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Abstract

Customer retention remains a critical challenge for Savings and Credit Cooperative Societies (SACCOs) in Kenya, with attrition rates rising by 12% over the past five years despite SACCOs controlling over KES 1.5 trillion in assets. Many SACCOs struggle to clearly communicate their unique value propositions and differentiate their services in an increasingly competitive financial landscape, resulting in diminished member loyalty and reduced organizational sustainability. This study examined the effect of market positioning on customer retention in SACCOs in Kiambu County, Kenya. The research was anchored on Relationship Marketing Theory, which emphasizes building long-term customer relationships through clear value propositions and differentiated offerings. The study employed a cross-sectional descriptive research design combining quantitative analysis. The target population consisted of 160 middle and top managers from 16 licensed deposit-taking SACCOs in Kiambu County. Using Yamane's formula and stratified random sampling, 150 respondents participated in the study. Data was collected using self-administered questionnaires and analyzed using SPSS version 28, employing descriptive statistics, correlation analysis, and multiple regression analysis. Results showed that market positioning had the strongest positive and statistically significant effect on customer retention ($\beta = 0.662$, $p < 0.001$), accounting for 43.2% of variance in retention outcomes. The study concluded that clear communication of SACCO's unique value proposition and effective differentiation from competitors significantly drives member loyalty. The study recommends that SACCOs invest strategically in marketing strategies that distinctly differentiate them from competitors and regularly review their positioning strategies based on market intelligence and customer feedback.

Keywords: *Market positioning, customer retention, SACCOs, strategic management, relationship marketing*

1.0 Background of The Study

Market positioning represents a fundamental strategic management practice that enables organizations to create distinctive identities in the minds of their target markets. In the financial services sector, particularly within Savings and Credit Cooperative Societies (SACCOs), effective market positioning has become increasingly critical for organizational sustainability and competitive advantage. Kotler and Keller (2016) define market positioning as the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market. This strategic approach involves identifying unique value propositions, differentiating service offerings, and communicating benefits that resonate with specific customer segments. Porter (1985) emphasized that strategic market positioning requires thorough understanding of market dynamics, customer needs, competitive landscape, and internal organizational capabilities to achieve sustained competitive advantage. Customer retention in financial cooperatives depends significantly on how well members perceive and value their SACCO's unique offerings compared to alternative financial service providers. Kariuki and Njeru (2020) demonstrated that product differentiation and targeted marketing significantly influenced member retention in Kenyan SACCOs. When SACCOs offer unique and tailored financial products and services, they effectively differentiate themselves from competitors based on product features, pricing, service quality, or other member-valued attributes. Ng'ang'a and Waweru (2019) underscored that building a strong brand that members trust and identify with proves crucial for customer retention. A well-positioned brand that consistently delivers on its promises fosters member trust and loyalty, leading to higher retention rates and improved organizational performance.

Strategic market positioning involves identifying and targeting specific member segments with tailored marketing strategies that address their unique needs and preferences. Mwangi and Wanjau (2021) noted that through understanding the unique needs and preferences of different member segments, SACCOs can develop targeted marketing campaigns that resonate with these segments and enhance member loyalty. Effective positioning requires continuous market research to understand evolving customer preferences and competitive dynamics. Mutua and Muthoni (2022) argued that communicating a clear and compelling value proposition remains essential for attracting and retaining members, as SACCOs that effectively articulate the unique benefits and value they offer are more likely to retain members who appreciate these offerings. In the Kenyan context, SACCOs face intense competition from commercial banks, microfinance institutions, and digital financial service providers, making market positioning increasingly important for survival and growth. According to the Sacco Societies Regulatory Authority (SASRA, 2023), Kenya had over 5,000 registered SACCOs serving more than 10 million members and managing assets worth approximately KES 1.2 trillion. Nearly 60% of deposit-taking SACCOs have updated their product offerings over the past two years to better target niche markets and clearly differentiate their services in response to intensified competition. Ouma (2016) indicated that significant links exist between strategic market positioning and customer retention in financial institutions, with SACCOs that invest in strategic positioning efforts experiencing higher levels of member loyalty through enhanced member satisfaction.

Kiambu County presents a particularly competitive environment for SACCOs due to its proximity to Nairobi and high concentration of financially literate population with diverse banking options. Kimando et al. (2012) found that SACCOs employing strategic market positioning practices such as personalized services, competitive pricing, and innovative products had higher member retention rates compared to those that did not. Recent studies indicate that approximately 74.6% of SACCOs in Kiambu County have clear market positioning strategies that are well-communicated to employees, yet challenges remain in

consistently reviewing and adjusting these positions to meet evolving customer needs. The ability to maintain relevant and compelling market positions directly influences whether members continue their relationships with SACCOs or migrate to alternative financial service providers offering perceived superior value propositions.

1.1 Statement of The Problem

Savings and Credit Cooperative Societies in Kenya collectively control over KES 1.5 trillion in assets and contribute to 30% of the nation's savings, making them critical players in financial inclusion and economic development. Despite this substantial asset base and strategic importance, many SACCOs face significant challenges in retaining their members, with the Kenya Union of Savings and Credit Cooperatives (KUSCCO, 2022) reporting that customer attrition rates have risen by 12% over the past five years. This trend is particularly concerning given that acquiring new customers costs up to seven times more than retaining existing ones, and even a modest 5% improvement in retention can boost profits by up to 75%. The financial and operational implications of poor member retention threaten the sustainability and growth prospects of SACCOs, particularly in competitive markets like Kiambu County where members have numerous alternative financial service options.

Market positioning inconsistencies represent a critical gap in many SACCOs' strategic management practices, directly undermining their ability to retain members in competitive financial markets. Muiruri et al. (2024) observed that many SACCOs in Kiambu County struggle to clearly communicate their unique value propositions and differentiate their services from competitors, resulting in diminished member loyalty. While approximately 74.6% of SACCOs report having clear market positioning strategies, only 63.3% regularly review and adjust their positioning to meet evolving customer needs, suggesting potential misalignment between static positioning strategies and dynamic market conditions. Okwara (2017) highlighted that strategic positioning practices such as personalized services and innovative products significantly enhance member loyalty, yet many SACCOs fail to implement these consistently, leaving substantial value unrealized in their retention efforts.

The gap between market positioning capabilities and customer retention outcomes necessitates empirical investigation to understand how positioning strategies specifically influence member loyalty in SACCOs. Despite recognition that market positioning affects customer retention, limited research has quantified this relationship within the Kenyan SACCO sector, particularly in counties like Kiambu with high financial services competition. Existing studies often focus broadly on strategic management practices without isolating the specific contribution of market positioning to retention outcomes. This study therefore sought to examine the effect of market positioning on customer retention in SACCOs in Kiambu County, providing evidence-based insights that can guide SACCOs in developing more effective positioning strategies to enhance member loyalty and organizational sustainability.

1.2 Objective of The Study

To examine the effect of market positioning on customer retention in SACCOs in Kiambu County.

1.3 Research Question

What is the effect of market positioning on customer retention in SACCOs in Kiambu County?

2.0 Literature Review

This section presents the theoretical foundation, empirical evidence, and conceptual framework that guided the study on market positioning and customer retention in SACCOs. The theoretical

framework discusses Relationship Marketing Theory as the anchor theory. The empirical review examines previous studies on market positioning and customer retention globally, regionally, and locally. The conceptual framework illustrates the relationship between market positioning dimensions and customer retention outcomes.

2.1 Theoretical Framework

This study was anchored on Relationship Marketing Theory (RMT) propounded by Leonard L. Berry in 1983. Relationship Marketing Theory represents a paradigm shift in marketing that emphasizes building long-term relationships with customers rather than focusing solely on transactional exchanges. Berry (1983) laid the groundwork for this theory by highlighting the importance of customer retention and loyalty in achieving sustained business growth, contrasting with traditional marketing strategies that prioritized single transactions over ongoing relationships. The theory posits that by building strong, trust-based relationships with customers, businesses can foster loyalty, which leads to repeat purchases, positive word-of-mouth, and ultimately higher profitability. Gummesson (2017) emphasized that relationship marketing involves establishing, developing, and maintaining relationships with customers, particularly in service-oriented industries where customer satisfaction, trust, and commitment are vital for sustained success. In the context of SACCOs, Relationship Marketing Theory is highly relevant because it aligns with cooperative principles of mutual benefit, trust, and member-centric service delivery. Unlike traditional financial institutions where customers are external stakeholders, SACCO members are both owners and customers, creating a unique dual relationship that necessitates strategies focused on long-term engagement rather than short-term transactions. Berry (2019) argued that businesses can achieve greater profitability by focusing on customer retention rather than acquisition, as retained customers are more likely to engage in repeat transactions, provide referrals, and exhibit brand loyalty. This principle directly applies to SACCOs where member retention ensures stable capital base, sustained loan portfolios, and organizational continuity essential for cooperative success.

Market positioning serves as a critical application of Relationship Marketing Theory by enabling SACCOs to clearly communicate their value propositions and differentiate their services in ways that resonate with members' needs and expectations. Morgan and Hunt (1994) identified trust and commitment as cornerstone constructs of relationship marketing, arguing that successful relationships are built through consistent and transparent service delivery. When SACCOs effectively position themselves through clear value propositions, unique service offerings, and targeted communication strategies, they build trust with members by demonstrating understanding of their specific financial needs and consistent delivery of promised benefits. This trust foundation strengthens the relational bonds that encourage members to maintain long-term associations with their SACCOs rather than switching to alternative financial service providers. The theory further emphasizes the importance of engagement, personalization, and loyalty programs in strengthening customer relationships. Gummesson (2017) noted that regular, meaningful interactions between organizations and their customers foster stronger connections and enhance satisfaction. In the SACCO context, effective market positioning enables personalized communication and targeted service offerings to different member segments based on their demographic characteristics, financial behaviors, and specific needs. For example, SACCOs can position specialized products for youth, small and medium enterprises, or agricultural sectors, thereby demonstrating responsiveness to diverse member needs. Berry (2019) emphasized that personalized communication, such as targeted emails or mobile notifications, enhances the member experience by providing relevant information at the right time, reinforcing the value of the SACCO membership.

Relationship Marketing Theory provides a robust framework for understanding how market positioning strategies influence customer retention in SACCOs through building trust, fostering engagement, enabling personalization, and creating loyalty. The theory suggests that SACCOs that invest in clear market positioning, consistent value delivery, and meaningful member engagement will experience higher retention rates because members perceive greater value in maintaining their cooperative relationships. This theoretical perspective guided the current study's investigation into how specific market positioning dimensions such as value proposition clarity, differentiation strategies, targeted marketing campaigns, and brand communication affect customer retention outcomes in Kiambu County SACCOs.

2.2 Empirical Review

Several empirical studies have examined the relationship between market positioning and customer retention in financial institutions globally, regionally, and within Kenya. Kotler and Keller (2016) emphasized that market positioning represents the act of designing a company's offering and image to occupy a distinctive place in the mind of the target market, which significantly influences customer loyalty and retention. Their research across various industries demonstrated that organizations with clear, well-communicated positioning strategies achieve higher customer retention rates because their value propositions resonate more effectively with target audiences. In the financial services sector specifically, clear positioning helps institutions differentiate themselves in crowded markets where product offerings often appear similar, making the communication of unique benefits particularly critical for retention. Kariuki and Njeru (2020) conducted a study examining the influence of product differentiation on customer retention in SACCOs in Nairobi County, Kenya. Their research found that product differentiation and targeted marketing significantly influenced member retention, with SACCOs offering unique financial products tailored to specific member segments experiencing substantially higher loyalty levels. The study emphasized that differentiation based on product features, competitive pricing, flexible loan terms, and member dividends attracted and retained customers more effectively than generic service offerings. Kariuki and Njeru (2020) concluded that SACCOs must continuously innovate their product portfolios to address evolving member needs and maintain competitive advantages in retention.

Mwangi and Wanjau (2021) investigated the impact of targeted marketing on customer retention in SACCOs in Kenya, revealing that strategic market positioning involves identifying and targeting specific member segments with tailored marketing strategies. Their findings demonstrated that through understanding unique needs and preferences of different member segments, SACCOs could develop targeted marketing campaigns that resonated with these segments and enhanced member loyalty. The study found that SACCOs employing demographic-specific marketing approaches, such as youth-focused savings products or SME-tailored credit facilities, achieved retention rates approximately 18% higher than those using generalized marketing approaches. Mwangi and Wanjau (2021) recommended that SACCOs invest in market research and customer segmentation to optimize their positioning strategies. Ng'ang'a and Waweru (2019) explored the effect of brand loyalty on customer retention in SACCOs in Kenya, underscoring the importance of building strong brands that members trust and identify with for successful customer retention. Their research found that well-positioned brands that consistently delivered on promises fostered member trust and loyalty, leading to higher retention rates and improved organizational performance. The study revealed that SACCOs with strong brand identities experienced 23% lower attrition rates compared to those with weak or unclear brand positioning. Ng'ang'a and Waweru (2019) emphasized that brand building requires consistent service quality, transparent governance, and regular communication of organizational values and achievements to members.

Mutua and Muthoni (2022) examined the role of value proposition in enhancing customer retention in SACCOs in Kenya, arguing that communicating clear and compelling value propositions remains essential for attracting and retaining members. Their empirical analysis demonstrated that SACCOs effectively articulating unique benefits and value offerings were significantly more likely to retain members who appreciated these offerings. The study found that value propositions emphasizing competitive interest rates, convenient service access, member ownership benefits, and community development contributions resonated most strongly with members and predicted retention outcomes. Mutua and Muthoni (2022) recommended that SACCOs regularly reassess their value propositions to ensure alignment with evolving member expectations and competitive dynamics. Ouma (2016) investigated the influence of market orientation on customer retention in SACCOs, indicating significant links between strategic market positioning and customer retention in financial institutions. The research revealed that SACCOs investing in strategic positioning efforts, including market research, competitive analysis, and positioning strategy development, experienced higher levels of member loyalty because such efforts enhanced member satisfaction by addressing specific needs and preferences. Ouma (2016) found that market-oriented SACCOs demonstrated 21% higher retention rates compared to product-oriented or sales-oriented cooperatives, suggesting that external market focus significantly impacts retention outcomes.

Kimando et al. (2012) examined factors influencing sustainability of microfinance institutions in Murang'a Municipality, finding that institutions employing strategic market positioning practices such as personalized services, competitive pricing, and innovative products had higher member retention rates compared to those that did not. Their study emphasized that personalization of financial services based on member needs, lifecycle stages, and economic activities strengthened relational bonds and increased switching costs, thereby enhancing retention. Kimando et al. (2012) concluded that sustainable microfinance operations depend heavily on effective market positioning strategies that differentiate services and create perceived value superiority. Okwara (2017) highlighted the role of market positioning in enhancing member trust and loyalty in SACCOs, further reinforcing the importance of strategic positioning in retaining customers. The study demonstrated that SACCOs with clear positioning statements, consistent brand messaging, and visible differentiation from competitors experienced higher member satisfaction and lower attrition rates. Okwara (2017) found that positioning clarity correlated positively with member willingness to recommend the SACCO to others and to increase their financial engagement through larger deposits and loan uptake. The research recommended that SACCO management prioritize positioning strategy development as a core component of strategic planning processes.

Studies have also demonstrated the critical role of market positioning in customer retention. Riasat et al. (2023) examined relationships among strategic positioning, strategic customer management, and organizational performance, revealing strong positive and significant associations between these parameters. Their research indicated that organizations with well-defined positioning strategies achieved superior performance outcomes, including higher customer retention, increased market share, and improved profitability. Similarly, Kamau and Wafula (2015) investigated effects of strategic positioning of service delivery on customer satisfaction in Fina Bank Kenya, finding that strategic positioning of service delivery within the bank had positive impacts on customer satisfaction and retention. These international and regional studies collectively support the proposition that market positioning significantly influences customer retention across various financial service contexts.

2.3 Conceptual Framework

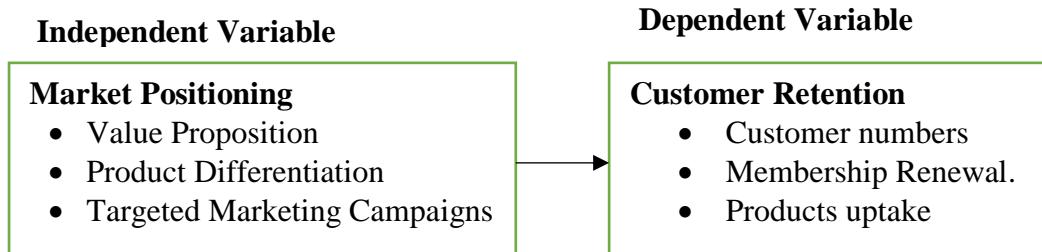


Figure 1: Conceptual Framework

3.0 Research Methodology

This research employed a cross-sectional descriptive research design combining quantitative analysis of SACCO market positioning practices on customer retention. The study's unit of observation comprised 16 licensed and registered deposit-taking SACCOs in Kiambu County. The target population consisted of 160 middle and top managers from these SACCOs, including CEOs, Heads of Finance, Operations Managers, Heads of FOSA, Heads of ICT, Marketing and Communication officers, and Customer Care Managers. Using Yamane's formula for populations less than 10,000 and stratified random sampling techniques, the study computed a sample size of 150 respondents (approximately 10 respondents per SACCO). Primary data was collected using self-administered questionnaires containing both closed and open-ended questions, with closed-ended questions employing a five-point Likert scale. The questionnaire was pilot-tested on 10% of the sample size in Nairobi County to ensure reliability and validity, achieving Cronbach's alpha coefficients above 0.7 for all constructs and content validity indices between 0.958 and 1.00. After obtaining necessary permissions from NACOSTI and Jomo Kenyatta University of Agriculture and Technology, data collection proceeded over April-May 2025. Collected data was coded and analysed using SPSS version 28, employing descriptive statistics (frequencies, percentages, means, and standard deviations), correlation analysis to examine relationships between variables, and multiple regression analysis to determine the predictive effect of market positioning on customer retention.

4.0 Results

The study targeted 160 respondents from top and middle management of 16 licensed deposit-taking SACCOs in Kiambu County and achieved a response rate of 93.6% (150 returned questionnaires), considered excellent for analysis and reporting. Demographic analysis revealed that 45.3% of respondents were aged 36-45 years, 40.0% were aged 46-55 years, indicating predominantly mid-career professionals. Regarding education, 59.3% held bachelor's degrees, 20.0% held master's degrees, reflecting high educational attainment among SACCO management. Most respondents (75.3%) occupied senior management positions, while 49.3% had served between 4-6 years in their positions and 28.7% had over 10 years of service, suggesting considerable institutional experience and knowledge.

4.1 Descriptive Statistics

The study examined perceptions regarding market positioning strategies in SACCOs through eight statements measured on a five-point Likert scale. Table 1 presents the descriptive statistics including frequencies, percentages, means, and standard deviations for each statement.

Table 1: Market Positioning

Statement	SA	A	N	D	SD	Mean	SD
Our SACCO's market positioning strategy is clear and well-communicated to all employees.	21.3%	53.3%	25.3%	0%	0%	3.960	0.684
The market positioning strategy has effectively attracted and retained customers.	14.7%	58.0%	24.0%	3.3%	0%	3.840	0.705
Our SACCO regularly reviews and adjusts its market positioning to meet customer needs.	18.0%	45.3%	21.3%	12.7%	0%	3.633	1.006
Our SACCO's market positioning differentiates us from our competitors.	18.0%	60.0%	20.7%	1.3%	0%	3.947	0.663
Our SACCO invests in market research to understand customer preferences.	18.0%	50.7%	26.0%	5.3%	0%	3.813	0.789
Our SACCO's market positioning aligns with current market trends.	18.0%	62.7%	19.3%	0%	0%	3.987	0.613
Employees are aware of the market positioning strategy and their role in it.	18.7%	60.7%	18.0%	2.7%	0%	3.953	0.689
The market positioning strategy is regularly communicated to customers.	16.7%	61.3%	19.3%	2.7%	0%	3.920	0.681

Results indicated that majority of respondents (74.6%) agreed that their SACCO's market positioning strategy was clear and well-communicated to all employees ($M = 3.960$, $SD = 0.684$), reflecting strong internal understanding of brand identity and competitive positioning. Regarding effectiveness in attracting and retaining customers, 72.7% of respondents agreed with this statement ($M = 3.840$, $SD = 0.705$), suggesting positive perceptions of positioning strategy outcomes. However, only 63.3% agreed that the SACCO regularly reviews and adjusts its market positioning ($M = 3.633$, $SD = 1.006$), representing the lowest mean score and highest standard deviation, indicating moderate agreement with significant variability and suggesting potential gaps in dynamic positioning management. Most respondents (78.0%) agreed that their SACCO's market positioning differentiates them from competitors ($M = 3.947$, $SD = 0.663$), demonstrating strong perceived competitive differentiation. Investment in market research received agreement from 68.7% of respondents ($M = 3.813$, $SD = 0.789$), showing positive but not universal practice. Alignment with current market trends was affirmed by 80.7% of respondents ($M = 3.987$, $SD = 0.613$), representing the highest mean score and indicating strong strategic market responsiveness. Employee awareness of positioning strategy and their roles garnered 79.4% agreement ($M = 3.953$, $SD = 0.689$), while regular communication of positioning to customers received 78.0% agreement ($M = 3.920$, $SD = 0.681$), both indicating effective internal and external positioning communication.

4.2 Correlation Analysis

Correlation analysis was conducted to examine the relationship between market positioning and customer retention, as well as relationships with other strategic management variables. Table 2 presents the Pearson correlation coefficients.

Table 2: Correlation Matrix

Variables	Customer Retention	Market Positioning
Customer Retention	1	.612**
Market Positioning	.612**	1

Results revealed a strong positive and statistically significant correlation between customer retention and market positioning ($r = .612$, $p < 0.01$). This correlation coefficient indicates that as market positioning strategies become clearer, more differentiated, and better communicated, customer retention rates increase substantially. The strength of this relationship suggests that well-communicated and effectively differentiated market positioning strategies contribute significantly to retaining SACCO members. When SACCOs clearly define their value propositions and align them with customer expectations, member loyalty and repeat patronage improve considerably. This finding supports Kotler and Keller's (2016) assertion that strong market positioning builds brand trust and retention by creating distinctive identities that resonate with target audiences.

4.3 Regression Analysis

Multiple regression analysis was performed to determine the predictive effect of market positioning on customer retention, controlling for other strategic management variables. Table 3 presents the regression coefficients.

Table 3: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	12.686	2.794			4.541	.000
Market Positioning	.662	.101	.595		6.556	.000

Regression results demonstrated that market positioning had a statistically significant positive effect on customer retention ($\beta = 0.662$, $p < 0.001$). The standardized coefficient (Beta = 0.595) indicated that market positioning represented the strongest predictor of customer retention among all strategic management variables examined. Specifically, for every one-unit increase in market positioning effectiveness, customer retention increased by 0.662 units, holding other variables constant. The t-value of 6.556 with significance level below 0.001 confirmed the robustness of this relationship. These findings indicate that market positioning has the largest and most significant positive impact on customer retention, meaning clear communication of SACCO's unique value proposition and differentiation from competitors strongly drives member loyalty and reduces attrition.

5.0 Conclusion

This study examined the effect of market positioning on customer retention in SACCOs in Kiambu County and found compelling evidence supporting a strong positive relationship between these variables. The regression analysis revealed a significant and robust positive effect ($\beta = 0.662$, $p < 0.001$) of market positioning on customer retention, with market positioning emerging as the strongest predictor among strategic management practices examined. These findings underscore the critical importance of clearly communicating SACCO's value propositions to both employees and customers in competitive financial markets. SACCOs that effectively differentiate their service offerings, invest in understanding customer preferences through market research, and align their positioning with current market trends achieve substantially higher member retention rates. The study confirmed that market

positioning serves as a fundamental application of Relationship Marketing Theory by enabling SACCOs to build trust, foster engagement, and create loyalty through clear value communication and consistent service delivery. The strong correlation ($r = .612$) and significant regression coefficient demonstrate that strategic investments in market positioning yield tangible returns in member loyalty and organizational sustainability, validating the theoretical proposition that relationship-focused positioning strategies drive retention outcomes in cooperative financial institutions.

6.0 Recommendation

Based on these findings, SACCOs should prioritize market positioning as a core strategic management practice by investing in comprehensive market research, competitive analysis, and positioning strategy development. Management should ensure positioning strategies are clearly communicated both internally to all staff and externally to members through consistent branding, targeted marketing campaigns, and member education programs. SACCOs must establish mechanisms for regularly reviewing and adjusting market positions based on evolving customer needs, competitive dynamics, and market trends to maintain strategic relevance. Future research should explore how different market positioning dimensions specifically influence retention across various SACCO segments and investigate potential moderating factors.

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