ABSTRACT: The study investigated the relationship between differentiation strategy and performance of Sameer Africa Ltd located in Nairobi, Kenya. Informed by the study this paper discusses the extent to which channel differentiation strategy adopted by Sameer Africa (K) Limited influenced the company’s performance. The study employed a correlational research design. The study targeted 112 employees of Sameer Africa (K) Limited comprising of senior management, HODs and junior staff and 90 dealers based in Nairobi. A sample of 134 respondents was selected by use of stratified and simple random sampling techniques. Primary data was collected through self-administered questionnaires. The quantititative data was analysed using descriptive statistics in the form of tables and inferential statistics in the form of Pearson correlation and regression analysis with significance level of 0.05 to test the hypothesis. From the findings of the study, majority of the respondents believed that Sameer Africa (K) Ltd could achieve competitive advantage through channel differentiation. This suggest that an increase in channel differentiation strategy such as use of market trends to determine most appropriate channel strategy, use of different channels with the aim of minimizing cost of distribution, selling some of the products and services through intermediary and complementary firms and applying different distribution channels so as to satisfy unique customer needs would result in an increase in performance through market share, revenue, sales and customer satisfaction. The study sought to provide an empirical evaluation of the relationship between differentiation strategy and organizational performance.

Keywords: Impact, Service Differentiation, Organizational Performance, Sameer Africa Limited, Kenya

INTRODUCTION

Firm performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Johnson, Richard & Devinney, 2006). This term is also used as a general measure of a firm’s overall financial health over a given period of time, it can be used to compare similar firms across the same industry or to compare industries or sectors in
aggregation. There are many different ways to measure financial performance, but all measures should be taken in aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any declining debt (Johnson & Scholes, 2003).

In many research situations, it is impractical or impossible to access objective measures of organizational performance. Even if such measures were available it would not guarantee the accuracy of the performance measurements. For example, when a sample contains a variety of industries, performance measurements and comparisons can be particularly problematic. What is considered excellent performance in one industry may be considered poor performance in another industry. If researchers limit themselves to a single industry, the performance measures may be more meaningful, but the generalizability of the findings to other industries is problematic.

Some of the differentiation strategies adopted by organizations to foster firm 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 (Moore, 2006). Economically valuable bases of differentiation can enable a firm to increase its revenues, neutralize threats and exploit opportunities. Examples of the successful use of a differentiation strategy are Hero Honda, Asian Paints, HLL, Nike athletic shoes, Apple Computer, and Mercedes-Benz automobiles. Research does suggest that a differentiation strategy is more likely to generate higher profits than is a low cost strategy because differentiation creates a better entry barrier (Prajogo, 2007).

**Channel Differentiation and Performance**

Filipe, Chris and Arnaldo (2003) have examined exploratory evidence of channel performance in single versus multiple channel strategies. Their study contributed to theory by clarifying the relationship between the number of channels and channel performance, along with the relationship between channel strategy and product type and company size. The study sought to answer the question: what is the impact of the number of channels on the performance of the entire channel system? The financial services industry was selected for the study, since multiple channels are common in the distribution of these products. Cross sectional research design was adopted and the study collected information on the channel strategies used by 62 organisations using questionnaires (Filipe et al., 2003).

The study revealed that the very appealing benefits that can be generated by a multiple channel strategy, namely sales growth and a more balanced source of revenues, have to be balanced against some of its drawbacks, which may include lower profitability and a less reliable service (Filipe et al., 2003). The authors recommended that more attention should be directed to investigate the drivers of multi-channel strategies which this study aims to achieve. While the study by Filipe et al. (2003) was based on banking sector, the study that informed this paper focused on manufacturing industry in Kenya that deals in both products and services.
Niels, Pier and Jon (1999) have investigated the distribution channel strategies in Danish retail banking. Their study aimed to answer the question: what distribution channel strategies does this development offer the retail banks and which of them do they actually pursue? The descriptive survey research was utilized. Niels et al. (1999) collected data from the 70 largest banks in Denmark as registered by the Danish Supervisory Authority of Financial Affairs (DSAFA, 1997). The distribution channel strategies and other marketing mix elements were measured by the items in a five point Likert-scale was used (1 = strongly agree to 5 = strongly disagree). The findings revealed that most banks pursue the multiple channel strategy (Niels et al., 1999). Retail banks had the electronic channels and especially the Internet are new distribution channels that offer less waiting time and a higher spatial convenience than traditional branch banking and they are therefore attractive to a large and quickly growing segment of bank customers (Niels et al., 1999).

Niels et al. (1999) recommended that the relevant customer segments should be identified and that attempts should be made to predict the development of their sizes. They also recommended that competitor actions be described in order to estimate the intensity of rivalry for different customer segments. This paper examines the impact of channel differentiation strategy on organizational performance in the manufacturing industry. Only one firm, Sameer Africa was used in the study unlike 70 largest banks in Denmark used by Niels, Pier and Jon (1999).

Amara (2012) has studied the effect of marketing distribution channel strategies on a firm’s performance among commercial banks in Kenya. The study objectives were: to establish the distribution channel strategies adopted by commercial banks in Kenya and to determine the relationship between distribution channel strategies adopted and the performance of the bank. The study adopted a descriptive survey research design. The population of the study was all the forty-three commercial banks operating in Kenya. The study used both primary and secondary data to be collected through questionnaires. The study found that the branch network, electronic banking and multiple distributions were used by the banks (Amara, 2012). The marketing distribution strategies results to increased sales, market share and profits.

It, therefore, recommended that the commercial banks should adopt those marketing distribution strategies that ensure the performance of the bank is improved and do away with those which adds costs so that the banks can compete effectively with the others (Amara, 2012). Like the previous, the study was carried in banking sectors while the current one used manufacturing sectors. For the purpose of reliability and acceptability of the findings, the study targeted one firm within the manufacturing industry instead of sampling some firms within Kenya Association of Manufacturers. In addition, the study used interview with top management to supplement the questionnaire for in depth information on how the firm utilized channel differentiation in order to gain competitive advantage.

Kalubanga (2012) sought to examine how multi-channel distribution operations affect a firm’s performance. The research question was, “what is the effect of multi-channel distribution on a firm performance. A cross-sectional study approach was used together with the quantitative and qualitative research designs. A sample was determined scientifically from a study population of senior and junior staff engaged in sales and distribution, and distribution agents, wholesale and retail using the Krejcie and Morgan scientific table for determining sample size. Data was collected using a self-administered questionnaire and analysed using statistical measures obtained using
SPSS (Statistical Package for Social Scientists). The study findings showed that efficiency in distribution nodes support overall firm’s performance; multi-channel distribution management practices have an effect on the performance of a firm (Kalubanga, 2012).

While the Kalubanga (2012) focussed on multi-channel distribution operation, the study that informed this paper examined differentiation channel used in distribution by the Sameer Africa (K) Limited and the study adopted correlational research design. This encompassed the relationship between multi-channel product distribution and financial performance of manufacturing entities and how multi-channel product distribution companies should organize themselves to attract and retain more customers.

Gabrielson (1999) has investigated the sales channel strategies for international expansion as a means of compensating for constantly decreasing unit prices and margins in the personal computer (PC) industry operation in the European Union market. The author describes and analyses the development from single (direct or indirect) to multiple (dual or hybrid) sales channel strategy for international expansion. The methodology used was a qualitative research strategy. The study conducted a longitudinal multiple case study consisting of 20 top management interviews related to four cases. The results revealed that through partnerships with strong and leading partners, multiple channels provide a way for these firms to expand rapidly to global markets while maintaining control over their marketing (Gabrielson, 1999). The study recommended that multinational companies should adopt hybrid sales channel. The study by Gabrielson (1999) used a case study research design in the European Union Market while the study that informed this paper adopted correlational research design as the study sought to find the relationship between channel differentiation strategy and performance of Sameer Africa (K) Limited. Further, the study used quantitative data such as questionnaire, which required the use of SPSS to analyse the data. Lastly, besides single and multiple sales channels, the study examined other differentiation variables.

**Statement of the Problem**

Differentiation as a business strategy enables firms to create products with more value (Baines & Langfield-Smith, 2003). In comparison, focusing purely on a cost leadership strategy may no longer be appropriate to accommodate the diverse needs of contemporary manufacturing companies (Perera & Poole, 1997). Effective competitive strategy enables a business to influence the environment in its favour and even defend itself against competition. To succeed in the long-term, organizations must compete effectively and out-perform their rivals in a dynamic environment (Trethowan & Scullion, 1997). To accomplish this, they must find suitable ways of create and add value to their customers.

Over time managements have pondered why some organizations in their industry have managed to secure an advantageous competitive position while others have not. Firms worldwide have therefore attempted to imitate products of their competitors or make slight changes to their products to convince or confound their customers. This may bear fruits in the short-run but the long-term effects may not realize the intended objective. Most firms have had their market share dwindle or fail to grow because of challenges in differentiation and lack of strategies to enhance differentiation (Baines & Langfield-Smith, 2003).
A few empirical studies have investigated the direct relationship between differentiation strategy and organizational performance. Some of these empirical studies (Banker, Mashruwala & Tripathy, 2014; Chang, Memili & Chrisman, 2011; Stenholm, 2011) were conducted in the developed countries. Nevertheless, a number of past studies have investigated the relationship between the differentiation strategy and organizational performance have recorded mixed results depending on the industry and country (Acquaah & Yasai, 2006). The research findings show the viability and profitability of implementing cost leadership, differentiation and the combination of the singular strategies.

Nevertheless, the incremental performance benefits to firms implementing a combination strategy do not significantly differ from the performance of firms implementing only the differentiation strategy. The results of a study by Prajogo and Sohal (2006) also indicate that Total Quality Management (TQM) is positively and significantly related to differentiation and it only partially mediates the relationship between differentiation strategy and three performance measures (product quality, product innovation, and process innovation). In sum, even though differentiation strategy has received a great deal of academic attention, its literature has not been successful in providing practical implications. In turn, the possible outcomes of choosing one differentiation dimension over another have rarely been examined.

Clearly, there is a need for more empirical evidence pertaining to the relationship between differentiation strategies and organizational performance in the tyre manufacturing industry in developing countries and in particular in the African continent. The need for studies in developing countries such as Kenya became more important in view of differences in socio-economic and cultural environments between developed and developing Nations. These differences can lead to a different set of factors influencing organization performance in the developing nations. This paper endeavours to fill the gap by discussing the relationship between product differentiation strategy and performance of Sameer Africa Limited in Kenya.

MATERIALS AND METHODS

This study employed a correlational research design to examine the relationship between differentiation strategy and performance of Sameer Africa (K) Limited. The research design allowed the author to analyse relationship between differentiation strategy and organizational performance. The research design also enabled the author to collect data from a large population. It facilitated the collection of discrete data from the targeted population for both descriptive and inferential analysis.

The target population was the staff and dealers of Sameer Africa based in Nairobi, Kenya. The unit of analysis for the study was 112 staff and 90 dealers. The staff comprised senior management, heads of departments and junior staff drawn from various departments within the organization. These categories of respondents were appropriate since they directly deal with the day-to-day management of the company and are conversant with the relationship between differentiation strategy and performance of company. The Sameer Africa dealers based in Nairobi who bought the company products for resale represented the customers. A sample 134 was selected from the 202 target population. The sample size for the study was selected based on the criteria set according
to Roscoe’s rule of thumb Sekaran (2003), i.e. a sample that is larger than 30 and less that 500 is appropriate for most research. This meant that, out of 112 staff, 74 were sampled while out of 90 dealers in Nairobi, 60 were sampled through simple random sampling. This allowed for equal representation of all individuals in the defined population to be selected as a member of the sample (Kombo & Tromp, 2006).

Data for the study was collected using a questionnaire and document analysis. The questionnaire was semi-structured, comprising open- and closed-ended questions. Closed-ended questions were used due to ease the administration and analysis of responses, while open-ended questions gave the respondents complete freedom of response. Closed-ended statements utilized a Likert type scale. Document content analysis entailed information related to differentiation strategies used by Sameer Africa (K) Limited, using secondary data that gave the author access to otherwise unavailable information about organizations, individuals and locations (Kombo & Tromp, 2006). This included company magazines and journals.

The data gathered from the field of study was edited to ensure that all questionnaires were completed and contained accurate information. Data collected was then analysed using both descriptive and inferential statistics. The descriptive statistical tools helped in describing the data and determining the respondents’ degree of agreement with the various statements under each research question. They included frequencies and percentage as well as mean, standard deviation and variances presented using tables. To test the hypotheses, inferential statistics was used with a significance level of 0.05. This involved correlation analysis to give multiple coefficients of correlation (R) to indicate the strength and the direction of relationships between the independent and dependant variables. Regression analysis was used to investigate the differentiation strategies affecting performance through the use of Coefficient of determination (R square) to give the indication of the changes in the dependent variables (performance), which are attributed to change in the independent variable (differentiation strategies).

RESULTS

Descriptive Information on Channel Differentiation Strategy
The study sought to establish the extent to which channel differentiation strategy adopted by Sameer Africa (K) Limited influenced the organization’s performance. To achieve this objective, a set of nine statements was formulated. The respondents were asked to indicate the extent to which they agreed or disagreed with each of the channel differentiation statements. The statements were anchored on a five-point Likert-type scales ranging from 1-Strongly disagree, 2-disagree, 3-Neutral, 4-Agree to 5-Strongly agrees. Descriptive measures included percentage, frequency and mean. The pertinent results were as presented in Table 1.
Table 1: Channel Differentiation

<table>
<thead>
<tr>
<th>Channel Differentiation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current market trends are used in application of most appropriate channel differentiation strategy in order to increase market share</td>
<td>2(1.56)</td>
<td>31(24.22)</td>
<td>39(30.47)</td>
<td>44(34.38)</td>
<td>12(9.38)</td>
<td>3.2578</td>
</tr>
<tr>
<td>Need to reduce costs forms a basis for channel differentiation strategy as the firms aims to minimize the cost of distribution</td>
<td>3(2.34)</td>
<td>17(13.28)</td>
<td>27(21.09)</td>
<td>72(56.25)</td>
<td>9(7.03)</td>
<td>3.5234</td>
</tr>
<tr>
<td>Convenience to customers forms a basis for channel differentiation strategy as the company aims to make the products affordable to customer in terms of accessibility</td>
<td>6(4.69)</td>
<td>27(21.09)</td>
<td>5(3.91)</td>
<td>72(56.25)</td>
<td>18(14.06)</td>
<td>3.5391</td>
</tr>
<tr>
<td>Our strategy for distribution channel is based on our understanding of customer’s needs so as to satisfy them</td>
<td>8(6.25)</td>
<td>7(5.47)</td>
<td>22(17.19)</td>
<td>74(57.81)</td>
<td>17(13.28)</td>
<td>3.6641</td>
</tr>
<tr>
<td>Our distribution channel strategies are driven by our beliefs about how we can create greater value for customers</td>
<td>4(3.13)</td>
<td>2(1.56)</td>
<td>63(49.22)</td>
<td>45(35.16)</td>
<td>14(10.94)</td>
<td>3.4922</td>
</tr>
<tr>
<td>The firm makes attempts to understand the customer and recognizes the diversity of its customer segment thereby apply different distribution channel so as to satisfy their unique needs</td>
<td>5(3.91)</td>
<td>26(20.31)</td>
<td>6(4.69)</td>
<td>63(49.22)</td>
<td>28(21.88)</td>
<td>3.6484</td>
</tr>
<tr>
<td>Our organization sells some of our products through complementary firms all over the country so as to reach our customers’ needs</td>
<td>3(2.34)</td>
<td>2(1.56)</td>
<td>30(23.44)</td>
<td>71(55.47)</td>
<td>22(17.19)</td>
<td>3.8359</td>
</tr>
<tr>
<td>We have increased the points at which customers can access our products as we</td>
<td>2(1.56)</td>
<td>2(1.56)</td>
<td>13(10.16)</td>
<td>102(79.69)</td>
<td>9(7.03)</td>
<td>3.8906</td>
</tr>
</tbody>
</table>
have opened more branches, direct sales and use of intermediaries. Distribution channels adopted has enhanced the ability of the firm to generate, disseminate, and respond to market changes so as to remain competitive in the market.

From Table 1 above, 44(34.38%) and 39(30.47%) of the respondents agreed and were undecided, respectively, over whether or not current market trends were used in application of most appropriate channel differentiation strategy in order to increase market share with a mean of 3 (undecided). Further, 12(9.38%) of the respondents strongly agreed while 25.78% did not confirm their views on the application of current market trends and appropriateness of channel differentiation strategy. However, with a mean of 4 (agree), majority of the respondents (63.28%) confirmed that need to reduce costs forms a basis for channel differentiation strategy as the firms aims to minimize the cost of distribution as compared to 27(21.09%) who were undecided and further 17(13.28%) who disagreed.

On convenience to customers as basis of channel differentiation strategy, 72(56.25%) and 18(14.06%) of the respondents agreed and strongly agreed, respectively, that the convenience to customers forms a basis for channel differentiation strategy as the company aims to make the products affordable to customer in terms of accessibility with a mean of 4 (agree). Of the respondents, 25.78% did not confirm this. Similarly, with a mean of 4 (agree), 71.09% of the respondents confirmed that Sameer Africa (K) Limited strategy of distribution channel was based on the company’s understanding of customer needs so as to satisfy them while 11.72% neither agreed nor strongly agreed with a mean of 4 (agree).

On whether or not the distribution channel strategies in Sameer Africa (K) Limited were driven by the company’s beliefs about how they can create greater value for customers, 63(49.22%) of the respondents were undecided with a mean of 3 (undecided). Further, 45(35.16%) and 14(10.94%) of the respondents agreed and strongly agreed, respectively, that the distribution channel strategies are driven by the beliefs about how they can create greater value for customers. Nevertheless, with a mean of 4 (agree), 63(49.22%) and 28(21.88%) of the respondents agreed and strongly agreed, respectively, that Sameer Africa (K) Limited made attempts to understand the customer and recognized the diversity of its customer segment thereby applying different distribution channels to satisfy their unique needs. However, 24.22% of the respondents did not confirm this.

Most of the respondents confirmed that Sameer Africa (K) Limited has increased the points at which customers can access our products as we have opened more branches, direct sales and use of intermediaries as shown by 102(79.69%) and 9(7.03%) who agreed and strongly agreed, respectively, with a mean of 4 (agree). However, 4(3.12%) of the respondents did not confirm. In relation to distribution channels adopted by Sameer Africa (K) Limited, 39(30.47%) of the respondents were undecided that distribution channels adopted had enhanced the ability of the firm
to generate, disseminate and respond to market changes so as to remain competitive in the market with a mean of 3 (undecided). On the other hand, 42(32.81%) agreed and a further 13(10.16%) strongly agreed with this statement. Lastly, most of the respondents, with a mean of 4 (agree), indicated that Sameer Africa (K) Limited sold some of its products through complementary firms all over the country so as to reach the company’s customer needs. This view was shared by 93(72.66%) of the respondents. However, 30(23.44%) of the respondent were undecided, 3(2.34%) strongly disagree d and 2(1.56%) disagreed with this statement.

**Correlation Analysis**
To explore the relationship between differentiation strategy and performance, a correlation analysis was conducted. The results of the correlation between differentiation strategy and performance were as summarized in Table 2 below.

<table>
<thead>
<tr>
<th>Table 2: Correlation Matrix</th>
<th>PD</th>
<th>SD</th>
<th>CD</th>
<th>Pf</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD- Channel differentiation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.344**</td>
<td>.489**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>128</td>
<td>128</td>
<td>128</td>
<td></td>
</tr>
<tr>
<td>Pf- Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.730**</td>
<td>.673**</td>
<td>.502**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>128</td>
<td>128</td>
<td>128</td>
<td>128</td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed).

The results indicated that channel differentiation had a positive, moderate and significant effect on the Sameer Africa (K) Limited performance ($r = .502$). This implied that the differentiation Strategy used in this study was all having a significant positive effect on the performance of Sameer Africa limited in Nairobi, Kenya. However, there was variation in the magnitude of their effect on the performance as product differentiation had greatest effect followed by service differentiation and channel differentiations.

The hypothesis tested on channel differentiation stated that there is no significant relationship between channel differentiation strategy adopted by Sameer Africa (K) Limited and organizational performance. The study findings indicated that there was a positive significant relationship between channel differentiation and performance of Sameer Africa. Channel differentiation with a beta of 0.165 was at a statistically significant level and was a good predictor of performance, implying that an increase in channel differentiation by one unit would result in significant increase in performance by 0.165. From these results, the null hypothesis was rejected, as $P<0.05$, and it was affirmed that channel differentiation has a significant relationship with the performance of Sameer Africa (K) Limited.

The findings of the study generally concurred with those of Niels, Pier and Jon (1999) who observe that channel differentiation strategies have a significant influence on the performance of banks pursuing multiple channel strategies and they are therefore attractive to a large and quickly growing segment of bank customers. Amara (2012) has also studied the effect of marketing distribution channel strategies on a firm’s performance among commercial banks in Kenya. Their
findings revealed that the distribution differentiation strategies adopted by banks result in increased sales, market share and profits. Kalubanga (2012) has similarly studied how multi-channel distribution operations affect a firm’s performance. The author’s findings showed that efficiency in distribution nodes support overall firm’s performance; multi-channel distribution management practices have an effect on the performance of a firm.

CONCLUSION AND RECOMMENDATIONS

The research findings showed that the influence of channel differentiation on the performance of Sameer Africa (K) Limited was moderate, positive and significant. Sameer Africa applies appropriate channels of distribution relative to current market trends, basing the distribution channels on the need to target great value for customers and the use of distribution channel with aim of minimizing cost of distributions. It is, therefore, recommended that the distribution channel differentiation should be customer/market driven. This would ensure that firm products and services are accessible at the convenience of their customer thereby preventing them from incurring extra costs. Lastly, the management should recognize that differentiation strategies are ideal strategies to remain competitive in the industry. Therefore, for effective implementation of differentiation strategies, there is need for coordination in term of human resources and financial resources so as effectively achieve organization goals.

REFERENCES


