

Strategic Positioning and Profitability of Savings and Credit Co-operative Societies in Western Kenya

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Abstract

At microeconomic level, performance is the direct result of managing various economic resources and of their efficient use within operational, investment and financing activities. To optimize economic results, a special attention should be given to the proper grounding of managerial decisions. These should be based on complex information regarding the evolution of all types of activities within the company. Several SACCOs today are facing a myriad of challenges that have threatened their future survivals. Recently, SACCOs have been engaged in many scandals since the beginning of the new millennium. This study therefore, purposed to investigate the effects of strategic positioning on profitability of selected Savings and Credit Co-operative societies in Western Kenya. The study was guided by the following objectives: to examine the effects of branding strategy on profitability of SACCOs; establish the effects of pricing strategy on profitability of SACCOs; determine the effects of customer service on profitability of SACCOs and to determine the effects of technological capabilities on profitability of SACCOs. The study was anchored on the conceptual framework. The study employed descriptive survey and correlational research designs. The target population of the research consisted of 6,575 members from the 200 selected SACCOs in Western Region. The sample size of 109 employees from 200 selected SACCOs was obtained using coefficient of variation. The board members, staff from SACCOs and officials from the Ministry of Co-Operatives were also targeted. Stratified sampling, sample random and purposive sampling techniques were used to select the respondents. The primary data was collected by use of the questionnaire. Descriptive statistics and inferential statistics were used to analyze the collected data. Then data analyzed was presented in frequency tables. Branding strategy had a stronger effect on the profitability of profitability of SACCOs than any other construct of strategic positioning; pricing strategy had a statistically significant positive effect on profitability of SACCOs ($\beta = 0.671$ and $p > 0.05$); customer service had a statistically significant positive effect on profitability of SACCOs ($\beta = 0.609$, $p > 0.05$). This construct was the third last in ranking on its effect on the profitability of SACCOs and technological capabilities had a statistically significant positive effect on profitability of SACCOs ($\beta = 0.577$, $p > 0.05$). This construct had a much lower effect on the profitability of SACCOs. It was concluded that branding strategy, pricing strategy, customer service and technological capabilities all had positive and significant associations on the profitability of SACCOs at varying degrees. It was therefore recommended that SACCOs should actively engage in use of various forms of branding strategy to attract and retain customers, they should implement a cost-leadership strategy by reducing its economic costs below its competitors, the SACCOs need to provide excellent real-time customer service by developing a relationship with each value involved customer through the effective use of individual account information as this was not adequately exploited in most SACCOs and lastly, SACCOs need to invest more in technological capabilities invest to ensure all the SACCOs' operations are digitized to enhance efficiency and effectiveness. The findings of the study will be important to the SACCO movement and its stakeholders especially in enhancing profitability of the SACCOs. The information from the study will also be significant to researchers as it will form a basis for further study on how strategic positioning affects the profitability of the SACCOs in Kenya and globally.