DIFFERENTIATION STRATEGIES AND ORGANIZATIONAL PERFORMANCE OF FIRMS LISTED UNDER MANUFACTURING AND ALLIED SECTOR AT THE NAIROBI SECURITIES EXCHANGE

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ABSTRACT

This study evaluated the effects of product, service, and channel differentiation on the bottom lines of industrial and allied sector companies listed on the NSE. Using a descriptive research strategy, this study investigated the research topic at hand. Twenty-five managers or supervisors and workers from each of the eight industrial and allied Sector enterprises situated in Nairobi County were surveyed for this study. Yamane's method was used to calculate a sample size of 133 for this investigation from a population of 200, with a 95% confidence interval. The researcher utilized the questionnaire to gather primary data from the institution's management. The study results showed that most of the respondents agreed that product differentiation impacts on performance of firms listed under industrial and allied sector at the NSE. The study findings showed that product differentiation has a positive statistical beta coefficient. The study findings indicated that majority of the respondents agreed that service differentiation impacts on performance of firms listed under industrial and allied sector at the NSE. Service differentiation has a positive statistical beta coefficient. The results showed that most of the respondents were in agreement that channel differentiation impacts on performance of firms listed under industrial and allied sector at the NSE. Channel differentiation has a positive statistical beta. The study results indicated that majority of the respondents agreed that price differentiation affects performance of firms listed under industrial and allied sector at the NSE. Price differentiation has a positive statistical beta coefficient. The study recommended that the firms should consider costs in their production, outsource production to minimize costs and adopt the mechanization method to enhance efficiency in production. It was recommended that the firms consider costs and market conditions when pricing their products in order to improve performance and that that firms should use different distribution channels so that they could reach customers in different areas and improve their performance. The study recommended that the firms broaden their product offering, obtain certification for their products, and adopt innovation.

Key Words: *Product Differentiation, Service, Channel Differentiation*

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INTRODUCTION

Companies are under greater pressure than ever before because of intensifying rivalry, more discerning consumers, and rapid technological change (Olson, Slater, Hult, & Olson, 2018). Increasing competitiveness is a top priority for many companies today; therefore, many are adopting strategies that provide them a competitive edge. To do this, they will need to come up with unique approaches. While some rice milling businesses have succeeded in differentiating themselves, the vast majority have not. To achieve this, it is necessary for a company's technology, leadership, markets, culture, people, and environmental repercussions to be strategically aligned with its core capabilities. This phenomenon signifies a substantial and transformative change within the realm of strategic management.

Businesses nowadays have to deal with a volatile business environment, fierce competition for clients, the pressure to maximize earnings, and the need to increase their market share by meeting the demands of their target demographic. Local companies are under pressure to deliver high-quality goods and services at affordable prices since customers now have easier access to alternatives. Differentiation strategies are developed to help a product stand out from the crowd of competitors by tweaking one or more components of the product. We understand that this is a strategy used by businesses to make their goods more appealing to consumers in today's cutthroat marketplace. Studies show that highlighting these features makes consumers more likely to see the product or service as unique. Businesses can't afford to provide services to everyone with the same product because customers are too numerous, dispersed, and picky. As a result, consumers will pay more attention to other, promotional aspects of a product rather than price alone. If a customer places a high value on a company's providing, they will pay less attention to aspects of rival offerings, and pricing may not be one of them (Rasouli & Sepideh, 2018).

Offering something unique and different from what competitors provide is one way for a company to differentiate its goods and services. The primary objective of adopting a differentiation strategy is to increase one's competitive advantage. To do so, businesses often weigh their strengths and weaknesses against customer needs and the entire value they can provide (Hernant, Mikael, & Thomas, 2011). Edward Chamberlin initially presented the idea in his book The Theory of Monopolistic Competition, published in 1933. A company's competitive advantage may lie in the hands of an individual with exceptional marketing abilities. Sales results for a business may benefit from adopting a differentiation strategy. The goal of any successful differentiation strategy is to establish a unique and sustainable niche in the market. The foundation for such difference may be the dissemination of a brand's design or image, according to Walters and Knee (2011).

A company's performance is a key measure of its mission. The term "performance" is used to describe the degree to which a corporation meets its targets within a certain time period. Success may be measured in monetary or non-monetary terms (Yang & Pangastuti, 2016). Financial metrics are used to evaluate an organization's success. It may be evaluated in terms of profitability, ROI, ROE, ROA, and other metrics. Financial success is the lifeblood of every business, but notably for-profit enterprises (Ubochioma, 2016). Qualitative language is often used to describe non-financial performance measures. Because they are qualitative, they are quite open to interpretation. The term "performance" encompasses both human beings and the natural world. Human elements are a key part of non-financial performance indicators, such as employee morale, customer satisfaction, and customer loyalty. The environmental performance indicators assess how a company's actions affect the local community as a whole. This information is generally included in a company's sustainability report (Maurizio La, 2019).

The Nairobi Securities Exchange (NSE) is a leading financial marketplace in Africa. Kenya has one of Sub-Saharan Africa's most dynamic economies. The NSE was established in 1954, and ever since then it has been a bustling marketplace for listing bonds and stocks. It's a fantastic marketplace for anybody hoping to aid in Kenya's and Africa's economic development. The Kenyan Capital Markets Authority is responsible for monitoring NSE. It was a pioneer in both the African Securities Exchanges Association (ASEA) and the East African Securities Exchanges Association (EASEA), and it has full membership in the World Federation of Exchange. The NSE is an active Sustainable Stock Exchange (SSE) in addition to being a member of the Association of Futures Market.

Prior to 2015, the NSE's market was split into three sections. Primary investments, secondary investments, and fixed income markets. The primary investment market sector was expanded to include agricultural, industrial and allied, finance and investment, and commercial services. However, they have been reorganized into 12 categories to better reflect the wide range of industries in the economy (NSE, 2015). There are nine firms in the commercial and services industry, nine firms in the manufacturing and allied industry, eleven firms in the banking industry, five firms in the energy and petroleum industry, four firms in the construction and allied industry, one firm in the investment services industry, seven firms in the agricultural industry, three firms in the automobiles and accessories industry, one firm in the telecommunications and technology industry, six firms in the insurance industry, and nine firms in the growth enterprise market. According to data provided by the NSE (2015), 62 firms have taken part in trading activities after deciding to float their stocks on the exchange.

Manufacturing and associated industries are a vital part of the economy. Nairobi Securities Exchange (2020) lists nine companies operating in this market: B.O.C. Kenya Ltd; British American Tobacco Kenya Ltd; Mumias Sugar Co. Ltd; Kenya Orchards Ltd; Carbacid Investments Ltd; Unga Group Ltd; Flame Tree Group Holdings Ltd; East African Breweries Ltd; and Eveready East Africa Ltd. This analysis focused on the other seven, excluding Mumias Sugar Co. Ltd.

Statement of the Problem

Kenya, like many other developing countries, has had difficulty creating a robust industrial sector, instead relying heavily on agriculture and services for economic growth. Since the manufacturing sector's contribution to GDP has dropped from 9.2% in 2016 to an anemic 8.4% in 2017, the country has deindustrialized too soon. Deindustrialization and the growing importance of the service sector have raised concerns about the future role of manufacturing in driving economic expansion (Kenya Association of Manufacturers, 2017).

Operating costs have increased, low-cost imported goods have increased, inflation has increased, consumer spending power has decreased, and product margins have decreased as a result of efforts to gain market share through products that appeal to the mass market, all of which have affected Kenya's manufacturing and allied sector. Kenya's manufacturing and allied businesses are expanding quickly despite these challenges. Several enhancements in procedures, new product development, price battles, and distribution strategies have been used by each firm to set themselves apart from their competitors (Kamau, 2013). Therefore, the aim of this research is to ascertain the impact of differentiation strategies on the bottom lines of firms traded on the Nairobi Securities Exchange that operate in the manufacturing sector and adjacent fields.

Globalization, deregulation, increasing local and global rivalry, and new technology are just a few of the organizational and environmental issues that are making it tough for firms to compete on a daily basis. Differentiation, cost leadership, diversity, and new product development are the four pillars that make up Porter's generic competitive strategy model. By applying these four pillars, organizations have the ability to adapt to the enlightened customer and prosper in the contemporary market. According to Rahman et al. (2011), differentiating one's product or service from that of rivals is one of the strategies that businesses use in an effort to gain a competitive edge in the marketplace.

When competing with other businesses that provide similar services and/or products, one strategy for success is to differentiate oneself from the competition. Numerous studies on competitive tactics in Kenya have been completed. The authors found that SACCOs, who routinely introduce new products, had consistently good performance. Some businesses will have an advantage over their competitors in the market if they are able to set themselves apart in some way. The use of specialized platforms and services by SACCOs has boosted national output. Kamau (2013) analyzed the impact of a differentiation strategy on supermarket sales in Nakuru, Kenya's major business district. The hypothesis that there is no link between the product diversification tactics utilized by retail supermarkets and successful sales was investigated during the course of this study. The findings of the study revealed that physical and product distinctiveness had a significant impact, both individually and together, on the annual sales performance of supermarkets. Kaburu (2008) on research on the influence of marketing strategies on the bottom lines of media companies, there is a significant correlation between the two. Caroline (2014) discovered that the results of her inquiry into the competitive tactics used by universities in Meru and Tharaka Nithi counties could not be generalized to any other setting since each strategy was unique to the university environment. This was the conclusion she reached after looking at the competitive tactics employed by universities in Meru and Tharaka Nithi counties.

Despite the fact that these studies focused on competitive strategies and differentiation strategies in particular, they did not investigate the impact that differentiation strategies have on the financial performance of businesses operating in the manufacturing and related industries. This study aimed to solve this information vacuum by assessing the influence of firms' differentiation strategies on their performance in the manufacturing and allied sector of the NSE in Nairobi County. This sector was traded on the Nairobi Securities Exchange.

Objectives of the Study

The general objective of this study was to examine the effect of differentiation strategies on organizational performance of firms listed under industrial and allied sector at the NSE. The specific objectives guiding this study were:

- To assess the effect of product differentiation on organizational performance of firms listed under industrial and allied sector at the NSE.
- To determine the effect service differentiation on organizational performance of firms listed under industrial and allied sector at the NSE.
- To assess the effect of channel differentiation on organizational performance of firms listed under industrial and allied sector at the NSE.
- To determine the effect of price differentiation on organizational performance of firms listed under industrial and allied sector at the NSE.

LITERATURE REVIEW

Theoretical Review

Knowledge-Based Theory

Penrose's (1959) and others' (1991) resource-based view of the firm (RBV) is expanded upon and built upon by this viewpoint, which has its origins in the body of research on strategic management. Knowledge is the most valuable strategic asset for a company, according to business theories that are focused on the accumulation of new information. Advocates of this theory argue that the diverse knowledge bases and capacities inside businesses serve as fundamental catalysts for achieving long-term competitive advantage and enhanced corporate performance. This phenomenon may be attributed to the inherent complexity and occasional challenges associated with the recreation of knowledge-based resources in social contexts. This is due to the fact that knowledge-based resources are frequently difficult to acquire. The rules, policies, papers, systems, and staff of the company are only some of the numerous items that carry this information and have it incorporated in them. The corporate culture and identity also convey this information.

While the resource-based view of the firm acknowledges the significance of knowledge in enabling companies to gain a competitive edge, the knowledge-based view of the firm argues that it surpasses the resource-based perspective and deems the latter inadequate. In particular, the RBV does not discriminate between the many types of capabilities that are based on knowledge. This is due to the fact that it regards knowledge as a generic resource rather than one that has specific qualities. Maryam and Dorothy (2011) argue that information systems have the potential to facilitate the synthesis, refinement, and acceleration of comprehensive knowledge management inside and across firms. This can be a fundamental component of the knowledge-based vision of the company.

Porters Generic Strategy Model

The idea was created by Porter (1980) employing three separate strategies: cost leadership, cost differentiation, and cost concentration. This concept illustrates how companies may use a variety of tactics to provide them a competitive edge over their rivals and, as a result, enhance their performance. Cost leadership is a method that companies use in order to cut their expenses while simultaneously increasing their production efficiency and their profitability. Businesses that use this approach go on the defensive against their competitors in order to protect their clientele from defecting to other companies and to benefit from any potential scale economies that may be accessible to them.

According to Putra and Suhato (2018), a differentiation strategy may create a competitive advantage by distinguishing a company's business products along many dimensions, and then charging consumers a premium for those goods. Industries that have reached their maturity and are now undergoing a technological change are able to distinguish themselves and become more cost effective. This is made possible by the strategic use of technology, which raises companies in the manufacturing sector and allied industries above their competitors and, as a result, differentiates these businesses from their contemporaries. Companies in the manufacturing and allied industries may differentiate themselves in the marketplace with their offerings of financial services by coming up with innovative products and processes that increase customer pleasure and help cultivate customer loyalty. Manufacturing and associated sector firms are able to join uncontested markets as a result of the strategy since it takes advantage of both new and current markets that the competition is unable to match (Ogot, 2014).

Discrete Choice Theory of Product Differentiation

According to the discrete choice theory of product differentiation, which was developed by Anderson et al. in 1992, the degree to which a product differs from its competitors in terms of quality, packaging, design, color, and style has a significant impact on the customer's decision to purchase the product. This holds true regardless of whether the customer is making a conscious or subconscious decision. This also presents a wealth of data that hasn't been well researched as of yet since there hasn't been a method that's been substantially used to model the information that's now accessible. However, this does mean that the data is rich. It provides an effective synthesis of previously often very technical work in differentiated markets and discrete choice models, and it expands on work that has already been done to provide a coherent theoretical framework for study into imperfect competition. Additionally, it draws on work that has already been done to construct models of discrete choice. It is believed that discrete options might take the form of many distinct models for product differentiation. These models provide the advantage of generating demand for product attributes based on a clearly defined utility, which is a significant competitive advantage. The majority of customers are only permitted to contemplate buying one unit of an item, which is a terrible restriction on their ability to exercise discernment.

When a product or service provides both exceptional performance and important value to the customer, it is said to be differentiated (Kotler, 2008). According to Kotler, the benefit to the customer should be something the market wants or values, and it might be either physical or intangible. The value that the client feels will motivate them to remain loyal to the unique brand. Anderson et al. (1992) assert that a company's competitiveness is determined by how well it makes use of its organizational strengths and addresses its weaknesses. There are many ways in which companies have attempted to set their wares apart from the competition, and Porter (1980) details some of the most common ones. Customers with similar demands may be won over by a company's brand, reducing the frequency with which they switch to a competitor's goods (Makadok, 2010). Different products survive and even flourish in the market because customers value variety (Beath & Katsoulacos, 1991). Branding, unique products, excellent quality, superior goods and services, after-sales care, unique packaging and design, product accessibility, product reliability, and payment convenience are all ways to set your product apart from the competition. The ability to differentiate a product in terms of complexity and features is strongly influenced by the price at which it is sold (Yaprak, 2001).

Dynamic Capability Theory

Dynamic capability was described by Teece, Pisano, and Shuen (1997) as an organization's ability to integrate, build, and rearrange internal and external strengths in response to changing conditions. It is derived from Schumpeter's (1934) theoretical framework, which posits that rivalry driven by innovation and the pursuit of competitive advantage involves the process of "creative destruction," wherein current resources are dismantled in order to facilitate the restructuring of operational capacities into new forms (Auger & Teece, 2009). In actuality, dynamic abilities are constructed from separate, visible actions. Organizational mechanisms that enable a resource to grow, shift, and evolve in response to a dynamic external setting are at the heart of this concept. Repurposing aging assets in novel ways is at the heart of the Dynamic Capabilities procedures that help businesses adapt to changing conditions.

Higher-order capabilities that alter a company's responsiveness to the outside world are known as "dynamic capabilities," as described by researchers such as Easterby-Smith et al. (2009) and Winter (2003). This refers to a company's ability to proactively increase, diversify, or fine-tune its resource base via the use of established, habitual procedures and routines (Helfat et al., 2009). Teece (2007) states that these abilities may be broken down into three categories: sensing, grasping, and reconfiguring. Sensing talents include being aware of and monitoring changes in one's internal and external environments. Capability acquisition is a reflection of a company's capacity to create new knowledge internally, to acquire new information externally, and to integrate this new knowledge with existing knowledge via knowledge exchange (Cepeda & Vera, 2007). The participants' grasping abilities were evaluated on three different measures. Knowledge acquisition, dissemination, and incorporation are all part of these processes (MacInerney-May, 2012).

Quality Management Theory

Quality, as defined by the American Society for Quality Control, includes "the overall elements and characteristics of a good or service created or delivered to satisfy the needs of customers at the time of purchase and during use (Talha, 2004). On the other hand, quality management is an approach to management that seeks to bolster standard managerial practices including planning, control, and enhancement. The manufacturing perspective defines quality management as everything done throughout the design and production phases that contributes to a higher quality final result. According to ISO 9000, quality management is the process through which a company plans, implements, monitors, and evaluates its efforts to achieve its quality objectives. The activities include the whole gamut of quality management: planning, control, improvement, and assurance.

Adding value is anticipating and satisfying a customer's requirements. Several companies, like Samsung in South Korea and Toyota in Japan, have focused quality and slashed expenses to increase customer loyalty. Foster (2001) and Maguad (2006) argue that retaining customers requires not just well-coordinated, high-quality operations in a handful of functional areas, but also strong interdepartmental cooperation. According to Kusaba (1995), quality is the degree to which different activities are executed skillfully. Therefore, the concept of worth is subjective across disciplines and social movements. In sales, for instance, the word "quality" relates primarily to the satisfaction of the client, while in manufacturing it refers more to the efficiency of the production process and in development it refers to both the service rendered and the results achieved.

Organizational Performance

The organizational structure also provides access to tools for measuring performance. In this domain, efforts are made to zero in on the most pressing issues for customers, define clear metrics for success, and establish norms against which progress may be measured. Organizational performance may be difficult to analyze and quantify since the methods used to do so vary depending on the nature of the company.

Profitability margins are a good indicator of the level of investment in a company's activities. A company's raw growth revenue is telling of its future success and its ability to take advantage of economies of scale. Market share is one metric that may be used to demonstrate an organization's superiority over its primary competitors. Manufacturing companies may also use brand loyalty as a metric of client loyalty and retention. Performance is the sole factor in an organization's growth and success (Crosby, 1979). Understanding the elements that impact organizational performance in a manufacturing context is crucial for anticipating the future in light of the various economic crises and shocks that have altered the global economic landscape. The most crucial parts are singled out and prioritized in order to guarantee peak performance (Zabel & Avery, 2002). Knowing what factors into success and how to quantify them is also essential

Empirical Review

Marketers use product differentiation (or just differentiation) to boost their product's attractiveness by distinguishing it distinct from similar offerings from rivals. The offering's distinct position in the market is defined by the benefits it provides to the target market. It's another name for identifying what makes your product different from the others (Becerra & Rosari, 2012).

Wanjiru (2012) studied the effects of product innovation on the financial health of 43 Kenyan banks. The research, which used a census survey and a descriptive method, included 43 financial institutions. Semi-structured questionnaires were utilised to collect primary data. Both descriptive and inferential statistics were employed to complete the study. Commercial banks in Kenya fared better when their products were differentiated, according to the research. Additional research was recommended in a number of different domains, all of which will be explored here. It will leverage the previous study's census survey to gather information from within enterprises in the manufacturing and allied sector.

The effects of product diversification on profits in Ghana's petroleum business were studied by Shafiwu and Mohammed (2013). The research set out to answer the question, "What is the connection between Effimax product differentiation, profitability, and customer preference?" in the petroleum industry. The study relied on a technique known as correlation research. The 14 private and 15 public oil marketing companies in Ghana were the targets. Using a method called cluster sampling, we were able to reduce the population down to just one firm. According to the findings, just because the petroleum industry isn't seen as having unique goods in contrast to other sectors doesn't mean that differentiating as a strategy isn't successful and acceptable for the sector. The drop in adoption rates may have other, unrelated reasons.

Differentiation in the service industry refers to the steps taken to ensure that a certain service stands out from the crowd. Differentiated service is mostly handled in a small number of niche technological areas like telecommunications networks and the internet. It is also mentioned in several marketing books in terms of targeting specific types of customers. Differentiable features of the service include information quality, security, and customer segmentation (Aykan, Ebru, & Teeratansirikool, 2013).

In 2011, Gabauer, Gustafsson, and Witell used a sample of 332 manufacturing enterprises to analyze competitive advantage and service differentiation. The research used a cross-sectional survey approach and relied on in-person interviews. Both its validity and reliability were examined. Descriptive, correlative, and regression methods were utilised to examine the data. The research found that service differentiation is one of the most effective ways for businesses to set themselves apart. Benefits are increased, and the connection between the nuance of customer desires and business effectiveness is strengthened. The research area was the European industrial sector.

The efficacy, efficiency, and efficiency of a company's distribution network may provide it a competitive advantage. Channel differentiation has been used before to set a business apart. However, in this era of increased consumer money and the subsequent demand for prestige in enterprises, brand image is becoming more important in establishing long-term emotional connection and loyalty. Channel distinction may sometimes play a game-changing role when a challenging repositioning assignment is at hand (Aliqah, 2012).

Kalubanga (2012) aimed to examine the impact of multi-channel distribution on the achievement of business objectives. The primary objective of this research was to examine the impact of multi-channel distribution on various business outcomes. The integration of the cross-sectional study design with both quantitative and qualitative research methodologies was undertaken. A scientifically determined sample size was obtained by using the Krejcie and Morgan table, in order to choose a representative sample of senior and junior sales and distribution personnel, distribution agents, wholesale employees, and retail workers. Data was collected by the implementation of a self-administered questionnaire, and statistical analysis was conducted using SPSS to get relevant statistical measures. The study's findings showed that the effectiveness of distribution nodes in bolstering the overall performance of a corporation is related to the multi-channel distribution management techniques used by that organization.

Price differentiation refers to the practice of charging different groups of customers different rates for the same product or service. A product's price may be used to differentiate it in two ways. companies may attract price-conscious clients by offering lower pricing than the competition; conversely, companies can signal quality and the premium or high-end nature of a product by charging higher prices (William & Ferrell, 2011).

Wuollet (2013) honed focus on the competitive advantage, stressing how it facilitates the company's ability to respond to changes in the market and make novel choices that boost revenue. The research found that firms can't establish a competitive edge and generate revenue only by offering lower prices, thus attention should shift to other potential sources of differentiation. Given that no firm can ignore the price component, this has to be considered since no business unit does not want an edge; the paucity of information should serve as a wake-up call for academics to dedicate substantial attention to the problem.

An investigation on the link between pricing tactics and financial success in Uganda's private primary schools was conducted by Sije and Oloko in 2013. The study employed the Med Graph software and Sobel mediation effect tests to develop a closed-loop model of private elementary schools' financial success. A quantitative method and a cross-sectional research methodology underpinned this investigation. Both descriptive and inferential statistics were used in the investigation. Partially (partial) mediation by competitive advantage is shown between pricing strategies and financial success.

METHODOLOGY

The research utilised a descriptive survey research approach to conduct the investigation. Mugenda and Mugenda (2013) posit that descriptive design is the process of obtaining data in order to test hypotheses or react to questions about the present condition of the problem that was being investigated. The total number of individuals or items that satisfy the predetermined set of standards put forth by the researcher is referred to as the population. A total of two hundred managers, supervisors, and workers from each of the eight firms that were listed in the NSE's Manufacturing and Allied Sector were chosen to serve as the unit of observation for this study. The target population consisted of all of the companies that were listed in this sector. The population included in this study contains homogeneous components. The stratified sample technique was used in this study to guarantee that all management levels were fairly represented among the respondents. Yamane's Formula was utilized to ascertain the sample size for the research. Out of a total of 200 people, 133 were selected to concentrate on the formula.

Primary sources were used for data collection, with secondary sources providing additional context. Primary data was gathered through the questionnaire distributed to senior managers of the five departments of these institutions that were in charge of creating strategies, including the differentiation strategies that were the subject of this study. Secondary data was provided by the organizations' financial statements that were being examined.

Quantitative data was entered and coded into SPSS Version 22 for use in descriptive statistical analysis. Descriptive statistics, including percentages, were utilised to transform the raw data into a format that enhances comprehension and interpretation with respect to the study topics. Furthermore, the quantitative data was analysed utilising inferential statistics techniques, namely linear regressions. A linear regression model was constructed and verified in order to examine the relationship between differentiation approaches and company output. The selection of linear regression as the preferred model is based on its ability to establish a linear relationship between variables, enabling the prediction or estimation of their behaviour via the identification of statistical correlations. According to Neuman (2013), multiple regression analysis is useful for determining the presence or absence of an effect, measuring the magnitude of an effect, and projecting the future course of an effect.

RESULTS AND DISCUSSIONS

Descriptive Statistics

Product Differentiation

In relation to the first objective the study was interested in finding out from the respondents the extent to which they agreed or disagreed product differentiation impacts on performance of firms listed under industrial and allied sector at the NSE. These results are as displayed in Table 1.

Table 1: Extent of Product Differentiation on performance

Statement	Mean	Std. Dev.
The organization focuses on its products features	3.8837	1.07370
The organization focuses on its product durability	4.3023	.93948
The organisation has a compelling value proposition, hence rendering a product or service appealing to a certain target market or audience.	4.0930	.89480
The organization ensures that it makes its products more attractive to a particular target market.	4.3023	.93948
The organization strategy is well-thought out and purposeful to highlight aspects of products or services that are unique and most relevant to customer	4.3256	.80832

Source: Survey 2023

The study results as indicated in table 1 showed that most of the respondents agreed that product differentiation impacts on performance of firms listed under industrial and allied sector at the NSE. Accordingly most of the respondents were in agreement that the organization focuses on its products features with a mean score of 3.8837 and std dev of 1.07370 that the organization focuses on its product durability with a mean value 4.3023 and standard deviation of 0.93948. The study results established that most of the respondents were in agreement with the statement that the organisation has a compelling value proposition, hence rendering a product or service appealing to a certain target market or audience with a mean value of 4.0930 and std dev of 0.89480 while others agreed that the organization ensures that it makes its products more attractive to a particular target market with a mean of 4.3023 and std dev of 0.93948. According to the study finding majority of the respondents agreed that the organization strategy is well-thought out and purposeful to highlight aspects of products or services that are unique and most relevant to customer with a mean score of 4.3256 and std dev of 0.80832.

The study sought explanations from the respondents in regards to the fact that the organisation has a compelling value proposition, hence rendering a product or service appealing to a certain target market or audience. The respondents argued that the organization ensures that it makes its products more attractive to a particular target market. They further argued that the organization strategy is well-thought out and purposeful to highlight aspects of products or services that are unique and most relevant to customer. At the same time the respondent stated that the organization focuses on its product durability and this impacts its performance.

Service Differentiation

In regards to the second objective the study sought to establish from the respondents the extent to which they agreed or disagreed that service differentiation impacts on performance of firms listed under industrial and allied sector at the NSE. The study findings are as shown in Table 2.

Table 2: Extent Service Differentiation on performance

Statement	Mean	Std. Dev.
The organization ensures that customers are able to order with ease	3.8372	1.17372
The organization makes sure that they provide customer training frequently	3.9070	.97135
The organization offers customers consultancy	4.0000	1.09109
The organization provides after service maintenance and repair	3.9070	1.15086
The organization delivers its products to customers	4.1163	1.19939

Source: Survey 2023

The study findings as shown in Table 2 indicated that majority of the respondents agreed that service differentiation impacts on performance of firms listed under industrial and allied sector at the NSE. From the study results most of the respondents with a mean value of 3.8372 and std dev of 1.17372 that the organization ensures that customers are able to order with ease, respondents with a mean of 3.9070 and std dev of 0.97135 were in agreement that the organization makes sure that they provide customer training frequently while majority of the respondents with a mean of 4.0000 and std dev of 1.09109 agreed that the organization offers customers consultancy. According to the study findings most of the respondents with a mean score of 3.9070 and std dev of 1.15086 were in agreement with the statement that the organization provides after service maintenance and repair while others with a mean of 4.1163 and std dev of 1.19939 were in agreement that the organization delivers its products to customers.

Channel Differentiation

The study was interested in findings out from the respondents the extent to which they agreed or disagreed that channel differentiation impacts on performance of firms listed under industrial and allied sector at the NSE. The findings of the study are as illustrated in Table 3.

Table 3: Extent of channel differentiation and the performance

Statement	Mean	Std. Dev.
The organization has a specified number of distribution channels	4.1163	.82258
The organization has in place a system on the type of distribution channels to be used	3.9535	.84384
The organization has clearly designed their distribution channels' coverage	4.0465	.87160
The company ensures that its products are available to customers through several distribution channels.	4.1163	.95641
The organization has clearly designed their distribution channels' expertise and performance	4.2093	.94006

Source: Survey 2023

The results in Table 3 showed that most of the respondents were in agreement that channel differentiation impacts on performance of firms listed under industrial and allied sector at the NSE. From the study results majority of the respondents with a mean value of 4.1163 and std dev of 0.82258 agreed that the organization has a specified number of distribution channels, that the organization has in place a system on the type of distribution channels to be used with a mean of 3.9535 and std dev of 0.84384 and that the organization has clearly designed their distribution channels' coverage with a mean score of 4.0465 and std dev of 0.87160. The study findings further established that most of the respondents agreed that the company ensures that its products are available to customers through several distribution channels with a mean of 4.1163 and std dev of 0.95641 and that the organization has clearly designed their distribution channels' expertise and performance with a mean value of 4.2093 and std dev of 0.94006.

Price Differentiation

The study sought to find out from the respondents the extent to which they agreed or disagreed that price differentiation impacts performance of firms listed under industrial and allied sector at the NSE. The results are as shown in Table 4.

Table 4: Extent Price Differentiation impacts on performance

Statement	Mean	Std. Dev.
The organization is limited to a number of different segments of customers	3.9302	1.16282
The organization charges different prices per segment for the same products or services	4.2093	.98942
The business charges various customers at varying rates for the same goods based on the customer's projected economic worth of an item.	4.0698	.88359
The organization sets a price that is considered to be the most appropriate for local conditions	4.1163	.85103
The organization has developed differentiating price structures to support explicit pricing objectives.	4.2326	.94711

Source: Survey 2023

The study results in Table 4 indicated that majority of the respondents agreed that price differentiation affects performance of firms listed under industrial and allied sector at the NSE. According to the study results majority of the respondents with a mean score of 3.9302 and std dev of 1.16282 were in agreement that the organization is limited to a number of different segments of customers. It was found that most of the respondents were in agreement that the organization charges different prices per segment for the same products or services with a mean score of 4.2093 and std dev of 0.98942 while majority of the respondents agreed that the business charges various customers at varying rates for the same goods based on the customer's projected economic worth of an item with a mean of 4.0698 and std dev of 0.88359. The study results established that most of the respondents were in agreement with the statement that the organization sets a price that is considered to be the most appropriate for local conditions with a mean value of 4.1163 and std dev of 0.85103. Lastly, it was revealed that majority of the respondents agreed that the organization has developed differentiating price structures to support explicit pricing objectives with a mean value of 4.2326 and std dev of 0.94711.

Organizational Performance

On organizational performance, the study sought from the respondents the extent they agreed/disagreed with performance measures of firms listed under industrial and allied sector at the NSE. The results are as summarized in Table 5.

Table 5: Extent of Effect of Performance Factors

Statement	Mean	Std. Dev.
The organization is/has continuously improved on its in performance	3.9302	1.16282
There is efficiency of business processes in the organization	4.2093	.98942
The organization focus on quality of its products and services	4.0698	.88359
The organization employees are productive and meet organizational objectives regularly	4.1163	.85103
The organization has aligned its functions with its strategy	4.2326	.94711

Source: Survey 2023

The results from the respondents as shown in Table 5 indicate that most of the respondents agreed that performance measures of firms listed under industrial and allied sector at the NSE looked at in this study were influenced. According to the study findings majority of the respondents agreed that the organization is/has continuously improved on its in performance with a mean of 3.9302 and std dev of 1.16282 and most of the respondents were in agreement with the measure that there is efficiency of business processes in the organization at a mean score of 4.2093 and std dev of 0.98942.

Further the study established that majority of the respondents were in agreement that the organization focus on quality of its products and services with a mean of 4.0698 and std dev of 0.88359. The study found out that most of the respondents agreed that the organization employees are productive and meet organizational objectives regularly with a mean score of 4.1163 and std dev of 0.85103. Lastly, the study found that most of the respondents agreed that the organization has aligned its functions with its strategy with a mean of 4.2326 and std dev of 0.94711.

Inferential Statistics

The researcher regressed differentiation strategies against performance of firms listed under industrial and allied sector at the NSE in order to establish the relationship between them. The following model included the independent and the dependent variables. Table 6 illustrates the findings of the model summary.

Table 6: Model Summary

Model	R	R Squared	Adjusted R Squared	Standard Error of the Estimate
1	.832[a]	.693	.673	.99287

a. Predictors: (Constant) Product Differentiation, Service Differentiation, Channel Differentiation and Price Differentiation

Source: Survey 2023

As shown in Table 6, the results show that the coefficient of determination R sqaure was 0.693 and the adjusted R square of 0.673. This study results indicate that 67.3% of the performance of firms listed under industrial and allied sector at the NSE is explained by differentiation strategies adopted by these firms.

The study carried out an analysis of variance at 5% significance level to test whether the survey results were significant. The ANOVA results of the study were as exhibited in Table 7.

Table 7: Analysis of Variance (ANOVA)

	Sum of Squares	df	Mean of Square	F	Sig.
Regression	171.155	4	42.789	43.976	.000[b]
Residual	75.906	94	.973		
Total	247.060	98			

a. Dependent Variable: Organizational Performance

Predictors: (Constant) Product Differentiation, Service Differentiation, Channel Differentiation and Price Differentiation

The study results as indicated in Table 7 showed that $F_{calculated}$=43.976 whereas $F_{critical}$= 2.27, with this results it was implied that the overall model was significant. The results on the regression coefficients and the p-values of the study are as illustrated in Table 7. The study used 5% (0.05) level of significance of the p values for purposes of interpretation.

Table 8: Regression Coefficients

	Unstandaradized Coefficients		Standaradized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	3.260	1.494		2.181	.032
Product Differentiation	.462	.110	.138	4.191	.000
Service Differentiation	.126	.040	.030	3.145	.000
Channel Differentiation	.410	.102	.285	4.010	.000
Price Differentiation	.256	.109	.182	2.343	.022

Source: Survey 2023

The regression equation from the study results was as shown in the section below:

$$Y=3.260+0.462X_1+0.126X_2+0.410X_3+0.256X_4$$

Where: Y= organizational performance; $X_{1....4}$ represents the independent variables of the study which included; product differentiation, service differentiation, channel differentiation and price differentiation.

Product differentiation has a positive statistical beta coefficient ($\beta=0.462, p=0.000<0.05$). This means product differentiation has a significant influence on the organizational performance of firms listed under industrial and allied sector at the NSE. This study results support the finding of Kamau (2013) who analyzed the impact of a differentiation strategy on supermarket sales in Nakuru, Kenya's major business district. The research tested the premise that there is no connection between product diversification strategies used by retail supermarkets and sales success. The results of the research showed that physical and product differentiation greatly affects the yearly sales performance of supermarkets. The research suggested that supermarkets increase their physical ways of differentiation and product attributes to compete in the growing market.

Service differentiation has a positive statistical beta coeffecient ($\beta=0.126$, $p=0.000$). This infers that service differentiation has significant effect on the organizational performance of firms listed under manufacturing and allied sector at the NSE. These study findings are in agreement with the findings of Sifuna (2014) who used a descriptive research design to examine the competitive tactics and performance of public institutions, using a sample size of 162 department heads. The researchers used a stratified random sampling method to choose their sample of 54 participants. Purposeful sampling was used to choose the respondents. A questionnaire was utilised to collect the data. We checked the legitimacy and reliability of the data. Data was analyzed using descriptive, correlative, and regression techniques. The research results showed that offering unique services has a considerable impact on productivity. Institutions of higher learning were the primary focus of the research.

Channel differentiation has a positive statistical beta ($\beta=0.410$; $p=0.000$). This shows that channel differentiation has a significant effect on the organizational performance of firms listed under manufacturing and allied sector at the NSE. These findings are in tandem with the findings of Kalubanga (2012) who set out to look at the effects of multi-channel distribution on business success. The study's focus was on the effect of multi-channel distribution on business outcomes. The integration of the cross-sectional study design with quantitative and qualitative research methodologies was undertaken. The researchers used the Krejcie and Morgan scientific table to determine the appropriate sample size for their study. They selected a representative sample consisting of senior and junior sales and distribution professionals, distribution agents, as well as employees in the wholesale and retail sectors. Data was collected by the implementation of a self-administered questionnaire, and statistical analysis was conducted using SPSS (Statistical Package for the Social Scientists) to get relevant statistical measures. The results of the research indicate that the impact of distribution nodes on a corporation's overall performance is contingent upon the use of multi-channel distribution management strategies employed by such organisation.

Price differentiation has a positive statistical beta coefficient (β=0.256; p=0.022). It was deduced that price differentiation has significant influence on organizational performance of firms listed under industrial and allied sector at the NSE. These study findings support the results of Larentis et al. (2016) who undertook a research evaluate a theoretical model explaining the impacts of pricing strategy on company profitability. Their analysis incorporated customer value-based pricing strategies, pricing strategies based on competition, and pricing strategies based on costs. The results reveal that high price levels and a value-based pricing strategy have a positive effect on the profitability of the studied businesses, whereas low price levels had the opposite effect. Based on these findings, managers should not dismiss the necessity for a more strategic evaluation of the pricing process, as it directly impacts the bottom line.

CONCLUSIONS AND RECOMMENDATIONS

In relation to the first objective the study was interested in finding out from the respondents the extent to which they agreed or disagreed product differentiation impacts on performance of firms listed under industrial and allied sector at the NSE. The study results showed that most of the respondents agreed that product differentiation impacts on performance of firms listed under industrial and allied sector at the NSE. The study findings show that product differentiation has a positive statistical beta coefficient. This means product differentiation has a significant influence on the organizational performance of firms listed under industrial and allied sector at the NSE.

In regards to the second objective the study sought to establish from the respondents the extent to which they agreed or disagreed that service differentiation impacts on performance of firms listed under indsutrial and allied sector at the NSE. The study findings indicate that majority of the respondents agreed that service differentiation impacts on performance of firms listed under industrial and allied sector at the NSE. Service differentiation has a positive statistical beta coefficient. This infers that service differentiation has significant effect on the organizational performance of firms listed under industrial and allied sector at the NSE.

The study was interested in findings out from the respondents the extent to which they agreed or disagreed that channel differentiation impacts on performance of firms listed under industrial and allied sector at the NSE. The results show that most of the respondents were in agreement that channel differentiation impacts on performance of firms listed under industrial and allied sector at the NSE. Channel differentiation has a positive statistical beta. This shows that channel differentiation has a significant effect on the organizational performance of firms listed under industrial and allied sector at the NSE.

The study sought to find out from the respondents the extent to which they agreed or disagreed that price differentiation impacts performance of firms listed under industrial and allied sector at the NSE. The study results indicate that majority of the respondents agreed that price differentiation affects performance of firms listed under industrial and allied sector at the NSE. Price differentiation has a positive statistical beta coefficient. It was deduced that price differentiation has significant influence on organizational performance of firms listed under industrial and allied sector at the NSE.

On organizational performance, the study sought from the respondents the extent they agreed/disagreed with performance measures of firms listed under industrial and allied sector at the NSE. The results from the respondents indicate that most of the respondents agreed that performance measures of firms listed under industrial and allied sector at the NSE looked at in this study were influenced.

The study established that the product differentiation strategy had a strong positive correlation with performance of firms listed in NSE as well as a positive and significant relationship with their performance. It follows that small and medium manufacturing firms will perform better with a unit increase in production strategy. Study findings suggest that product differentiation strategy positively impacts the performance of small and medium manufacturing firms listed in NSE.

Based on the results of the research, it can be inferred that the organisation effectively implements a price differentiation strategy and associated methods to assure dependable pricing management judgements. A well-defined and well executed pricing strategy provides a corporation with a comprehensive framework for using appropriate pricing approaches in price control. Furthermore, it serves as a mechanism for constructing and implementing an internal corporate assessment framework to evaluate the consequences arising from the pricing choices made by the organisation.

According to the study, pricing strategy had a positive correlation with performance among small and medium manufacturing firms listed in Nairobi securities exchange and concluded that implementation of pricing strategy would result in improved performance of small and medium manufacturing firms listed in NSE.

The study suggested that service differentiation strategy had a strong positive correlation with performance of small and medium manufacturing firms listed in Nairobi securities exchange. Further, service differentiation strategy had a positive and significant relationship with the performance of firms listed in NSE. This suggests that a unit increase in service differentiation strategy will cause performance of SMEs listed in NSE to increase.

The study's results led to the conclusion that companies who use channel differentiation strategies get a competitive edge by strategically designing their channels in terms of coverage, knowledge, and performance. Organisations have the potential to attain a competitive edge by strategically configuring their distribution channels in terms of coverage, knowledge, and performance.

According to the study findings, the study revealed that channel differentiation strategy and performance of firms listed in NSE are strongly and positively related and have a positive and significant relationship with performance of SMEs firms listed in NSE. An increase in channel differentiation strategy will result in increased performance of small and medium manufacturing firms listed in NSE. The study concludes that channel differentiation strategy is positively related to performance of SMEs firms listed in NSE.

The study established that product differentiation strategy had a positive link with performance of small and medium industrial firms listed in NSE. The study recommends that the firms should consider costs in their production, outsource production to minimize costs and adopt the mechanization method to enhance efficiency in production. This would help to improve the firm performance.

In the study, pricing differentiation strategy was found to be positively correlated with performance of small and medium manufacturing firms listed in NSE. Further, it is recommended that the firms consider costs and market conditions when pricing their products in order to improve performance.

The study found that channel differentiation strategy was positively associated with the performance of firms listed in NSE, and recommended that firms should use different distribution channels so that they could reach customers in different areas and improve their performance.

It was discovered that service differentiation strategy is positively related to the performance of small and medium manufacturing firms listed in NSE, and therefore, the study recommends that the firms broaden their product offering, obtain certification for their products, and adopt innovation. In doing so, firms would remain competitive on the market, resulting in improved performance.

Areas for Further Research

The objective of the study was to establish the differentiation strategies and performance of firms listed under manufacturing and allied sector at the NSE. Further research is recommended to examine the effects of differentiation strategies and organizational performance of firms listed under different sectors at the NSE. A research on other strategies like competitive strategies on organizational performance of large industrial firms and allied sector at the NSEin Kenya should also be considered. Also, studies should target other firms that are not listed with NSE in Kenya so as to compare the study findings.

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