629 ^a | .395 | .394 | .61519 |

a. Predictors: (Constant), Personalization; Source: Study Data (2024)

From Table 4.4, approximately 40% of the variability in Customer Loyalty can be explained by variations in Personalization, suggesting that personalized experiences significantly influence customer loyalty levels. The adjusted R Square value underscores the reliability of the model, considering the predictors included. Additionally, the small standard error of the estimate indicates the model's accuracy in predicting Customer Loyalty based on Personalization levels. These findings emphasize the critical role of Personalization strategies in fostering stronger customer relationships and loyalty, offering valuable insights for dealings seeking to improve customer satisfaction and retention.

The ANOVA results reveal a highly significant relationship between Personalization and Customer Loyalty (Table 4.5).

Table 4.5: ANOVA Results for Independent Variable (Personalization)

| | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|----------------|------------|-------------|---------|-------------------|
| Regression | 85.365 | 1 | 85.365 | 225.556 | .000 ^b |
| Residual | 130.570 | 345 | .378 | | |
| Total | 215.935 | 346 | | | |

a. Dependent Variable: Customer Loyalty

b. Predictors: (Constant), Personalization; Source: Study Data (2024)

From the regression model in table 4.5, incorporating Personalization as a predictor, significantly explains the variance in Customer Loyalty levels, as indicated by the substantial F statistic ($F = 225.556$, $p < 0.001$). This suggests that Personalization plays a crucial role in predicting and influencing Customer Loyalty. The large sum of squares for regression compared to residual error further supports the model's effectiveness.

These findings highlight the significance of Personalization in shaping customer relationships and loyalty, providing strong statistical evidence for its importance in customer satisfaction and retention strategies.

The table 4.6 illustrate the Regression Coefficients for Independent Variable (Personalization) in reference

of Dependent variable (Customer Loyalty):

Table 4.6: Regression Coefficients for Independent Variable ((Personalization))

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-----------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| (Constant) | 1.367 | .169 | | 8.091 | .000 |
| Personalization | .645 | .043 | .629 | 15.019 | .000 |

a. Dependent Variable: Customer Loyalty; Source: Study Data (2024)

Based on table 4.6, equation (3.1: $Y = \beta_0 + \beta_1 X_1 + \epsilon$), therefore becomes:

$$Y = 1.367 + 0.645 X_1 + \epsilon, \text{ in which Personalization } (X_1) \text{ is tested.}$$

The intercept of 1.367 denotes the predicted Customer Loyalty value in the absence of Personalization, while the coefficient 0.645 suggests that for every one-unit increase in Personalization, there is an expected increase of 0.645 units in Customer Loyalty, assuming other variables remain constant.

This relationship is further supported by the standardized coefficient (Beta) of 0.629, signifying the strength and positive direction of Trust's influence on Customer Loyalty. The highly significant t-value of 15.019 ($p < 0.001$) further confirms the robustness of this relationship. These results emphasize the critical role of Personalization in fostering Customer Loyalty, offering practical guidance for SACCOS aiming to strengthen customer loyalty initiatives.

Result of Hypothesis Test

The objective of this study was to test the hypothesis that *personalization has no significant effect on customer loyalty among Deposit-Taking Savings and Credit Societies (SACCOs) in Western Kenya*. The results, however, revealed a significant effect of personalization on customer loyalty ($p < 0.05$). Consequently, the null hypothesis was rejected at the 95% significance level. This finding indicates that personalization strategies, such as improving members' Lifetime Value, User Satisfaction, and Conversion Rate Enhancement, have a meaningful impact on customer loyalty.

The results demonstrate that personalization significantly influences customer loyalty among SACCOs in Western Kenya. The significance of the results at the $p < 0.05$ level underscores the importance of personalization in strengthening customer relationships within this context. The observed impact suggests that personalization strategies not only improve but also significantly enhance customer loyalty by addressing individual member needs. These findings align with previous research emphasizing the positive relationship between personalization and customer loyalty (Kruhovyi, 2023; Rane *et al.*, 2023). The study contributes to a better understanding of how personalized approaches can effectively foster customer loyalty. It highlights the necessity for SACCOs to implement robust personalization strategies to build and maintain strong, loyal customer relationships in a competitive financial environment.

The objective of this study was to assess the effect of Personalization on customer Loyalty, among Deposit-Taking Savings and Credit Societies in Western Kenya. Consequently the study sought to test the hypothesis that Personalization has no significant effect on customer loyalty among Deposit-Taking Savings and Credit Societies in Western Kenya.

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.

Summary of findings

The study examined the impact of personalization on customer loyalty among deposit-taking SACCOs in Western Kenya, with 347 respondents completing a 5-point Likert Scale questionnaire. The results indicated that personalization was rated moderately high for Customer Lifetime Value (Mean = 3.7522, S.D. = 0.9772) and User Satisfaction (Mean = 3.9020, S.D. = 0.9226), and highest for Conversion Rate Enhancement (Mean = 3.9597, S.D. = 0.8792). Correlation analysis revealed a significant positive relationship between personalization and customer loyalty, with a Pearson correlation coefficient of $r=0.629$ and a p-value of 0.000. This statistically significant result led to the rejection of the null hypothesis at the 95% significance level, underscoring the substantial effect of personalization strategies on customer loyalty. These findings align with previous research and emphasize the importance for SACCOs to adopt effective personalization strategies to strengthen and sustain customer loyalty in a competitive financial environment.

Conclusions

The study highlights the critical role of personalization in fostering customer loyalty among Deposit-Taking Savings and Credit Societies (SACCOs) in Western Kenya including related peri-urban regions in the developing nations. The findings indicate that a personalized approach significantly enhances customer loyalty, suggesting that SACCOs that customize their services to meet the specific needs and preferences of their members see greater loyalty from their customers. This personalization involves tailoring interactions and addressing individual concerns, which makes customers feel valued and understood. The research also emphasizes the importance of direct engagement by frontline workers, noting that personal, face-to-face interactions between SACCO staff and members contribute to deeper trust and loyalty. This effect is consistent across SACCOs of different sizes, demonstrating that personalized service is beneficial regardless of the institution's scale. In fostering a supportive and responsive environment, SACCOs can make their members more open to institutional changes and proposals, which in turn enhances overall customer loyalty and supports the long-term sustainability of the SACCOs. The study suggests that the alignment of personalized service with customer needs not only strengthens the relationship between SACCOs and their members but also contributes to the financial health and stability of these organizations.

Recommendations

Based on the study's findings, several strategic recommendations are proposed for Deposit-Taking Savings and Credit Societies to enhance customer loyalty through personalization. First, SACCOs should prioritize adopting personalized approaches in their customer interactions. This means developing and implementing strategies that focus on increasing customer lifetime value, improving user satisfaction, and enhancing conversion rates. A critical recommendation is to assign specific frontline workers to individual members, thereby creating a personal connection that fosters trust and a sense of belonging. Additionally, SACCOs should invest in training programs designed to enhance staff interpersonal skills. This training should focus on equipping employees with the ability to effectively communicate, understand customer needs, and provide tailored services. Furthermore, establishing a systematic approach for collecting and utilizing customer feedback is essential. Through regularly gathering and analyzing feedback, SACCOs can continually refine their personalization strategies to better meet the evolving needs and preferences of their members. Implementing these recommendations will not only help SACCOs strengthen customer loyalty but also improve their overall operational effectiveness and competitive standing in the market.

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