EFFECTS OF DIFFERENTIATION STRATEGY ON SALES PERFORMANCE IN SUPERMARKETS IN NAKURU TOWN CENTRAL BUSINESS DISTRICT

JANE K. KAMAU

GMB/NE/0588/05/11

A RESEARCH PROJECT SUBMITTED TO THE BUSINESS SCHOOL IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF A MASTER OF BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT OPTION) DEGREE, KABARAK UNIVERSITY

SEPTEMBER, 2013

DECLARATION & RECOMMENDATION

DECLARATION

I do hereby declare that this research study is my original work and to the best of my knowledge has not been presented in any learning institution for academic purposes or any other reason.

Researcher: Kamau Jane K.　　_____　　_____

[GMB/NE/0588/05/11]　　　　　　**Signature**　　　　　　**Date**

RECOMMENDATION

This research work has been presented with our approval as University supervisors

Supervisors

Prof. Mulengani A.　　_____　　_____

　　　　　　　　　　　　　　Signature　　　　　　**Date**

Dr. Muhanji S.　　_____　　_____

　　　　　　　　　　　　　Signature　　　　　　**Date**

DEDICATION

To the Almighty God, who has seen me through the challenges and milestones of my academic and professional life from a humble beginning to the completion of this Research Project.

To my two precious daughters Nikita and Titania for their deprived love and attention at a tender age, understanding and desire to see me complete this Research Project successfully for their own future benefit.

ACKNOWLEDGEMENT

This is to acknowledge and convey my special gratitude and utmost respect to my Project supervisors Prof. Allan Mulengani and Dr. Stellah Muhanji for their professional guidance in the whole process of writing this Project.

My sincere appreciation also goes to my dear Dad and the entire family for their constant support, patience, encouragement and inspiration to soldier on into the completion of this study.

My acknowledgement also goes to my employer, Pyrethrum Board of Kenya for giving me an opportunity to improve my skills, conduct and complete this Research Project.

May God shower you all with His Love and Blessings abundantly.

ABSTRACT

Many business firms in Kenya strive for differentiation as a strategy aimed at maximizing sales performance as a result of increased cut-throat business competition in the market. Supermarkets in Nakuru town, have formulated differentiation strategies in a quest to promote sales performance through maintaining and attracting new customers. The purpose of this study was to establish the effects of differentiation strategy on sales performance of supermarkets within Nakuru CBD. The study was carried out amongst the Branch managers, Technical officers (stock controller), and Product line staff of 11 supermarkets. This study employed non experimental research survey design and used purposive sampling and simple random sample to get the sample size of the respondents. Data was collected using questionnaire and interview schedules. It was analyzed using descriptive and inferential statistics. The outcome of the study shows that product differentiation and physical differentiation plays a major role in activating annual sales performance at the supermarkets unlike service differentiation which showed a weak relationship. The study recommends supermarkets should scale up on the attributes of product and physical differentiation strategies if they are to compete in the growing market.

Key words: Strategy; Differentiation strategy; Product differentiation; Physical differentiation; Service differentiation; Sales Performance, Supermarkets.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

ACRONYMS

AD(s)	Advertisement(s)
ATM	Automated Teller Machine
CBD	Central Business District
GDP	Gross Domestic Product
HR	Human Resource
IEA	Institute of Economic Affairs
MCN	Municipal Council of Nakuru
PCs	Personal Computers
R&D	Research and Development
UK	United Kingdom
USA	United States of America

DEFINITION OF TERMS

Strategy	A method or a plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem.
Differentiation	It is the art of marketing a particular product or service in a way that makes it stand out against other products or services.
Differentiation strategy	A business strategy intended to increase the perceived value of a firm's products/services compared to competitor's products/services and create a customer preference for the firm's products/services or make it appear distinct.
Product differentiation	A marketing process that showcases the differences between products to make them more attractive by contrasting their unique qualities with other competing products and as a result create a competitive advantage for the seller, as customers view these products as unique or superior.
Physical differentiation	A differentiation strategy which covers location, space, design and display/layout and stores atmosphere.
Service differentiation	A differentiation strategy which involves after sales services, retailer own brands, service quality, incentive programs and operating hours.
Sales Performance	A comparative volume of sales on annual basis
Supermarkets	A large store (a self-service retail market) that sells a variety of food, cosmetics and household items among others to customers.

CHAPTER ONE
INTRODUCTION

1.1   Background of the Study

Differentiation in business refers to the art of marketing a particular product or service in a way that makes it stand out against other products or services. This involves differentiating it from competitors' products as well as a firm's own product/service offerings. The concept was proposed by Edward Chamberlin in his 1933 Theory of Monopolistic Competition. Walters and Knee (1989), and Johnson and Scholes (2002) conducted a research and found out that distinctive marketing competencies are skills which businesses can develop to form the basis for competitive advantages over their competitors. This therefore means that differentiation strategy has the potential of creating competitive advantages to a firm which leads to improved sales performance.

Pearce and Robinson (2005) aver that differentiation strategies are based on providing buyers with something that is different or unique, that makes the company's strategic positioning, product or service distinct from that of its rivals. Superior value is created because the product is of higher quality, is technically superior in some way, comes with superior service, or has a special appeal in some perceived way. In effect, differentiation builds competitive advantage by making customers more loyal - and less price-sensitive-to a given firm's product/service. Additionally, consumers are less likely to search for other alternative products once they are satisfied. Hernant, Mikael and Thomas (2007).

Some of the differentiation strategies adopted by organizations to foster sales performance evolve around interplay of various elements of the retail mix. These include: offering quality products, wide selection, assortment, strategic positioning, after-sales-service, quality service, convenient location, parking space, attractive design and layout, conducive atmosphere, sales incentives, convenient operating hours, own branding/value addition and a one-stop-shop. Carpenter and Moore (2006). Economically valuable bases of product differentiation can enable a firm to increase its revenues, neutralize threats and exploit opportunities.

Marketers are constantly searching for differentiation. Unless a company has a genuine scientific or technological advantage, preferably one that can be protected by patent, competitors can more often than not match any incremental change in an ever-shortening time-scale. Cost reduction in an operation, may be by use of new tools and techniques in operational management, relocating production to areas of lower labour cost. A combination of both likewise creates advantage that can be sustained only over a relatively short time. Gerry, Kevan, and Richard (2008) assert that this is true of manufacturing and service industries alike while the generic of differentiation strategy involves creating a market position that is perceived as being unique industry-wide and that is sustainable over the long run. Such differentiation can be based on design or brand image distribution. In particular, differentiator firms create customer value by offering high-quality products supported by good service at premium prices. Walker and Ruekerts (1987).

According to Acquaah and Yasai-Ardekani (2006), differentiation firms are able to achieve competitive advantage over their rivals because of the perceived uniqueness of their products and services. Porter (1980) stated that, competitive strategies deal with the development of attributes that characterize a company and differentiate the value it creates and offers in comparison to its competitors. In addition, the core idea is about how the firm can compete well in the market place. Pearce & Robinson (1994).

Firms in most developing economies implementing the differentiation strategy do not focus on a single dimension but emphasize several dimensions such as image, customer loyalty, quality, innovation and level of service. Kim, Nam and Stimpert (2004). The competitive advantage may be achieved when a firm either pursues a strategy of low costs or may be gained by a strategy of differentiating products and/or services so that customers perceive unique benefits that justify a premium price. Bates, Bates and Johnston (2003). A firm following a pure low-cost strategy will therefore attract customers by offering lower prices. The firm which seeks to be unique follows a strategy of differentiation and obtains a premium price. The firm that achieves such a difference will be an above average performer if its price premium exceeds the extra costs in being unique. Sharp and Dawes (2001).

Sigler (2010) argues that persistently high unemployment levels and a very difficult environment for job seekers reduce retail spending. Thus competition among retailers is fierce making it essential for a retailer to develop a competitive advantage to have a chance for success. The American superstores are battling each other on every major corner, with internet marketers stealing customers from all stores. Some of the differentiation strategies adopted by firms include: product differentiation, which covers quality, selection, assortment, positioning and variety; physical differentiation which covers location, space, design and display/layout and stores atmosphere; and service differentiation which involves after sales services, retailer own brands, service quality, incentive programmes and operating hours. Use of these strategies is geared at promotion of sales and associated gains through sustainable competitive advantage. Porter (1990).

A new development in Nakuru and the vicinity around the CBD is that a number of new supermarkets have come up in the residential areas/estates. Such supermarkets include Rivanas, Naivas, Quick Mart, Vision Mart among others. Some of the supermarkets in town have even opened branches in the estates/residential areas as a strategy to be the preferred choice for customers and increase sales performance. This has shaken the operation base and market for those supermarkets situated within the CBD. This trend has made the Nakuru CBD supermarkets to adopt appropriate differentiation strategies for boosting sales performance and ensuring survival amidst ever increasing competition.

1.2   Problem Statement

In the period between the year 2009 and 2012, there has been a rapid increase of retail supermarket chains in Kenya which are quickly transforming into a one-stop-shop for consumers. Propelled by the strong forces of globalization and urbanization, the amplification of these supermarkets in Kenya has been inevitable. They have branded and positioned themselves by capitalizing on the superior value of the unique physical features, products and services and thus enjoy more profits differentiating them from rivals to improve sales performance. Nakuru CBD is composed of various retail supermarkets which offer similar products and services to customers with comparable prices. There are 11 supermarkets within the CBD, all striving to maximize their sales performance through adoption of differentiation strategies taking the form of either product, physical or service differentiation strategies. However, it is not clear whether

the adopted differentiation strategies have any effect on the sales performance in terms of annual sales revenue. No research has been carried out to determine the effect of these strategies on sales performance, and thus a gap of knowledge. All the supermarkets in Nakuru CBD, with the exception of Uchumi Supermarket are privately owned and thus do not publish their annual financial reports, hence knowledge of how they perform is not open to the public eye. Considering the fact that most of the supermarkets in Nakuru, are family owned, there is the likelihood of adoption of various differentiation strategies which empirically have distinct capacities and weights. This study was keen in finding out how the various forms of differentiation affect sales performance in supermarkets.

1.3   General Objective

The general objective of the study was to analyze the effects of differentiation strategy on sales performance in the retail supermarkets in Nakuru CBD.

1.3.1   Specific Objectives

i)   To find out how product differentiation strategy adopted by retail supermarkets affect sales performance

ii)   To establish how physical differentiation strategy adopted by retail supermarkets affect sales performance

iii)   To examine how service differentiation strategy adopted by retail supermarkets affect sales performance

1.4   Research Hypothesis

H_{O1} There is no significant relationship between product differentiation strategy adopted by retail supermarkets and sales performance

H_{O2} There is no significant relationship between physical differentiation strategy adopted by retail supermarkets and sales performance

H_{O3} There is no significant relationship between service differentiation strategy adopted by retail supermarkets and sales performance

1.5   Significance of the Study

The finding of this study benefits the supermarkets' management, product manufacturers/suppliers, entrepreneurs and other businessmen in gaining new knowledge of

developing effective and efficient differentiation strategies aimed at improving sales performance. The study findings also provide the owners of the supermarkets with an opportunity to further understand available differentiation strategies that can be employed to boost sales performance. The findings can also be used as reference materials to guide future studies.

1.6   Scope of the Study

The study was carried out within Nakuru town CBD amongst the Branch managers, Technical officers (stock controller), and Product line staff of the 11 supermarkets. The target persons were used since they are in a strategic position to provide information. The study was confined to examining the effects of differentiation on sales performance in retail supermarkets in Nakuru Town Central Business District. Sales performance was based on the last three years because it indicates the beginning period of the rapid increase of these supermarkets.

1.7   Limitation and Delimitation of the Study

The study and its outcome were limited by the respondents' unwillingness to provide information sought owing to their sensitivity because the data collected touched on information that is supposed to be treated with utmost confidentiality. To overcome this possible fear the researcher assured the respondents of confidentiality of the information collected and also informed them of the purpose of the research, which was purely academic.

CHAPTER TWO
LITERATURE REVIEW

2.1   Introduction
This chapter reviews theoretical literature as well as reviews of past research studies and publications conducted in this area of study. It also examines the product, physical and service differentiation strategies employed by supermarkets. The chapter further reviews what other scholars have hypothesized on this subject and strategies that have been used to scale up sales performance.

2.2   An overview of the differentiation strategy
Pearce *et al.,* (2005) state that differentiation in business refers to the art of marketing a particular product or service in a way that makes it stand out against other products or services. At the core, all differentiation strategies attempt to make a product appear distinct. It is the strategy that firms use to provide superior value within the industry to customers. Porter (1980) argues that the perceived superior value as compared to industry competitors is the key for the firm to differentiate itself against competitors. The basic reason is that, through differentiation, firms charge premium prices on the superior value of the product/service and thus enjoy more profits than competitors in the industry. Usually, firms provide the superior value to customers through many ways such as unique product features, higher quality and/or all-round complementary services, in every aspect of the way that the firm relates to its customers. Grant (2010).

Carpenter *et al.* (2006) concludes that consumers consider cleanliness, price competitiveness, products assortment, courtesy of personnel to be most important when making format choices in the context of the United States of America (USA) grocery market. Retail attributes linked to the concept of mall attractiveness were classified into five categories, that is, location, quality and variety, popularity, facilities, and sales incentives. According to the literature, consumers' decisions as to where to shop may be dependent on the importance ratings they place on different retail attributes. Therefore, the study suggests that the importance of retail attributes will have impact on consumers' patronage behavior. Basing on this argument, in the case of supermarkets,

consumers' perceptions about the importance of retail attributes will influence their shopping frequency at various retail locations.

Grant (2010) also argues that what really matters is an understanding of customers on what and how they behave, because most customers choose a product/service that reflects their social goals and values to realize community with others or one's own identity. These social and psychological factors may not be captured by the statistical techniques. On the other side, the firm's ability to offer differentiation is also important to achieve differentiation advantage. Many well-differentiated firms usually spend more from product research and development (R&D), technology, hiring skilled people, marketing, distribution, and customer services. He concludes on several principal stages that use the value chain to identify opportunities for differentiation advantages for firm. The first stage is that the firm should construct a value chain for the firm as well as customers. Then along the value chain, the firm can identify the drivers of uniqueness in each activity in order to assess the firm's potential for differentiating its products/services. Among the drives of uniqueness identified, firms should select the most promising differentiation variables for the firm.

Empirical review shows that retail supermarkets operate in an environment that is best described as local monopoly markets. Besanko, Gupta and Jain (1998). There is some evidence that consumers base their store-selection decisions on attributes unrelated to market prices such as location, cleanliness, service, or variety and retailers may use these various forms of non-price competition to differentiate themselves into local monopoly markets. It is also the case that shoppers generally find it easier to compare prices across brands within a store than to compare prices of common brands across retail stores, and this also tends to promote localized brand competition. Walters and McKenzie (1998)

Harris and Ogbonna (2001) assert that the major retailers try to differentiate themselves from competitors on customer services. There are four types of competitive strategies: product (variety in brands and sizes), amount of promotion (e.g. advertising and in-store promotions), promotion effectiveness and customer service. Supermarkets like any other firms operate in a competitive environment and thus strive to provide the superior value to customers through

many ways such as unique product features, higher quality, or all-round complementary services.

2.3 Product differentiation strategy

Product differentiation is found throughout the economy. Within most supermarkets, one may find a wide range of differentiated products. Dozens of different products have many small and sometimes large differences. Product differentiation is often employed in many business firms where buyers often appreciate the ability to select from a wide variety of product offerings in order to be better able to select that particular product that best suits their preferences. Ellis and Kelley (1992). A motivation of producers in producing a wide variety of slightly different products is to make it difficult to price compare. Product differentiation is almost inevitable in most industries and business firms.

2.3.1 Product Superiority

Grant (2010) argues that, to achieve differentiation advantages successfully product superiority must be taken into consideration where firms should match customers' demand for differentiation with the firm's capacity to supply differentiation. Therefore, a successful differentiation depends on both the demand side and supply side of a product. As the demand side is concerned, the key is to fully understand customers in terms of their requirement and preference of product features that make it superior or unique, and their willingness to pay for superior value.

2.3.2 Product (variety in brands/sizes)

According to Verlag (2009), Product variety is defined as the number of different versions of a product offered by a firm at a single point in time. Variety within a product line arises by varying the values of attributes from one product to another. The presence of variety increases two basic categories of costs within supply chains: production costs and market mediation costs. Customers will want to purchase from a supermarket that offers them a variety of products for instance, variety of cooking oils brands. Yasunaga and Schwartz (2000) affirm that given the possibility of a negative impact in product variety on sales, it is important that supermarkets use product variety strategy with care, and this is the more reason why this study needs to be carried out. It is assumed that absence of such opportunity will make them go and shop elsewhere. King (2005) asserts that product variety affects consumer purchase behavior and consumer welfare. High product variety allows for the satisfaction of the needs and desires of heterogeneously

distributed consumers. In addition, product variety allows consumers to enjoy a diversity of options through "variety seeking" behavior, which satisfies intellectual curiosity.

2.3.3   Product Quality

Product quality is rapidly becoming an important competitive issue. Improved quality leads to higher profitability. The superior reliability of many Japanese products has sparked considerable soul-searching among American managers. In addition, several surveys have voiced consumers' dissatisfaction with the existing levels of quality and service of the products customers buy. According to Abernathy and Kantrow (1983) a research study on the business units of major American companies showed that managers ranked "producing to high quality standards" as their chief current concern.

Quality is in the sense of satisfying individual customers' needs, which has become a major differentiating factor among products. It becomes more acceptable that customers are willing to pay more for products that cater to their individual sizes, tastes, styles, needs, or expressions. Product quality has several basic elements of product quality which include; performance, features, reliability, conformance, durability, serviceability, aesthetics, perceived quality.

Successful ventures offer consistent quality, so an important consideration for any venture is how quality is going to be perceived and measured. In some cases quality may be related to value-added strategies. In other cases, quality may be related to the fact that the product being offered is of a higher physical quality than the competitor's product, or from providing excellent customer service.

2.4   Physical Differentiation Strategy

The physical differentiation strategy is more emphasized on the location of a business which should be in a visible, convenient, and accessible place.

2.4.1   Location/Parking

The physical location of the business should have a parking space for customers to park their vehicles or have restricted taxis to operate from which non-mobile customers can get transport services to their respective destinations. A business location should be chosen with care, preferably in an area near customer traffic. Being tied to an existing location will directly influence other decisions, such as marketing, product distribution and even product selection.

The physical location of a firm can also be a source of product differentiation. If a firm is located close to customers, or in a location that is easy for customers to get to, it may have a product differentiation advantage compared to the other firms.

A convenient parking space is also an element of physical differentiation strategies. Most customers would prefer a place that they can park their vehicles and walk in the supermarkets or business premises with easy. Barone and DeCarlo (2003) stated that location is as amongst the most important or the important criteria for selecting a supermarket. Because all other things at a retail premise can be changed viz. merchandise, prices, people, infrastructure, but one can never decide to go for another location as the cost involved is too huge or virtually nil for big supermarkets.

According to Eckman and Yan (2009), choosing a location is a strategic decision which is difficult to return. Enterprises has to be sensitive while choosing location, especially features like population, economic and competition difficulties must be considered Stores are always profitable when on the main roads or the roads adjoining the main roads. This ensures that not only does it attract its core customer but also attracts fleeting population. The moment they see the store, consumers think that they have to do shopping and replenish their kitchen. Eckman *et al.,* (2009) also found out that another advantage of keeping the store in the main road is that it can be easily found or its signage can be seen easily from a far distance.

2.4.2   Store Design/Display and Atmosphere

The supermarket's design and display/layout also play a major role in attracting more and more customers. These naturally contribute to and promote impulse stop-over resulting in more walk-ins. Customers prefer a store that has wider walking space between the shelves and the stairs going up and down because of the heavy flow of customers walking in and out and especially during the holiday seasons. Conducive atmosphere in these stores should also be a priority for customers to entice them to make more frequent visits. They would normally be lured to stay in longer and do more and more shopping if the environment is filled with some visual and audio entertainment.

2.5 Service Differentiation Strategy

Research identifies many characteristics that are associated with service quality. Business researchers King (2005) and Schneider and Bowen (1995) assert that "service organizations must meet three key customer needs to deliver service excellence:" security, esteem, and justice. Research identifies an array of service quality factors that are important for customers, including: timeliness and convenience, personal attention, reliability and dependability, employee competence and professionalism, empathy, responsiveness, assurance, availability, and tangibles such as physical facilities and equipment and the appearance of the personnel.

Fornell (1992) finds that, as a general psychological phenomenon, satisfaction is primarily a function of a customer's experience with a product or service. Assurance of bank service', 'quality of service', 'reliability of service', 'physical environments' and 'internationalization' have been cited by various researchers as influencing elements to customer satisfaction. A customer's perception about these elements of customer service will bring about an expectation in his mind. Performance above this expectation is customer satisfaction. A study conducted by Zeithaml, (2000) identified several aspects of the relationship between perceived service quality and profitability. In addition, Bates *et al*., (2003) discuss about customers' expectations, perceptions, satisfaction and loyalty through the service quality of a local Malaysian bank. The study confirmed the linkages between service quality and customer satisfaction, and between service quality and loyalty.

Proximity to a comprehensive branch and Automated Teller Machine (ATM) network' and 'friendly courteous branch staff and short queues' are among the most important factors which determine a good quality customer service in Spain. Firms in the Netherlands recognize that their delivery on reacting quickly and effectively to both customer requests and complaints is below customer expectations. King (2005).

2.5.1 Sales Incentive Programs

Service differentiation also have customer incentive programs which supermarkets offer to attract new and repeat customers through efforts such as giveaways, coupons, sales, promotions, and/or volume discounts. It also conveys product quality to its customers though issuance of warranties and guarantees for products purchased. Business firms among them the supermarkets

consider the factors which ensure that front and managerial staff offer excellent services and provide a positive customer experience though maintaining a motivated staff. These staffs are provided with policies, processes, and standards to be employed for smooth operations, create value, and offer a positive customer experience.

2.5.2 Advertising and Promotions

One of the benefits of running sales promotions is that you can often get help from your suppliers. If you have good relationships with your suppliers, they might pay for some additional advertising to drive traffic to your store. They might set up a special display or give you special pricing on merchandise in order to help increase sales. Your suppliers want you to succeed so that they can keep selling you goods. Arthur, Thompson and Jain (2006).

According to Singh, Vishal and Dube (2002), the relationship between advertising and sales performance is sometimes subtle. Many consumers decide to purchase goods for nuanced reasons such as familiarity with a brand. Brand advertisements don't tout a particular product. Instead, they provide information about the business that offers the product and help clarify its brand identity. Researchers measure the effectiveness of brand advertising by asking consumers to thumb through a magazine that contains a print ad or view or listen to television or radio content that contains the advertisement. Cullen and Parboteeah (2005). Researchers then ask consumers questions about ads they remember seeing or hearing. If a consumer mentions the sponsor's ad, researchers ask follow-up questions to find out how the consumer perceived the ad and to determine her knowledge and perception of the sponsor.

2.6 Differentiation as a Business Strategy

Differentiation strategy is a strategy to create or offer unique and different products and/or services. It applies when a business firm outperforms its rivals in the provision of the unique features such that it faces reduced sensitivity for other features in terms of reduced directness of competition. According to Doyle and Stephen (1999), they allege that differentiation is viewed with price premium but also with a risk on perception of added value sufficient to bear price premium. Differentiation is a business strategy where firms attempt to gain competitive

advantage by increasing the perceived value of their products and/or services relative to the perceived value of other firm's products or services

Porter (1990) argues that as a result of globalization, the best indicator of a company's future success is the ability to be different from its peers. This therefore implies that large retail supermarkets must adopt differential strategies as their competitive advantage to offer a one-stop-shop with greater value for money on quality products and/or services, a wider choice, after sales service, efficient customer care services, engage dedicated and motivated staff, among others so as to ensure they attract and retain their customers and in the event, gain profitably in performance as well as increase its market share, expansion and growth. All these may allow the retail supermarkets to comfortably charge a premium price for its products and/or services that may not be easily felt by the customers.

Thompson and Martin,(2005) aver that successful differentiation has three aspects: it commands a premium price for its product, increase sales because of additional buyers are won over by the differentiating features and gain buyer loyalty to its brand. An organization or a business firm is differentiated if consumers perceive it to have features, which make it distinct from its competitors and ideally unique in some particular way that is difficult to emulate. Hence competitors can only distinguish their business firms through enhancing their brand name, products and/or service in some way, perhaps by changing their product displays, re-organizing their product arrangement on the shelves, introduce audio and/or visual entertainment among others to give their retail supermarkets a greater appeal to customers. Pfeiffer (2012). Differentiation recognizes that customers are numerous and widely scattered and with varied needs and adequate spending power, for them all to prefer the same product or service.

A successful differentiation strategy will move a business firm from competition based primarily on price to competition based on non-price factors, or promotional variables Awino, Wamalwa and Imaita, (2008). If customers value what the business firm offer in terms of products and/or services, they will be less sensitive to aspects of competing offers by other business rivals; thus price may not be an aspect of debate. The differentiation strategy appeals to sophisticated or knowledgeable customers interested in the uniqueness of the business firm based on quality products and/or service offered and will be willing to pay a higher price for these non-

standardized products. Customers value the differentiated products and/or services more than they value low costs Awino *et al.,* (2008).

According to Gerry *et al.* (2008), the essence of a broad differentiation strategy is to be unique in ways that are valuable to a wide range of customers. The differentiation strategies are attractive whenever buyers' needs and preferences are too diverse to be fully satisfied by a standardized product or by sellers with identical capabilities. According to Arthur *et al.,* (2006), for a company to succeed through differentiation, it must study buyers' needs and behavior and learn what they consider important, what they think has value and what they are willing to pay for. It is important for a company to incorporate buyer-desired attributes into its product or service offering that will clearly set it apart from rivals.

2.7 Differentiation and Sales Performance

Sales performance refers to the volume of sales achieved within a specified period compared to predetermined sales levels or benchmarks. By definition, retail supermarkets mainly provide shopping opportunities for consumers. Sigler (2010) claim that in manufacturing labour, machines, raw material and semi-manufactures are inputs for a certain method of production, and as such determinants of the volume that is and can be produced. In retailing, the inputs that determine output in terms of sales volume are the consumers that choose to patronize the supermarkets. Their attribute among which staff, products and fixed assets are merely indirect causes of output, as they bring about the overall offer of the supermarket that is evaluated by the consumer. Gomez, Miguel and Wittink (2004) in their findings affirm that customers' perception of attributes is related to customer satisfaction, and customer satisfaction is related to sales performance. Levy and Weitz (2007) support that different combinations of price and quality also provide the same value to consumers.

However, price is an important factor for consumers' perceived value of a supermarket but it is not the one and only factor. Rather, it is the combination of high/low prices vs. high/low non-price factors that determines consumers' perception of value. Further, many retailers do not use price as a basis for achieving a sustainable competitive advantage because it is too easy for competitors to copy a low-price strategy. In other words, the very origin of a supermarket's

economic performance is its ability to bring about an offer in terms of products and/or services including location, induces exchanges with consumers and provides revenues through their payments. The economic results will depend on to what extent the amount gained from these payments, i.e. the sales volume, exceeds the costs for bringing about the offer.

According to a research done by Hernant (2009) on profitability performance of supermarkets, retail managers are constantly faced with the challenge of making decisions and taking actions, in order to satisfy consumers' needs and wants and respond to the actions of competitors. Retail store management is characterized by a life of highly complex operations, comprising tasks that are long-term as well as short-term which involve strategic features e.g. the selection of the store location, tactical issues on price, merchandise and service attributes as well as operational issues on scheduling staff members, organizing daily routines, monitoring and evaluating current performance. Hernant (2009) findings from previous studies shows higher attractiveness of stores positively related with performance. Store attractiveness have been measured in several ways, encompassing proxy measures such as floor area, service attributes such as credit card services, price level and open hours while others have applied stores' image to depict attractiveness. He discusses that more attractive stores perform better in terms of sales and market share, compared to less attractive ones.

Kumar and Karande (2000) affirm that sales performance of grocery stores was positively related to favorable environmental conditions in terms of low levels of saturation, high levels of population density, and high levels of socioeconomic standards of residents. They also found that convenience, promotion intensity, and availability positively related with sales and productivity. In their study, the impact of five in-store factors – checkouts, double couponing, open 24 hours, assortment depth, and in-store banking services – were analyzed for their influence on sales volume. All the five elements were positively related to sales volume. However, as a highly and densely populated area makes room for higher levels of retail activity, such areas are likely associated also with more intense competition, and thus prices and by extension gross margins, should be pressed down in accordance with economic theory.

Pan and Zinkhan (2006) research on consumer supermarket choice behavior and consumer patronage showed that the frequency of customer patronage, and thus by extension its

performance, was related to the attributes of stores. He found that product selection reporting the highest average correlation with store choice, followed by service, quality, store atmosphere, low price levels, convenient location, fast checkout, convenient open hours, friendliness of sales-people, and convenient facilities. For frequent supermarket shoppers, Carpenter *et al.* (2006) aver the highest ranked store attributes to be cleanliness, product selection, price competitiveness, crowding, and courtesy of personnel. For occasional shoppers, parking facilities and ease of access were ranked as fourth and fifth most important attributes. Seiders and Tigert (2000) state location and product quality are important attributes for supermarket shoppers in their patronage decisions. Promotion frequency of stores has further been disclosed as influencing consumers' store choice behavior. Fox, Montgomery and Lodish (2004). In a study of the Danish grocery retailing industry, Hansen and Solgaard (2004) shows product assortment as the most influential variable, followed by price level and location. These findings are in line with what was found by Baltas and Papastathopoulu (2003) in a study of the Greek grocery retailing sector, reporting assortment, quality, store brands, and location as the main attributes affecting consumers' patronage behavior.

According to Hernant *et al.,* (2007), the large size of retailers do not provide an entirely solid hedge in business changes; Evans (2005) shows that in the history of the USA, there are a number of previously large retailers (sales account 1-3 percent from Gross Domestic Product (GDP) of USA, which have declined considerably, or even diminished from the market. Bates *et al.*, (2003) also argue that size eventually does not matter, and that service quality is the driver of profitability. Aalto-Seta¨la¨ (2002) further discuss that increased size has not fully brought benefits from economies of scale to consumers (the case of concentrated small markets, like Finland or Sweden). It is often the case that large size stores, especially supermarkets, are the main shopping destinations of consumers in developed economies, but in emerging economies discount stores and kiosk type of formats are the de facto standard. Simova, Clarke-Hill and Robinson (2003) and Lorentz Ha¨kkinen (2006), Dubelaar, Bhargava and Ferrarin (2001) and Hilmola (2006), state that in the retail sector, productivity measurement and enhancement models should incorporate demand and competition issues, since they are related to these measures and frequently cause a change in productivity.

2.8   Retail Market Competitiveness

Many central business district locations in the USA have been declining for the past several decades due to various economic and consumer factors. Huddleston and Runyan, (2006). A study conducted by the State of Michigan revealed that the top three qualities of a city centre location are that the central business district is within reach, there is business development, and historic preservation is valued. In addition to shopping, other activities, such as banking and dining are usually included as part of the city centre attractions.

Consumers are more likely to visit city centre locations frequently when it is a pleasant place to visit for various reasons. They also found out that image is an indicator of brand identity of a city centre location which, in turn, predicts the success of city centre business. In their study, Huddleston *et al*. (2006) measured image of the central business district as an overall evaluation of a composite of characteristics.

In the intensely competitive retail market, sustaining repeat buying behaviour among supermarket customers is one of the most important competition challenges. There are several reasons that appertain to it. Parrish (2010) claims how fashion retailers use private labeling to differentiate their products and to gain competitive advantage. The author concludes that this type of competitive strategy results in increased profits and market share. Eckman *et al.,* (2009) research study reveal that shopping orientation, importance of retail attributes, and beliefs about retail attributes influence patronage behaviour (i.e. shopping frequency) at the three retail locations.   Food Marketing Institute (2001) found that customers spend on average 78% of their food expenditures at one primary supermarket.

Huddleston, Whipple and Auken (2004), reveal that obtaining new customers costs five to six times more than retaining current customers. Other benefits resulting from customer loyalty include the likelihood that customers increase their spending over time, and attracting new customers by word-of-mouth marketing Curasi and Kennedy (2002). Thus, retail managers perceive customer loyalty and satisfaction as well as customer retention to be the most important goals for sustaining a firm's competitive position Huddleston *et al*., (2004). Some studies have also shown how perceptions of retail supermarket attributes and customer emotions influence the supermarket loyalty. According to Sirohi, McLaughlin and Wittink (1998), they allege that

favorable perceptions of product and/or service quality, price, and value lead to higher loyalty intentions. According to Corstjens and Lal (2000) as well as Ailawadi, Neslin and Gedenk (2001), availability of retail supermarket brands results in higher spending on both grocery and non-grocery products. Maclnnis, Park and Yoo (1998) conclude that a well-designed, low-congestion supermarket layout stimulates positive emotions among customers. Grewal, Krishnan, Baker and Borin (1998) and Maclnnis *et al*. (1998) find that product assortment and sales assistance play similar role.

According to Fratto and Genessa (2006), the implication that a price premium is the reward of differentiation is a gross simplification. Customers, if they value the firm's offer will be less sensitive to aspects of competing offers, and price may, and may not, be one of these aspects. The implications of this example are not limited to firms that target price sensitive consumers. A firm will benefit from reduced sensitivity to any feature that incurs costs to deliver. It is therefore strategically sensible to differentiate on an aspect of the offer which some customers value (that the firm has some advantage in delivering) and that results in decreased sensitivity to something that is relatively costly for the firm to deliver (or expressed another way, relatively cheap for competitors to deliver).

Arthur *et al.,* (2006) discuss that differentiation strategies tend to work best in market circumstances where: there are many ways to differentiate the product or service and many buyers perceive these differences as having value; different tastes and preferences to meet buyers' needs and uses; few rival firms are following similar differentiation approach; and technological change in fast-paced and competition revolves around rapidly evolving product features. Rapid product innovation and frequent introductions of next-version products help maintain buyer interest and provide space for companies to pursue separate differentiating paths.

2.9 Rivalry in Price and Variety among Supermarket Retailers

By definition, retail supermarkets mainly provide shopping opportunities for consumers. Oren, Smith and Wilson (1984), affirm that in manufacturing labour, machines, raw material and semi-manufactures are inputs for a certain method of production, and as such determinants of the volume that is and can be produced. In retailing, the inputs that determine output in terms of sales volume are the consumers that choose to patronize the supermarkets. Their attribute among

which staff, products and fixed assets are merely indirect causes of output, as they bring about the overall offer of the supermarket that is evaluated by the consumer. Gomez *et al.,* (2004) declare that customers' perception of attributes related to customer satisfaction, and customer satisfaction related to sales performance. Levy and Weitz (2004) says that different combinations of price and quality also provide the same value to consumers.

2.10   Challenges of differentiation

Two of the key ways to effectively adopt the differentiation strategy is by: creating value for buyers and that they are not easily copied or matched by rivals. Anything a company can do to create value for buyers represents a potential basis for differentiation.

The conclusions by Arthur *et al.,* (2006) state that the effect of differentiation is to boost profitability whenever the extra price the product commands outweighs the added costs of achieving the differentiation. A firm's differentiation strategy can only fail when buyers do not value the brand's uniqueness and/or when a company's approach to differentiation is easily copied or matched by its rivals.

2.11   Theoretical Framework

The concept of differentiation can be traced back to Chamberlin and Robinson's independent 1930s work on deviations from the classical perfect competition model. Chamberlin, 1971, Chamberlin and Robinson, (1933). The economic literature asserts that marketers should try to differentiate their brands from others, so that they face less direct competition. Differentiation theory is much like the classical economics perfect competition model in that it describes an abstract 'ideal' world. Marketing textbooks, much like classical economic texts of the past, treat this idealized model as if it were an adequate representation of the real world. Aaker (2001). This model underpins a series of widely held beliefs, which can be broadly summarized as the following: A brand must be perceived as different in order to win market share (i.e. customers must have a reason to start buying the brand); A brand must be perceived as different in order to maintain market share. This means that customers in the retail supermarkets must have a reason to keep preferring the brand in the face of competition from other brands and new entrants; some brands are much more differentiated than others, meaning that their customer base is more loyal and less sensitive to actions of competitors. This may result in greater profitability. However, the

highly differentiated brand may suffer from constraints on market share because it is only a select group of people, or only in a specific situation that it is preferred.

Supermarket chains are operating in a profitable market but they are confronted with the problem of high competition, and this creates the necessity of the adoption of appropriate differentiation practices. Verlag (2009). In the differentiation focus strategy, a supermarket aims to differentiate within just one or a small number of target market segments. The special customer needs of the segment mean that there are opportunities to provide products that are clearly different from competitors who may be targeting a broader group of customers. Differentiation is perceived to be a source of competitive advantage. Although research in a niche market may result in changing a product in order to improve differentiation, the changes themselves are not differentiation. Marketing or product differentiation is the process of describing the differences between products or services, or the resulting list of differences. This is done in order to demonstrate the unique aspects of a firm's product and create a sense of value.

2.12   Conceptual Framework

Intervening Variables

Independent Variables

| Government Policy |
| Organizational Characteristics |
| Resource Capabilities |

Dependent Variables

Product Differentiation
- Product quality
- Product selection
- Product assortment
- Products position
- Products variety

Physical Differentiation
- Store location
- Parking space
- Store design and display/layout
- Store atmosphere

Sales Performance
- Increase / Decrease in annual sales revenues.

Service Differentiation
- After sales services
- Retailer's own brands / value addition
- Advertising and Promotion
- Service quality
- Core competencies
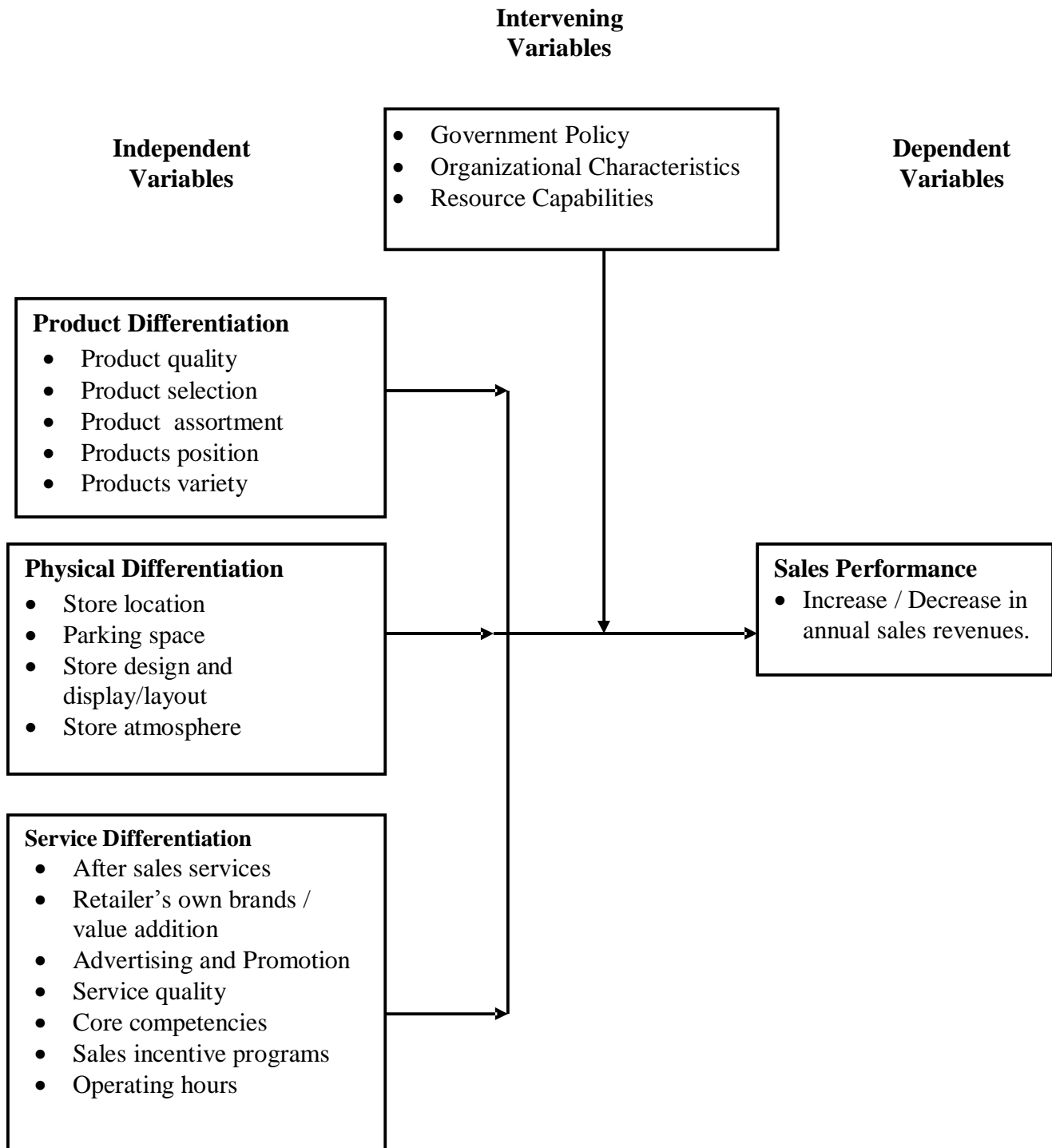- Sales incentive programs
- Operating hours

Figure 1: A Conceptual Framework showing the effect of differentiation strategies on Sales Performance

The researcher conceptualizes that product differentiation, physical differentiation and customer services (independent variables) affect sales performance (dependent variable) in retail supermarkets in Nakuru CBD. In this study product differentiation is argued to comprise of product quality, product selection, product assortment, products position and products variety; physical differentiation includes store location, parking space, store design and display/layout and store atmosphere. Customer services include: after sales services, retailer's own brands/value addition, advertising and promotion, one-stop-shop, service quality, core competencies, and sales incentive programs and operating hours. This argument is supported by Carpenter *et al.* (2006). These are a range of differentiation strategies adopted by supermarkets in a quest of contributing positively to sales performance.

The effect of differentiation strategies on sales performance is however, influenced by interplay of intervening variables which include Government policy, organizational characteristics and resource capabilities. The government policy may touch on aspects such as product pricing, licensing, employee wage rates and working hours. Organizational characteristics include aspects such as governance issues and ownership structure. Resource capabilities may include aspects related to financial capabilities, technical and technological resources. The researcher argues that these intervening variables tend to influence the way differentiation strategies affect sales performance.

Sales performance, the dependent variable is measured through the value of sales across three years. The study examined the trends in respect to increase or decrease of annual sales revenues. It is assumed in this conceptual framework that the status of annual sales revenues is affected by the differentiation strategies employed by the supermarkets in the study area.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1   Introduction

This chapter addresses the methodology that was adopted for the study. This includes the research design, population, sampling procedure and sample size, data collection, data analysis and presentation techniques that were used in the study.

3.2   Research Design

The study is non-experimental research and thus adopted non experimental research survey design. This was a survey on the effects of differentiation strategies employed by the supermarkets and their effects sales performance. This type of design was used because one or more variables, apart from the independent variable in question, could be the actual cause of observed variation in the dependent variable for instance the differentiation strategies employed by supermarkets affecting their sales performance.

3.3   Target Population

Currently, the Nakuru CBD has more than 15 Supermarkets but the target population was made up of 11 supermarkets which had been in operation for the period between 2009 and 2012 in the CBD as at 2011. (see Appendix). However, this study used 11 supermarkets since they were within the scope of this study). The study targeted a population of 11 Branch managers, 11 Technical officers (stock controllers), and 55 Product line staff who were used for the study. An approximate number of 5 product line staffs, 1 Branch manager and 1 Technical staff in each of the 11 supermarkets were used as accessible population because of the nature of their work and the purpose of the study.

3.4   Sampling Procedure

The sample of staff to be studied was determined using a formula provided by Mugenda, (2008). The formula was used in the computation of all the study samples. In this study, the recommended final sample estimate (nf) was calculated using the following formula:

$$nf = \frac{Nn}{n+N}$$

Where nf is the desired sample size (when the population is less than 10,000), N is the estimated population and n is the desired sample size (when the population is more than 10,000) which is 384. Mugenda (2008).

$$nf = \frac{384 \times 60}{60+384} = 51.89$$

Therefore the study used a sample of 51 Product line staff, 11 Branch managers and 11 Technical staff, who were distributed equally in the supermarkets. Therefore, the study interviewed five product line staffs, one branch manager and one technical staff from each supermarket.

The researcher partly got data from the technical person in-charge of stock control in addition to the one in-charge of coordinating the management activities of the supermarket whom in the opinion of the researcher provided vital data regarding differentiation strategies used and sales performance. As such purposive sampling was utilized in identifying this category of staff. Besides, product line customer attendants also provided more data and they were sampled using the simple random sampling technique based on the total number of product line customer attendants in the retail supermarket.

3.5   Data Collection

Prior to data collection arrangement was made to obtain permission from the supermarket management.   The researcher then personally administered the questionnaires, taking the respondents through the questionnaire items and offering clarification for unclear items as necessary. The researcher also documented important aspects observed in the course of the data collection process. These aspects included unique service delivery processes, styles and display modes in individual supermarkets and other relevant items that were not captured by the questionnaire.

Data was collected by use of questionnaires containing structured and unstructured questions. A form of survey questionnaire was used to obtain information from respondents on important aspects such as biographical details (age, educational qualifications, annual income, forms of differentiation strategies adopted and the respondents' opinions on their effect of sales

performance. The questionnaires contained likert type of questions with a scale of 1 to 5 enabling the researcher to convert qualitative data into quantitative data for easier analysis.

3.6   Validity and Reliability of the Instrument

Validity is the degree to which results obtained from the analysis of the data actually represents the phenomenon under study. Kothari (2004), pointed out validity measures the accuracy of the instruments in obtaining the anticipated data which can meet the objectives of the study.

3.7   Reliability

In this study the researcher used Cronbach's alpha reliability test method to measure internal consistency of variables. The calculated Cronbach's alpha for independent variables is about 0.7458. Mugenda & Mugenda (1999) describes reliability of an instrument as the degree of consistency with which it measures a variable, the degree to which a research instrument yields consistent results or data after repeated trials. A pilot study was carried out at Naivas Supermarket in Nakuru. The pilot study was carried out using 7 respondents from the supermarket which included 1 Branch Manager, 1 Technical Staff and 5 product line staffs. This supermarket was used since it was outside the study area but shares similar characteristics with the supermarkets in the CBD. Using the data collected at the pilot stage the instruments were tested for reliability using Cronbach's Alpha reliability test and the instruments were considered sufficiently reliable. This is because they yielded a reliability coefficient 0.7458 which is above the recommended value of 0.7

3.8   Data Analysis and Presentation

Data collected was edited, coded, classified and tabulated with regard to the type and source. Data was analyzed for descriptive and inferential statistics. Various attributes for the product differentiation, physical differentiation and service differentiation strategies were used to explain the relationships. Factor analysis was carried out to extract factors for each of the differentiation variables. The study only used questions with factor loadings greater than 0.5. After factor analysis, correlation and regression analysis were carried out.

Correlation was used to portray the relationship between sales performance and product differentiation, physical differentiation and service differentiation strategies. The outcome for the descriptive analysis was presented using summary tables, charts and graphs.

Regression analysis was used to determine the effect of differentiation strategy on sales performance. The regression equation estimated is:-

$$Y = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \alpha_4 X_4 + \alpha_5 X_5 + \alpha_6 X_6 + \varepsilon$$

Where; α_0, α_1, α_2, α_3, α_4, α_5, and α_6 are coefficients to be estimated; X_1 is product differentiation, X_2 is service differentiation, X_3 is physical differentiation, X_4 is gender, X_5 is age and X_6 is education level and ε is the error term.

Gender, age and education level were included in the regression analysis as control variables. This was aimed at controlling for any specification errors. Data was analyzed using STATA statistical package.

CHAPTER FOUR
RESULTS AND INTERPRETATION

4.1   Introduction

The main objective of the study was to analyze the effects of differentiation strategy on sales performance in supermarkets in Nakuru town central business district. This was guided by the hypotheses on; whether there is statistical significant relationship between product differentiation, physical differentiation and service differentiation strategy adopted by retail supermarkets and sales performance.

This chapter presents results, their discussions and interpretations. The chapter is presented under subheadings which include: descriptive statistics, factor analysis, correlation and regression analysis. The study was able to get a response from all the 11 targeted supermarkets; that is a response rate of 100%. The study was able to obtain response from 51 Product line staff, 11 Stock controllers and 11 Branch Managers. The main factor contributing to the 100% response was sufficient time; data was collected within one month.

4.2   General characteristics of the respondents

This section presents the findings in respect to the general characteristics of the respondents which include category of respondents, gender, age, highest academic qualification, current employer, current position and respondents work experience. The statistical description results are discussed in tables. Also, statistics of the interview schedules revealed that most branch managers of supermarkets believed that consideration on factors like the organizational weights and capacities on the employed differentiation strategies were appropriate. They believed that the strategies were succeeding in helping them realise the aim of countering competition.

4.2.1   Category of Respondents

This study considered the input of the Stock controller and Product line staff crucial in obtaining information sought in this study. The stock controller deals with the flow of goods in and out of the supermarket, while the product line staff monitors the movement of the stock items from the shelves. The result in respect to the total number of respondents used in the study per category is presented in Table 4.1.

Table 4.1 Category of Respondent

Response	Frequency	Percentage
Stock Controller	11	17.7
Product Line Staff	51	82.3
Total	62	100

The study used a sample made up of 51, (82.3%) product line staff and 11, (17.7%) stock controllers drawn from the 11 supermarkets. The findings shows that the two categories of respondents were fairly represented in the study thus, boosting the reliability of the study. Categories of respondents per supermarket are presented in Table 4.2.

Table 4.2 Respondents' frequency distribution per supermarket

		Category of Respondent		Total
		Stock Controller	Product Line Staff	
Supermarket	Nak/ Woolmatt – East	1	5	6
	Stagematt Chap Chap Ltd.	1	5	6
	Tuskys Mid Town	1	7	8
	Chanza	1	3	4
	Quickmatt	1	4	5
	Ukwala	1	5	6
	Tuskys Magic	1	6	7
	Nak/ Woolmatt – West	1	4	5
	Stagematt Pekars	1	4	5
	Stagemart Corner	1	3	4
	Gilanis	1	5	6
	Total	**11**	**51**	**62**

4.2.2 Respondents' Gender

The result in respect to the respondents' gender is presented in Table 4.3

Table 4.3 Respondents' Gender

		Gender		Total
		Male	Female	
Category of Respondent	Stock Controller	10	1	11
	Product Line Staff	28	23	51
Total		38	24	62

The findings show that 10 out of 11 of the stock controllers (91%) in the retail supermarkets were male, while 1 out of 11 (9%) were female. It is also established that 28 out of 51 (55%) of the product line staff in the retail supermarkets were male, while 23 out of 51 (45%) were female. This implied that there were more male involved in the functions of stock controlling in supermarkets.

4.2.3 Age of the respondents within Category of Respondent

The result showing the age of the stock controllers and product line staff is presented in Table 4.4

Table 4.4 Age of the respondents' percentage within Category of Respondent

		Age				Total
		Below 25 years	26-35 years	36-45 years	Above 45 years	
Category of Respon.	Stock Controller	18.2%	36.4%	36.4%	9.1%	100%
	Product Line Staff	35.3%	54.9%	7.8%	2.0%	100%
	Total	32.3%	51.6%	12.9%	3.2%	100%

The findings show that 36.4% of the stock controllers are aged between 26 and 45 years, and 54.9% of the product line staff are aged between 26 and 35 years. The results showed that 7.8%

of the product line staff are aged between 36 and 45 years, 18.2% of the stock controllers and 35.3% of the product line staff were aged below 25 years, whilst 9.1% of the stock controllers and 2% of the product line staff were aged above 45 years. This implied that most workers employed by supermarkets were aged 35 years or below (the youth) in both categories. Most of the employees belong to the famously labelled 'digital era' and thus are resourceful in curving and implementation of relevant differentiation strategies.

4.2.4 Highest academic qualification of the respondents within Category of Respondent

The result showing the highest academic qualification of the stock controllers and product line staff is shown in Table 4.5

Table 4.5 Highest academic qualif. of the respondents within Category of Respondent

		Highest Academic Qualification			Total
		Secondary school	College	University level	
Category of Respondent	Stock Controller	18.20%	72.70%	9.10%	100.00%
	Product Line Staff	54.90%	39.20%	5.90%	100.00%

The findings show that 72.7% of the stock controllers and 39.2% of the product line staff had attained college level of education, 18.2% of the stock controllers and 54.9% of the product line staff had attained secondary school level, while only 9.1% of the stock controllers and 5.9% of the product line staff had attained University education level. This implies that most of the product line staff had attained secondary education level, while most of the stock controllers had attained college level. Supermarkets are keener at employing workers who have attained secondary and college education.

4.2.5 Respondents' Current Position

The study used respondents belonging to different job positions and the result showing the distribution of their individual current position is presented in Table 4.6

Table 4.6 Respondents' Frequency Distribution in Current Job Position

Current Position	Category of Respondents		
	Stock Controllers	Product/ L.Staff	Total
Accounting Officer	8	0	8
Sales Assistant	0	13	13
Sales Manager	2	0	2
Ass Purchasing Manager	0	1	1
Stock Taker	0	2	2
Shop Assistant	0	28	28
Purchasing Manager	0	1	1
Stock Controller	1	0	1
Cashier	0	5	5
Bakery Assistant	0	1	1
Total	**11**	**51**	**62**

The findings show that 8 out of 11 stock controllers were accounting officers, while in some supermarkets (3 out of 11), the duty of the stock controller was carried out by Sales Managers. The product line staff was composed of: 13 sales assistants, 1 assistant purchasing manager, 2 stock takers, 28 shop assistants, 1 purchasing manager, 5 cashiers and 1 Bakery Assistant.

4.2.6 Work experience at the supermarket

The respondents (stock controllers and product line staff) were asked to indicate how long they had been members of staff in their respective supermarkets and the result is presented in Table 4.7.

Table 4.7 Work experience at the supermarket

Category of Respondent	Work experience at the supermarket				Total
	<5 years	6 to 10 years	11 to 15 years	Over 15 years	
Stock Controller	27.3%	54.5%	18.2%	0.0%	100.0%
Product Line Staff	37.3%	45.1%	15.7%	2.0%	100.0%
Total	**35.5%**	**46.8%**	**16.1%**	**1.6%**	**100.0%**

The findings show that 27.3% of the stock controllers and 37.3% of the product line staff have been members of staff in their respective supermarkets for a period of less than 5 years. It is also shown that 54.5% of the stock controllers and 45.1% of the product line staff had been members of staff in their respective supermarkets for a period between 6 and 10 years, that 18.2% of the stock controllers and 15.7% of the product line staff had been members of staff in their respective supermarkets for a period between 11 and 15 years.

None of the stock controllers have been employees of the supermarket for over 15 years but 2% of the product line staffs have been members of staff in their respective supermarkets for a period of over 15 years.

4.4   Inferential Statistics

Before running correlation and regression analysis, factor analysis was employed to generate the 3 factors i.e. product differentiation, physical differentiation and service differentiation. Factor analysis was used as it aims at generating the number of variables used to explain a relationship or determine core variables which show a relationship between variables. This is consistent with the views of Suhr (2009) who argues that using factor scores is more appropriate as all the responses are accurately weighted within each factor. The outcomes from the respondents were analyzed individually and appropriate scores computed.

The factors for this study are product differentiation, physical differentiation and service differentiation which were established from a set of questions that were appropriately answered by the respondents.

Product differentiation was loaded onto by five questions which included stocking of high quality products, diligence in selecting product suppliers, selection based on customer specifications, demand driven selection, product assortment style distinct from competitors and positioning of products for ease of access by customers.

Physical differentiation was loaded onto by six questions touching on strategic location, free parking space, layout of items, periodic adjustment of the store layout to attract new and old customers, free space for movement of customers and finally, environment filled with visual and audio entertainment.

Service differentiation was loaded onto by nine questions which sort to find out whether the supermarkets offer transport services, value addition through repackaging of items, use of celebs for advertisements and promotions, offer of online shopping services, ability to get most of the items under one roof, pace of service delivery, promptness in handling customer complaints/inquiries, availability of skilled and experienced staff and then availability of sales incentive programs. The factor loadings are presented in Table 4.9.

Table 4.2 Factor Loadings for differentiation strategies

Variables	Statements in Questionnaire	Factor Loadings
Product Diff. α = 0.8114	The supermarket ensures stocking of high quality products	0.6544
	Product selection is based on customer specification	0.6837
	Product selection is demand driven	0.8106
	Product assortment style is distinct from competitors	0.5964
	Our products are well positioned for ease access by customers	0.6884
Physical Diff. α = 0.7188	The display/layout of items is convenient to customers	0.7360
	The display/layout is strategically altered on periodic basis to attract new and existing customers.	0.8409
	The supermarkets are spacious for free movement of customers	0.6934
	The supermarket environment is filled will entertainment (visual and audio)	0.8750
Service Diff. α = 0.8841	The supermarket offers transport service to the customers	0.6996
	It adds value to the products through repackaging of items	0.7067
	They use celebs for advisement and promotion of our supermarket	0.7016
	The customers are able to get most of their items under one roof	0.8266
	The supermarket offers fast service delivery	0.8519
	There is promptness in handling customers complaints/ inquiries	0.6724
	They employ skilled and experienced staff	0.6647
	They have variety of sales incentive programs (smart cards, bank credit cards etc)	0.7548

α - represents Cronbach's alpha for each of the individual variables

The cronbach alpha for the independent variables were α = 0.8114, α = 0.7188 and α = 0.8841 for Product, Physical and Service differentiation, respectively.

It is evident that all these variables passed the reliability test and service differentiation scored the highest among the variables followed by product and then physical differentiation. They all fall within Cronbach's alpha reliability coefficient of 0.7 (Kathuri & Pals 1993).

4.4.1 Correlation Analysis

After the factor analysis was done, correlation and regression analyses were also carried out. Coefficient correlation was computed between the product, physical and service differentiation variables as well as the control variables to determine the supremacy of their relationship.

Correlation analysis was carried out to determine the relationships, direction and strengths between the dependant variable and product differentiation, service differentiation and physical differentiation. However, three control variables of gender, age and education were introduced and analysis done because of the possibility of specification error. This indicates that a few important variables were left out of the estimation that affects the sales performance. Table 4.10 below shows the correlation matrix between differentiation variables and the annual sales performance as shown below.

Table 4.10 Correlation matrix between differentiation variables and the annual sales performance

Variable	Product diff.	Service diff.	Physical diff.	Gender	Age	Education	Sales perf.
Product diff.	1.0000						
Service diff.	0.4619* (0.0002)	1.0000					
Physical diff.	0.6679* (0.0000)	0.4261* (0.0006)	1.0000				
Gender	-0.3407* (0.0072)	-0.3435* (0.0063)	-0.2216 (0.0835)	1.0000			
Age	0.2061 (0.1111)	-0.0162 (0.9006)	0.3309* (0.0086)	-0.2603* (0.0410)	1.0000		
Education	0.0684 (0.6005)	0.1574 (0.2217)	-0.0254 (0.8444)	0.1120 (0.3861)	-0.0477 (0.7129)	1.0000	
Sales performance	0.3695* (0.0034)	0.0489 (0.7056)	0.3225* (0.0106)	0.1737 (0.1770)	0.1029 (0.4259)	0.2079 (0.1049)	1.0000

Statistical values in parenthesis represent the *p*-values ($p < 0.05$)

The relationship between sales performance and independent variables is positive, implying that supermarkets employ differentiation strategies (which include product, service and physical) to enhance their sales performance. Product differentiation has a positive correlation with sales

performance at 0.3695, while service differentiation strategy is weakly correlated with sales performance at 0.0489. Physical differentiation strategy has a positive correlation with sales performance at 0.3225.

It is also noted that there is a positive correlation between independent variables like 0.4619 between service differentiation strategy and product differentiation strategy, 0.6679 between product differentiation strategy and physical differentiation strategy; and 0.4261 between physical differentiation strategy and service differentiation strategy. This could pose the problem of multicolinearity.

4.4.2 Regression Analysis

After identifying the factors, regression analysis was done to determine the effect of independent variables on sales performance. Six models were estimated because of the possible problem of multicolinearity (see Table 4.10). Table 4.10 shows Model 1 with the independent variables though without the control variables intervention. Model 2 shows all the variables including the control variables.

Model 3 has the product differentiation and control variables dropped from the regression. Model 4 has the product differentiation dropped again but with an inclusion of the control variables. Model 5 has both physical differentiation and the control variables dropped.

Finally, Model 6 has the physical differentiation dropped but with an inclusion of the control variables. The models show a consistency of the positive and negative correlations between the differentiation strategies, the control variable interventions and the sales performance. These results are presented in Table 4.11.

Table 4.11: Regression results between differentiation strategies and s/performance

Variables	Model 1	Model 2 (all variables)	Model 3 (dropped Product diff.)	Model 4 (dropped Product diff.)	Model 5 (dropped Physical diff.)	Model 6 (dropped Physical diff.)
Constant	2.674 (30.82)***	1.467 (2.92)***	2.677 (30.62)***	1.533 (2.97)***	2.675 (30.78)***	1.402 (2.82)***
Product diff.	0.298 (1.93)*	0.354 (2.32)**	-	-	0.397 (3.17)***	0.443 (3.54)***
Service diff.	-0.132 (-1.17)	-0.961 (-0.83)	-0.860 (-0.80)	-0.601 (-0.52)	-0.110 (-0.99)	-0.650 (-0.58)
Physical diff.	0.138 (1.08)	0.131 (1.02)	0.284 (2.72)***	0.305 (2.79)***	-	-
Gender	-	0.425 (2.16)**	-	0.325 (1.66)**	-	0.457 (2.35)**
Age	-	0.464 (0.38)	-	0.363 (0.29)	-	0.867 (0.75)
Education	-	0.206 (1.46)	-	0.241 (1.68)*	-	0.184 (1.32)
R^2	0.1680	0.2816	0.1136	0.2098	0.1508	0.2679
Adjusted R^2	0.1242	0.2018	0.0835	0.0189	0.1216	0.2014
Root MSE	0.677	0.6467	0.6884	0.6672	0.6784	0.6469
F	3.84	3.53	3.78	2.97	5.15	4.03
No. of observ.	61	61	62	62	61	61

Statistical values in parenthesis represent the *t*-values (2.64, 1.96, 1.64) and the levels of significance at 1%, 5% and 10% denoted by ***, ** and * respectively

The results show that control variables of gender, age and education were introduced in model 2, 4 and 6 because of the possibility of specification error. This indicates that a few important variables were left out of the estimation that affects the sales performance.

The results for Model 1 show that product differentiation has a positive and significant effect on sales performance, physical differentiation is positive but insignificant while service differentiation is negative and insignificant, meaning it has no effect on sales performance. Specifically, when supermarkets improve product differentiation by 10% the sales performance

increases by 0.298%. In model 2, the control variables, that is age, gender and education are included and the results show that product differentiation is significant while service differentiation still remains negative and insignificant. A 5% improvement in product differentiation leads to 0.354% increase in sales performance. The control variable of gender is also significant (0.425%) at 5% level. This means that the more male employees are employed by supermarkets, the higher the sales performance. Specifically, employment of one more male leads to increase in sales by 0.425. Education level and age are positive but insignificant.

Model 3 shows that a drop of product differentiation leads to significance of physical differentiation. This is an indication that multicolinearity affects the results. Specifically, an improvement in physical differentiation by 1% leads to an increase in sales performance by about 0.28%. Service differentiation is still negative and insignificant. Model 4 shows that a drop in product differentiation but with an inclusion of the control variables of gender, age and education lead to significance of physical differentiation, gender and education level. Specifically, improvement in physical differentiation by 10% improves sales performance by 0.305%. The more male employees are recruited the better the sales performance. To be specific, employment of one more male increases sales performance by 0.325%. The significance of education indicates that the higher the education level, the higher the sales performance. When education level improves by one, sales performance improves by 0.24.

In model 5, physical differentiation is dropped together with an exclusion of the control variables of gender, age and education resulting to significance of product differentiation. This indicates that a 10% improvement of product differentiation leads to 0.397% increase in sales performance. Service differentiation is still negative and insignificant.

Finally, in Model 6 a drop in physical differentiation but with an inclusion of the control variables of gender, age and education lead to significance of product differentiation, gender and education level. Specifically, improvement in physical differentiation by 10% improves sales performance by 0.443%. Gender is also significant showing that at 5% consideration in engaging male product line staff the sales performance increases by 0.457%. Service differentiation is still negative and insignificant.

In summary, other than the two core variables of product and physical differentiation, three control variables were introduced in model 2, i.e. gender, age and education which are positive and significant. For gender as per the questionnaire, 1 represented the male while 2 represented the female. Therefore, the results show that the more the males are engaged at the supermarkets the higher the sales performance is achieved. Under age, it indicates that the older the respondents are engaged in the supermarkets, the more likely the sales performance is going to increase. The more the supermarkets engage educated respondents the higher the chances of increase in sales performance. If there is an improvement of the product and physical differentiation strategy the sales performance will equally improve.

CHAPTER FIVE
SUMMARY, CONCLUSIONS & RECOMMENDATIONS

5.1   Introduction

This chapter summarizes, concludes and recommends the results of the research findings as carried out. It comprises the summary of the study findings, conclusions of the study and recommendations. The purpose of this study was to analyze the effects of differentiation strategy on sales performance in the retail supermarkets in Nakuru CBD.

5.2   Summary

The study analyzed the effects of differentiation strategy on sales performance in supermarkets in Nakuru CBD. In order to accomplish this, the study was guided by the following research objectives: to find out how product differentiation strategy adopted by retail supermarkets affect sales performance, To establish how physical differentiation strategy adopted by retail supermarkets affect sales performance and to examine how service differentiation strategy adopted by retail supermarkets affect sales performance. In this study data was collected using non-experimental research and thus adopted non experimental research survey design. The study also tested three hypotheses.

5.3   Conclusion of the Study

Following the findings of the study, the hypothesis which read that "there is no significant relationship between product differentiation strategy adopted by retail supermarkets and sales performance" is rejected. This is because product differentiation strategy has a positive correlation with sales performance. In most supermarkets product selection, assortment and positioning is demand driven. The products are well positioned for easy access by customers who appreciate the variety, assortment through wide range of differentiated products with various features that make them superior/unique. All these factors affect customer purchase behavior making customers want to make repeat purchases. Consumers also enjoy a diversity of options to suit their tastes and preferences. They are keen on product quality which has several basic elements that include; performance, features, reliability, conformance, durability, and serviceability. When all these factors are in place, the supermarkets are sure of having improved

sales performance. Therefore, this attribute appeared to favorably contribute to sales performance.

The hypothesis which read that "there is no significant relationship between physical differentiation strategy adopted by retail supermarkets and sales performance" is rejected. This is because physical differentiation strategy has a positive correlation with sales performance. The outcome of the study revealed that the supermarket owners should ensure that the supermarket is strategically located in a place that is visible, convenient, and accessible to attract new and existing customers. Supermarkets are always profitable when on the main roads or the roads adjoining the main roads. This ensures that not only does it attract its core customers but also attracts fleeting population. The moment they see it, consumers think that they have to do shopping and replenish their kitchen or other requirements in the house. This may have a differentiation advantage against competitors. The display/layout is strategically altered on periodic basis to attract new and existing customers. A convenient parking space is also an element of physical differentiation strategy that contributes positively to increase in sales performance. Most customers would prefer a place that they can safely park their vehicles and walk in the supermarkets without any inconveniences. The supermarket's design and display/layout also play a major role in attracting more and more customers. These naturally contribute to and promote impulse stop-over resulting in more walk-ins.

The findings also lead to the conclusion that points to the acceptance of the hypothesis which read that "there is no significant relationship between service differentiation strategy adopted by retail supermarkets and sales performance". This is because service differentiation strategy has a negative correlation with sales performance. This is due to the finding that almost all supermarkets had adopted similar service differentiation strategies and this did not give them a competitive edge. Sales performance was most likely to be a function of physical and product differentiation strategies. The attribute of service differentiation strategy showed a weak correlation with the annual sales performance where the supermarkets offer transport services, they repackage their products for value addition, they use celebrities for advertisements and promotions, offer online shopping services, have the ability to get most of the items under one roof, they offer quick service delivery, they handle customer complaints/inquires promptly, they

employ skilled and experienced staff and finally they offer incentives to shoppers through use of smart cards and credit cards. All these services have a weak relationship with the annual sales performance.

5.4   Recommendations

The study had developed three hypotheses stating that there is no statistically significant relationship between product, physical and service differentiation strategy adopted by retail supermarkets and sales performance. From the results it is recommended that supermarkets should ensure that they stock high quality products, ensure that product selection is based on customer satisfaction which must also be demand driven. Their product assortment style should be distinct from competitors and that they are well positioned for ease of access by the customers and have a wide variety of products to suit the tastes and preferences of customers. Also, the supermarkets should be located at a convenient place with available parking space. The design/layout and display of the products should be in such a manner that attracts more walk-ins by customers. The supermarkets should also have a conducive environment with both audio and visual entertainment to retain customers in the supermarkets so that they shop more and more at their own convenience.

5.5   Suggestions for further research

This study analyzed the effect of differentiation strategy on sales performance from 11 supermarkets that are within the Nakuru CBD and more so those that had been in operation between 2009 and 2012 (3) years. A year after the 2007/08 post election violence the county experienced mushrooming of supermarkets in the CBD and its environs. More research needs to be carried out on service differentiation strategy which, according to this study showed a weak relationship with the annual sales performance. The specific objectives under this study may also be recommended for further research to get an in-depth of the differentiation strategies.

REFERENCES

Aaker, D.A., (2001). *Strategic Market Management* (Sixth ed.). John Wiley & Sons, New York.

Aalto-Seta¨la¨, V. (2002); The Effect of Concentration and Market Power on Food Prices: Evidence from Finland, *Journal of Retailing, Vol. 78 No. 3, pp. 207-16.*

Abernathy, W. J., Clark, K. B. and Kantrow,A. M. (1983): Japanese Quality Management. *Columbia Journal of World Business*, Japan

Acquaah, M. & Yasai-Ardekani, M. (2006); Does the implementation of a combination competitive strategy yield incremental performance benefit? A new perspective from transition economy in Sub-Saharan Africa. *Journal of Business Research 61, 346 – 354.*

Ailawadi, K., Neslin, S. A., Gedenk, K. (2001) Pursuing the value conscious consumer: Store brands versus national brand promotions. *Journal of Marketing, Vol. 65, pp. 71–89.*

Arthur A. Thompson, Jr., A. J. Strickland III, John E. Gamble and Arun K. Jain. (2006): *Crafting and executing strategy, The Quest for Competitive Advantage: Concepts and Cases*, 14th Ed. Tata McGraw-Hill Publishing Company Ltd., New Delhi.

Awino Z., Wamalwa R., Imaita I., (2008*).* Challenges Facing the Implementation of Differentiation Strategy at the Mumias Sugar Company Limited*.* Kenya.

Baltas, G. and P. Papastathopoulu (2003); "Shopper characteristics, product and store choice criteria: a survey in the Greek grocery sector"; *International Journal of Retail and Distribution Management, vol. 31, No. 10, pp. 498-507*

Barone, M.J. and T.E. DeCarlo (2003). "Emerging Forms of Competitive Advantage: Implications for Agricultural Producers." Midwest Agribusiness Trade Research and Information Center Research Paper 03-MRP 5.

Bates, K., Bates, H. and Johnston, R. (2003), "Linking service to profit: the business case for service excellence", *International Journal of Service Industry Management, Vol. 14 No. 2, pp. 173-83.*

Besanko, D., Gupta, S. & Jain, D. (1998); Logit Demand Estimation Under Competitive Pricing Behaviour. An equilibrium Framework, *Journal of Management Science Vol. 44 pp. 1533-1547.*

Carpenter, Jason M. and Marguerite Moore (2006) *Consumer demograhics, store attributes, and retail format choice in the US grocery market"; International Journal of Retail and Distribution management, vol. 34, No. 6, pp. 434-452.*

Chamberlin, E.H., (1971). *Product Heterogeneity and Public Policy. In: Firm, G.C., Archibald, E.,* The Theory of the Firm. Penguin Books, England.

Chamberlin E. and Robinson L. *(1933); Theory of Monopolistic Competition*: *Origins Results and Implications* 8th ed. Southern Economic Journal

Cullen, J. & Parboteeah, K. (2005): *Multinational management. A strategic approach.* 3rd Ed. Thomson South-Western. Mason Publishers.

Curasi, C. F., Kennedy, K. N. (2002) From prisoners to apostles: A typology of repeat buyers and loyal customers in service businesses. *Journal of Services Marketing, Vol. 16, No. 4, pp.322–341.*

Corstjens, M., Lal, R. (2000) Building store loyalty through brands. *Journal of Marketing Research, Vol. 38, pp. 281–291.*

Doyle, A. B. and Stephen A. (1999). "Differentiation by design: the importance of design in retailer repositioning and differentiation", *International Journal of Retail & Distribution Management, Vol. 27 Iss: 2 pp. 72 – 83.*

Dubelaar, C., Bhargava, M. and Ferrarin, D. (2001), "Measuring retail productivity – what really matters?" *Journal of Business Research, Vol. 55 No. 5, pp. 417-26.*

Eckman M. and Yan, R. (2009). Consumers' perceptions across locations. International *Journal of Retail & Distribution Management, Vol. 37 Iss: 1 pp. 24 – 42*

Ellis, B., Kelley, S. (1992) Competitive advantage in retailing. *The International Review of Retail, Distribution and Consumer Research, Vol. 2, No. 2, pp. 381–396.*

Evans, J. (2005), "Are the largest public retailers top financial performers? A longitudinal analysis". *International Journal of Retail & Distribution Management, Vol.33 No. 11 pp. 842-57.*

Food Marketing Institute (2001) *Trends in the United States: Consumer attitudes and the supermarket*. Research Department, Washington, DC.

Fornell, Claes (1992), "A National Customer Satisfaction Barometer: The Swedish Experience," *Journal of Marketing*, *56 (1), 6-21.*

Fox, E., A. Montgomery, and L. Lodish (2004); "Consumer shopping and spending across retail formats"; *Journal of Business, vol. 77, No. 2, pp. S25-S60*

Fratto, Genessa M. *et al*., (2006). "An Investigation of Competitive Pricing Among Apparel Retailers and Brands. *Journal of Fashion Marketing and Management, Vol. 10, Issue 4.*

Gerry J., Kevan S., Richard W. (2008). *Exploring corporate strategy*. 8th Ed. Pearson Education Limited, prentice hall.

Gomez, Miguel I., Edward W McLaughlin and Dick R. Wittink;(2004) "Customer satisfaction and retail sales performance: an empirical investigation"; *Journal of Retailing; 80, pp 265-278.*

Grant R. M. (2010). *Contemporary Strategy Analysis* 7th Ed. John Wiley & Sons Ltd., UK.

Grewal, D., Krishnan, R., Baker, J. and Borin, N. (1998) The effect of price discount, brand and store information on consumers' product evaluation and purchase intentions. *Journal of Retailing, Vol. 74, No. 3, pp. 331–352.*

Hansen, T. and H. Solgaard (2004); "New Perspectives on Retailing and Store Patronage Behavior"; *Journal of Retailing, Vol. 53, No. 4, pp. 59-72.*

Harris, L., Ogbona E. (2001) Competitive advantage in the UK food retailing sector: past, present and future. Journal of Retailing and Consumer Services, Vol. 8, pp. 157-173.

Hernant, M. (2009); *Profitability Performance of Supermarkets. Retailing, Store performance, Profitability, Economies of scale, Competition.* The Economic Research Institute Stockholm School of Economics. Elanders, Vällingby, Stockholm, Sweden

Hernant, Mikael, Thomas Andersson & Olli-Pekka Hilmola (2007). Managing retail chain profitability based on local competitive conditions – Preliminary analysis. *International Journal of Retail and Distribution Management*, Vol. 35, No. 11, pp. 912-935.

Huddleston, P., Whipple, J., Van Auken, A. (2004). Food store loyalty: Application of a consumer loyalty framework. *Journal of Targeting, Measurement and Analysis, Vol. 12, No. 3, pp. 213-230.*

Huddleston, P and Runyan, R.C. (2006), "Getting customers downtown: the role of branding in achieving success for central business districts", *Journal of Product & Brand Management, Vol. 15 No. 1, pp. 48-61*

Institute of Economic Affairs (2010)

Johnson, G., Scholes, K. (2002). Exploring Corporate Strategy, 6th Ed. Pearson Education
    Limited, Essex

Kathuri, J.N., & Pals, D.A.(1993). *Introduction to Educational Research*. Njoro: Egerton University
    Press.

Kim, E., Nam, D. & Stimpert, J.L. (2004). Testing the Applicability of Porter's Generic
    Strategies in the Digital Age: a Study of Korean Cyber Malls. *Journal of Business
    Strategies, Vol.21, 19-45*

King, J.B. (2005). The Top 10 Reasons Businesses Succeed. *Journal of Business Strategies,
    Vol.28, 9-12*

Kothari, C. R. (2004). *Research Methodology*: Methods and Techniques (2nd Ed.) New Delh:
    New Age International Publishers.

Kumar, V. and Kiran Karande (2000); "The Effect of Retail Store Environment on Retailer
    Performance"; *Journal of Business Research, 49, pp. 167-181*.

Levy, M. and Weitz, B. (2007). *Retail Management*. 6th ed. New York: McGraw-Hill/Irwin.

Levy, M and Weitz, B.A. (2004). *Retailing Management*, 4th edition, McGraw-Hill, New York,

Lorentz, H., Ha¨kkinen, L. and Hilmola, O-P. (2006), "Analysis of the Russian retail sector –
    prospects for cross-border M&A activity", *Baltic Journal of Management,Vol.1No. 2, pp.
    148-68*.

Maclnnis, D., Park, J. and Yoo, C., (1998). Effects of store characteristic and in-store emotional
    experience on store attitude. *Journal of Business Research, Vol. 42, pp. 253–263*.

Mugenda, M. O., & Mugenda, G. A. (2008). *Research Methods: Quantitative and Qualitative Approaches.* Nairobi: African Centre for Technology Studies

Mugenda, M. O., & Mugenda, G. A. (1999). *Research Methods: Quantitative and Qualitative Approaches.* Nairobi: Central Graphics Services.

Municipal Council of Nakuru (MCN) 2011; *List of Retail Supermarkets Within Nakuru Central Business District*

Oren., S., S. Smith., & R. Wilson (1984); Pricing & Product Line. *Journal of Business pp. S57 – S.73.*

Pan Yue and George M. Zinkhan (2006); "Determinants of retail patronage: A meta -analytical perspective"; *Journal of Retailing, vol 82, No. 3, pp 229-243.*

Parrish, E. (2010); Retailers' use of niche marketing in product development. *Journal of Fashion Marketing and Management, Vol. 14, No. 4, pp. 546-561.*

Pearce, J. Robinson, R. (2005). *Strategic Management:* Formulation Implementation and Control 9th Ed. New York, Tata McGraw-Hill

Pearce, J. & Robinson, R. (1994); *Strategic Management–Formulation, Implementation and Control* 5th Ed. Irwin, Burr Ridge/IL.

Pfeiffer, (2012). Better customer service = better sales performance: available at http://teleperformancegroup.wordpress.com/2012/02/28/better-customer-service-better-sales-performance/ retrieved on 1st September, 2012.

Porter ME. (1980). *Techniques for analyzing industries and competitors*. Competitive Strategy. New York, Free Press.

Porter, M.E. (1990). *The competitive advantage of nations*. London, Macmillan

Schneider, B., Bowen, de (1995), *Winning the Service Game*, Harvard Business School Press, Cambridge, MA

Seiders, Kathleen and Douglas J. Tigert (2000); "The impact of supercenters on traditional food retailers in four markets"; *International Journal of Retail and Distribution management, vol. 28, No 4/5, pp 191-193.*

Sigler, K. J. (2010). The U.S. Retail Industry: Are CEOs Paid for Performance? *International Review of Business and Social Sciences Vol. 1, No. 4 [33-39]*

Singh, Vishal, Pradeep Chintagunta, and Jean-Pierre Dube (2002), "*Balancing Profitability and Customer Welfare:* An Application to Zone Pricing by a Supermarket Chain," Working Paper.

Simova, J., Clarke-Hill, C. and Robinson, T. (2003), "A longitudinal study of changes in retail formats and merchandise assortment in clothing retailing in the Czech Republic in the period 1994-1999", *International Journal of Retail & Distribution Management, Vol. 31 No. 7, pp. 352-8.*

Sirohi, N., McLaughlin, E. W., Wittink, D. R. (1998) A model of consumer perceptions and store loyalty intentions for a supermarket retailer. *Journal of Retailing, Vol. 74, No. 2, pp. 223–245.*

Sharp, B., Dawes, J.G., (2001). What is Differentiation and How Does it Work? *Journal of Marketing Management 17, 739-759.*

Suhr D., (2009). *Principal Component Analysis vs. Exploratory Factor Analysis*: University of Northern Colorado: Paper 203-30.

Thomson, A., Strickland, A, Gamble, J., Jain, A (2006). *Crafting and Executing Strategy* 14th Ed New Delhi, Tata McGraw-Hill

Thompson J and Martin F., (2005).*Strategic Management: Awareness and Change.* 5th ed. London: Thomson learning. 287.

Verlag D., (2009). Supermarket Differentiation in the UK: A Theoretical and Empirical Investigation available at http://books.google.co.ke/books/about/Supermarket_Differentiation_in_the_Uk.html?id= d64I_6awzWAC&redir_esc=y accessed on 28th September 2012

Walker, O., Ruekert R. (1987); Marketing's Role in the implementation of Business Strategy. A Critical Review and Conceptual Framework. *Journal of Marketing Vol 51 (3) pp 15 - 33*

Walters, D., Knee, D. (1989). Competitive Strategies in Retailing, Long Range Planning, *Journal of Business Vol. 22, No. 6, pp. 74 – 84.*

Walters. R. G. & S. B. McKenzie (1988); A Structural Equation Analysis of the Impact of Price Promotions on Store Performance. *Journal of Marketing Research Vol. 25 pp. 51 – 63.*

Yasunaga, T. and M.D. Schwartz. 2000. Revised status of Genus Chilocrates Horváth (Heteroptera: Miridae), with a review of the species and nomenclatural changes. J. New York Entomol. Soc. 108: 151-161.

Zeithaml A. V. (2000); Price and Brand Names as Indicators of Quality Dimensions for Consumer Durables. *Journal of the Academy of Marketing Science Vol. 28, No. 3 pp. 359 – 324.*

APPENDICES

Appendix 1: Supermarkets that have been in existence in the Nakuru CBD (2009-2012)

No.	Retail Supermarkets
1.	Gilani's Ltd
2.	Nakuru Woolmatt – West
3.	Nakuru Woolmatt – East
4.	Stagematt Pekars
5.	Stagematt ChapChap Ltd.
6.	Stagematt Corner
7.	Ukwala Ltd.
8.	Tuskys Mid-town
9.	Tuskys Magic
10.	Chanzia Ltd.
11.	Quickmart Ltd.

Source: (MCN Information office, December 2011).

Appendix 2: Work Plan

Month \ Activity	Jul. 2012	Sept. 2012	Oct. 2012	Nov. 2012	Sept. 2013	Sept. 2013
Proposal writing	▨					
Corrections		▨				
Submission of Proposal and Presentation.			▨			
Project research Data collection and analysis				▨		
Submission of project					▨	
Presentation						▨

Appendix 3:   Budget Plan

Description	Cost (Kshs.)
Printing papers (4)	2000
Writing pens	200
Typesetting printing or proposal and project	6,500
Typesetting and printing of questionnaire	2,500
Meals & Drinks	2,000
Internet services	3,000
Binding of report	3,500
Miscellaneous	3,000
Total amount	**22,700**

Appendix 4: Interview Schedule for Branch Managers

1. Name of Supermarket _____

2. Years of operation in Nakuru CBD _____

3. What differentiation strategies has your supermarket put in place to counter competition from

    other supermarkets in Nakuru CBD?

    a) Product oriented strategies (quality, selection, assortment, position and variety)

        i.   _____

        ii.   _____

        iii. _____

        iv.   _____

        v.   _____

    b) Physical orientation strategies (location, display/layout etc)

        i.   _____

        ii.   _____

        iii. _____

        iv.   _____

        v.   _____

    c) Service oriented strategies (service quality, operating hours, after-sales-services etc)

        i.   _____

        ii.   _____

        iii. _____

        iv.   _____

        v.   _____

4. Please explain how the above differentiation strategies in question 3 have contributed to the state of your supermarkets annual sales revenue?

_____

_____

_____

5. Please complete the following table which indicates the annual sales performance by ticking appropriately in the spaces provided.

	Period		
Annual Sales Performance (Kshs)	**2009**	**2010**	**2011**
Below 5,000, 000			
Between 5,000,001 and 10,000,000			
Between 10,000,001 and 15,000,000			
Above 15,000,000			

6. From the results of the above table, comment on the annual sales revenue trends since the adoption of differentiation strategies by your supermarket.

_____

_____

_____

Thank you

Appendix 5:   Research Questionnaire - Tech. Officer (S/Controller) & Product L/Staff

Part A: General Information

1. Kindly indicate your gender

   Male   [   ]

   Female   [   ]

2. Please indicate your age from the choices below

   Below 25 years   [   ]   36-45 years   [   ]

   26-35 years   [   ]   Above 45 years   [   ]

3. Kindly indicate your highest academic qualification

   Primary school level   [   ]   College   [   ]

   Secondary school   [   ]   University level   [   ]

   Any other (please specify)…………………………………………..……….………

4. Please indicate the name of your current employer

   _____

   Kindly indicate your current position _____

5. Please indicate how long have you been a member of the supermarket

      Less than 5 years   [   ]   11 to 15 years   [   ]

      6 to 10 years   [   ]   Over 15 years   [   ]

6. Supermarkets working hours

      12 hours   [   ]

      13 – 18 hours   [   ]

      24 hours   [   ]

Product Differentiation

7. To what extent does your organization use the following product differentiation strategies?

	Very large extent	Large Extent	Moderate extent	Small extent	No extent
Product quality					
Product selection					
Product assortment					
Products position					

8. To what extent does your organization use the following physical differentiation strategies?

	Very large extent	Large Extent	Moderate extent	Small extent	No extent
Store location					
Parking space					
Store design and display/layout					
Store atmosphere					

9. To what extent does your organization use the following service differentiation strategies?

	Very large extent	Large Extent	Moderate extent	Small extent	No extent
After sales services					
Retailer's own brands/value addition					
Advertising and Promotion					
One- stop-shop					
Service quality					
Core competencies					
Sales incentive programs					
Operating hours					

Effects of differentiation strategy on sales performance

Product Differentiation

10. The following statements describe the adoption of product differentiation strategies at your supermarket. Please state whether or not you agree with them?

	Strongly Agree	Agree	Moderate	Disagree	Strongly Disagree
The supermarket ensures stocking of high quality products					
We exercise diligence in selecting suppliers of our products					
Product selection is based on customer specification					
Product selection is demand driven					
Product assortment style is distinct from our competitors					
Our products are well positioned for ease access by customers					

11. The following statements describe the adoption of physical differentiation strategies at your supermarket. Please state whether or not you agree with them?

	Strongly Agree	Agree	Moderate	Disagree	Strongly Disagree
Our supermarkets are strategically located					
We have adequate free parking space					
Display/layout of items is convenient to customers					
Display/layout is strategically altered on periodic basis to attract new and existing customers.					
Our supermarket are spacious for free movement of customers					
Supermarket environment is filled will entertainment (visual and audio)					

12. The following statements describe the adoption of service differentiation strategies at your supermarket. Please state whether or not you agree with them?

	Strongly Agree	Agree	Moderate	Disagree	Strongly Disagree
We offer transport service to our customers					
We add value to our products through repackaging of items					
We use celebs for advisement and promotion of our supermarket					
We offer online shopping services					
Our customers are able to get most of their items under one roof					
Service delivery is fast in our supermarket					
There is promptness in handling customers complaints/inquiries					
We have skilled and experienced staff					
We have variety of sales incentive programs (smart cards, bank credit cards etc)					

13. Since the adoption of the differentiation strategies, what is the status of annual sales revenues compared to the periods before?

Increasing   [   ]

Static/same   [   ]

Decreasing   [   ]

THANK YOU