

**INFLUENCE OF INNOVATIVE STRATEGIES ON PERFORMANCE OF  
SUPERMARKET CHAINS IN NAIROBI COUNTY, KENYA**

**BY**

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## DECLARATION

This dissertation is my original work and has not been presented for research for degree award in any other university.



4<sup>th</sup> November, 2020

**Signature.....Date.....**

**Dennis Makori Omanwa**

## Supervisor Declaration

This dissertation has been submitted for examination with my approval as University.



5<sup>th</sup> November, 2020

**Signature..... Date.....**

## DEDICATION

I dedicate this dissertation to my wife Esther and children who bore the demands of this course and encouraged me throughout the journey. They encouraged me and stood with me through the journey. I wish to appreciate my mum also for her constant prayers for me.

## **ACKNOWLEDGEMENTS**

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## **ABBREVIATIONS AND ACRONYMS**

**ANOVA:** Analysis of Variance

**ICT:** Information Communication Technology

**SME:** Small and Medium Enterprises

**SPSS:** Statistical Package for the Social Sciences

**VIF:** Variance Inflation Factor

## OPERATIONAL DEFINATION OF KEY TERMS

**Organizational Performance:** comprises the actual output or results of an organization as measured against its intended outputs (Singh, Burgess, Heap, Almatrooshi & Farouk, 2016).

**Pricing Strategy:** is a model or method used to establish the best price for a product or service (Diba & Omwenga, 2019).

**Product Differentiation:** is a characteristic of imperfect markets where nonprice strategies are important (Karjaluoto & Vaccaro, 2019).

**Product Diversification:** is the practice of expanding the original market for a product (Phung & Mishra, 2016).

**Product Promotion:** entails the disseminating the information about the product, product line, brand and company to the prospective buyers with the intent to generate sales and develop a brand loyalty (Jumba & Wepukhulu, 2019).

## ABSTRACT

The supermarkets retail sector in Kenya are operating in environment that is potentially vulnerable to competitive actions and so they need effective strategies to determine the way in which they intend to compete in the market place. Further, new entrants in the retail sector are emerging every year with different innovative strategies that are pushing the market leaders out of their market share. This study examined the influence of innovative strategies on performance of large supermarket chains in Kenya. The study specific objectives sought to examine the influence of product differentiation strategy, product diversification strategy, pricing strategy and product promotion strategy on performance of supermarket chains. The theories that informed the study are theory of disruptive innovation and diffusion of innovation theory. The study employed a descriptive research design. The target population was the 9 major supermarkets in Nairobi County as they have chains and thus enabled the study to make significant comparisons across the chains. The respondents included management, supervisors and staff. Primary data was collected by means of a structured questionnaire. Diagnostic tests included multicollinearity, heteroscedasticity and normality test. The study conducted a regression analysis to determine the relationship between the independent and dependent variables. The test of significance was tested at 0.05 significance level. The regression of coefficients results show that product differentiation strategy and performance of supermarket chains in Nairobi County, Kenya is positively and significantly related ( $\beta=0.106$ ,  $p=0.022$ ). Product promotion strategy and performance of supermarket chains in Nairobi county, Kenya were positively and significantly related ( $\beta= 0.096$ ,  $p=0.027$ ). Pricing strategy and performance of supermarket chains in Nairobi county, Kenya were positively and significantly related ( $\beta= 0.010$ ,  $p=0.000$ ). Product diversification and performance of supermarket chains in Nairobi county, Kenya were positive and significant ( $\beta =0.224$ ,  $p=0.830$ ). The study rejected the hypothesis on product differentiation strategy, product promotion strategy and pricing strategy on the performance of supermarket chains. However the hypothesis on product diversification strategy was not rejected. The study concluded that product differentiation strategy, product promotion strategy and pricing strategy were the key strategies that largely affected the performance of supermarket chains. The study recommend on that the supermarkets should highly adopt in depth product promotion strategies by adoption of mass product promotion with the use of technology adoption, advertising, online presence, publicity. In differentiation strategies, firms should ensure they use innovation and creativity to redesign their products to create a market barrier. This includes aligning of product repackaging, renaming resizing and product extensions. In pricing strategies, supermarkets with the CBD should aim at specialization order to increase their profit margins. The supermarkets should also use product pricing to ensure they tap the market hence withstanding competition and having a high market survival rate.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Innovative strategies are inventions that make products and services more accessible and affordable, thereby making them available to a larger population. These innovations strategies involve business models that targets new customers who previously did not buy products or services in a given market or low-end consumers (Christensen, Baumann, Ruggles & Sadtler, 2016).

Innovation is the transformation of creative ideas in a business with the purpose and focused effort of achieving change in an organizational economic or social potential. Acknowledgment goes to Schumpeter (1934) who coined the term innovation in the start of the 20<sup>th</sup> century and defined innovations as organizational, process and product organization changes that do not emanate from scientific discovery but also come from a mix of already existing methods and their application in a new way (Zizlavsky, 2011). In the most recent times, innovation has been acknowledged as one of the imperative concepts that influence the competitive advantage of a firm with regard to its economic and financial outcomes (Lu & Reardon, 2018; Bircea & Zsido, 2019).

From a global perspective, the retail sector companies across the board are working hard to capitalize on the growth of retail spending (Jaidka, 2015). This implies that the retail sector is becoming extremely competitive especially with the rise of direct-to-consumer retailers who further diversify the market. In the United States, the supermarket industry has gone through significant structural changes over the past decade (Ellickson, 2016). Most of these changes have been driven by a series of radical innovations, which have dramatically changed the competitive positions of the retailers. At each phase there has usually been one major supermarket chain that has taken the initiative and used innovation as the key driver to secure a competitive advantage. It has been the interplay between innovation and strategy that has shaped the supermarket industry. This interplay explains the past, but equally provides knowledge and insight for those retailers who wish to dominate the future.

The African continent is made up of very diverse economies and different countries are at very different stages of development and therefore, have very diverse retail landscapes (Campbell, 2016). In South Africa, a rapidly expanding consumer market and the lack of corresponding infrastructure development has created the ideal conditions for a digitally reliant and innovative retail sector (Das Nair & Dube, 2017). Traditionally concept stores have been small outlets in carefully chosen locations to test new concepts and new technology with limited risk, however, increasingly we are seeing retailers innovating at scale; opening large concept stores. Despite the rise in e-commerce, South African retail is still heavily dependent on foot traffic and having a brick-and-mortar presence (Das Nair, 2018).

During the past two decades, Tanzania has witnessed a significant increase in the number of supermarkets with retailers from South Africa (Mohamed, 2019). In addition, modern retailers in Tanzania are locating their stores at the expensive malls and are offering higher prices. In that regard, it is likely that the emergence of modern stores in the Tanzania context is not stimulated by low price or interest of serving low-income consumers. Mboma (2018) in Tanzania find that innovations in financial infrastructure reduce the problem of lack of finances and working capital by small and medium retail enterprises; innovations in IT, ICT and aid to trade facilitated communications, reduced cost leading to effective retail mix innovations. The innovations outcomes are new and attractive retail institutions are established in Dar es Salaam, customer satisfaction, retail development and increased peoples' welfare (Baker, Mtimet, Pica-Ciamarra & Nsiima, 2016).

### **1.1.1 Innovative Strategies**

Innovative strategies employ a strategy for creating new business markets by improving upon or making a change to an existing business model. These strategies create a new market and value network and eventually disrupts markets and value network (Soi, 2016). Some of these innovative strategies are closely associated with the competitive strategies, however, the innovative strategies creating new business markets by improving upon or making a change to an existing business model (Christensen, Baumann, Ruggles & Sadtler, 2016). The innovative strategies include product differentiation, product diversification, a pricing strategy and product promotion and marketing (Ellickson, 2016). Innovation strategies can help firms to overcome the problems they encounter and strive for a sustainable competitiveness (Gobble, 2016). Innovation

strategies have had a very substantial influence the performance of corporate by proving a position that is improved in the market position thus conveying greater performance and competitiveness (Karjaluoto & Vaccaro, 2019).

Product promotion entails the disseminating the information about the product, product line, brand and company to the prospective buyers with the intent to generate sales and develop a brand loyalty (Jumba & Wepukhulu, 2019). Promotional goals include generating awareness, getting people to attempt items, supplying info, retaining devoted customers, raising using items, and also determining prospective consumers, along with training prospective service clients what is required to co-create the solutions provided (Okello & Ngala, 2019).

Product differentiation is a characteristic of imperfect markets where nonprice strategies are important (Karjaluoto & Vaccaro, 2019). Product differentiation is the act of making products different from one another. This might involve tangible differences such as quality, reliability, performance, or design (Krasnyuk, Kirillova & Kozlova, 2017). Alternatively, it might be based on intangible elements such as reputation and branding (Ngila & Muturi, 2016).

Product diversification is the practice of expanding the original market for a product (Phung & Mishra, 2016). There are a number of ways to engage in product diversification, including repackaging, renaming, resizing and product extensions (Martin & Kinoti, 2017). Diversification allows for more variety and options for products and services (Nyongesa, 2018).

A pricing strategy is a model or method used to establish the best price for a product or service (Diba & Omwenga, 2019). Prices techniques aid you select rates that take full advantage of earnings as well as shareholder value while thinking about consumer and also market demand. Cost approach takes into account sections, ability to pay, market conditions, rival activities, trade margins as well as input costs, amongst others. It is targeted at the defined consumers as well as versus competitors (Ochieng, 2018).

### **1.1.2 Organizational Performance**

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (Singh, Burgess, Heap, Almatrooshi & Farouk, 2016). According to Richard, McMillan, Chadwick and Dwyer (2017) organizational performance

encompasses three specific areas of firm outcomes, financial performance, product market performance and shareholder return (Kiragu, 2015)

Organizational performance can be measured through non-financial and financial means. Mohamed (2019) observed that majority of organization often preferred using financial means to measure their performance. According to Das Nair and Dube (2017), measures of organizational performance are productivity, market base, profitability and reputation/position. This study used sales performance, operational efficiency, customer satisfaction and organizational growth as its measures for supermarket chains organizational performance.

### **1.1.3 Supermarket Chains**

A supermarket is self-service shop offering a wide variety of food, beverages and household products, organized into sections (Okello & Ngala, 2019). In Kenya, the supermarket chains are faced with enormous shift as well as improvement as a result of rigid competition in the market. Because of client choice and preference, globalization of markets, government plans and also treatments, innovations to name a few, there has been radical changes in the retail industry (Martin & Kinoti, 2017).

In the recent past the economic environment and other business environmental changes have occurred exposing several entities to collapse, near collapse and even others being subjected into receivership. Many companies are facing financial and operational difficulties such as Nakumatt, Choppies and Uchumi supermarkets. However, things have been extremely difficult in the retail sector where major retail chain stores and supermarkets have struggled to stay afloat (Njung'e. 2017). This study used the large supermarkets in Nairobi County in an effort to determine the influence of innovative strategies on performance of supermarket chains.

### **1.2 Problem Statement**

The supermarkets retail sector in Kenya are operating in environment that is potentially vulnerable to competitive actions and so they need effective strategies to determine the way in which they intend to compete in the market place. According to the Competition Authority of Kenya (2020), on analyzing 25 major retailers, 8 of them were in distress. Further, new entrants in the retail sector are emerging every year with different innovative strategies that are pushing the market leaders out of their market share (Martin & Kinoti, 2017). This is evidenced by the

closing down of branches in supermarkets such as Nakumatt, Choppies and Uchumi supermarkets. In addition, a strong online presence is taking shape where consumers are now finding goods on online stores like Kilimall, OLX and Jumia (Diba & Omwenga, 2019). In reality, we should expect the supermarkets to operate in profitability due to the increased consumption by the middle class in the retail supermarkets. Instead these supermarkets are facing closure.

The entry of multinational like Shoprite, Carrefour and Game, with good financial standings has increased competition especially at the high-end level. Thus, strategies are needed by any organization that is faced with intelligent competition that can affect the organization's desired outcomes. Due to the dynamic business environment, the supermarkets need to adopt strategies to survive by attracting and retaining customers in an effort to increase performance. Therefore, this study sought to examine the intervention of the innovative strategies on performance of these supermarket chains.

### **1.3 Objectives of the Study**

The main objective of the study was to determine the influence of innovative strategies on performance of supermarket chains in Nairobi County, Kenya.

#### **1.3.1 Specific Objectives**

The study was guided by the following specific objectives;

- i. To explore the influence of product promotion strategy on performance of supermarket chains in Nairobi County, Kenya.
- ii. To explore the influence of product differentiation strategy on performance of supermarket chains in Nairobi County, Kenya.
- iii. To determine the influence of product diversification strategy on performance of supermarket chains in Nairobi County, Kenya.
- iv. To evaluate the influence of pricing strategy on performance of supermarket chains in Nairobi County, Kenya.

### **1.4 Research Hypotheses**

The study was guided by the following research hypotheses;

- i. Product promotion strategy has no statistical significance on performance of supermarket chains in Nairobi County, Kenya.
- ii. Product differentiation strategy has no statistical significance on performance of supermarket chains in Nairobi County, Kenya.
- iii. Product diversification strategy has no statistical significance on performance of supermarket chains in Nairobi County, Kenya.
- iv. Pricing strategy has no statistical significance on performance of supermarket chains in Nairobi County, Kenya.

## **1.5 Significance of the Study**

The results of this study are useful to the following areas:

### **1.5.1 Retail Sector**

The retail sector insight on the innovation strategies available and the impact of the strategies on their organization performance will be revealed by the study. As a result, they can make informed decisions concerning which strategies to invest in. A clear conceptualization of innovation strategies and their relationship to manufacturing firm performance can be realized which can help progress innovations in the industry. It will provide an in-depth understanding of innovation strategies and can be crucial to retail firms' owners who are looking into investing in innovation to improve their market share and maintain a sustainable competitive advantage

### **1.5.2 Government**

The findings of this study may be used by the government to infer on their policy making process. Formulation of policies that can enhance innovation and boost retail industry can be deduced from the findings of this study. The government can also get insight information about retail sectors, which may be used to resolve the underlying problems affecting the industry. Creation of an enabling environment, products marketing and funding of retail sector may be realized after getting information on innovative strategies undertaken by the sector.

### **1.5.3 Enterprises**

Small and medium enterprises may use the most prevalent innovative strategies employed by retail firms to expand their market share. Competitive advantages realized through the best innovative strategies may see the SMEs expand and grow to multi-billions sector in the country.

#### **1.5.4 Academics and Scholars**

The study findings will be of significant importance to scholars and academia as it will contribute to the body of existing knowledge on innovation and firm performance, which can be used for references. The study will also contribute to the study of effects of innovation strategies and firm performance among retail firms by making suggestions for areas of further study. It will bring out a better comprehension of innovative strategies that are effective retail sector.

#### **1.6 Scope of the Study**

The objective scope includes influence of product differentiation strategy, product diversification strategy, price skimming strategy and product promotion strategy on organizational performance of supermarket chains in Kenya. The target population was the 9 major supermarkets in Nairobi County as they have chains and thus enabled the study to make significant comparisons across the chains. These includes Naivas Limited, Tuskys, Uchumi Supermarkets, Ukwala Supermarkets, ShopRite, Carrefour Chandarana Supermarkets, Eastmatt Supermarkets and Maathai Supermarkets. The study was conducted between May and September 2020.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The chapter discusses the relevant literature that is related to innovation strategies and organization performance. The theoretical review, empirical review and conceptualization of study variable are described in sections hereunder. The literature is also critically evaluated to reveal the knowledge gap that underpins the study.

#### **2.2 Theoretical Review**

Theoretical framework serves to guide and support the study as it finds answers to the underlying questions. It provides a structure that helps in approaching the study in a holistic manner. The framework also helps in the understanding of the variables and their grounds in relation to the existent literature (Osanloo, & Grant, 2016). The theories that informed the study are Theory of Disruptive Innovation and Diffusion of Innovation Theory.

##### **2.2.1 Theory of Disruptive Innovation**

Disruptive innovation theory was established by Clayton Christensen (2015), through a series of scholarly articles and popularized by his seminal book, *The Innovator's Dilemma*. The theory resonated among practitioners in several industries and also resulted in influencing thinking and research in the areas of innovation management, strategy and organization. Researchers consider disruptive innovations as a powerful means for developing and broadening new markets (Christensen, Raynor & McDonald, 2015).

The theory of disruptive innovation argues that one of the key elements of disruptive innovation is that in every market there is a distinctly different trajectory of improvement that innovating companies provide as they introduce new and improved products. The Theory implies that companies should try to maintain market share. Experts familiar with this work noted that such an assumption could lead to strategies that maintained market share while harming profits (King & Baatartogtokh, 2015).

Christensen and his collaborators argue that managers should endeavour to satisfy their high-margin customers in their existing business but are myopic about the threats posed by low-end customers or new markets (Christensen, Baumann, Ruggles & Sadtler, 2016). Disruptive innovation can provide warnings of what may happen, but they are no substitute for critical thinking. High-level theories can give managers encouragement but they are no replacement for careful analysis and difficult choices in the market (Vecchiato, 2017).

However, the theory of disruptive innovation is criticized with the problem a conflating a disruptive innovation with any breakthrough that changes an industry's competitive patterns is that different types of innovation require different strategic approaches. Succeeding as a disruptive innovator or defending against a disruptive challenger may not apply to every company in a shifting market (Gobble, 2016). If one fails to integrate insights from subsequent research and experience into the original theory, then managers may end up using the wrong tools for their context, reducing their chances of success (Costa & Veloso, 2017).

The theory of disruptive innovation relevance is grounded on the principles of innovation which allow retail chains to analyze their current products and services, what areas can be improved, where an opportunity exists in consumer needs that can benefit from an innovative solution and more.

### **2.2.2 Diffusion of Innovation Theory**

Rogers (1962) authored diffusion of Innovation Theory. This theory is one of the most established sociology theories. Diffusion of Innovation theory started in correspondence to clarify how, after some time, a thought or item picks up energy and diffuses (or spreads) through an explicit populace or social framework (Ma, Lee & Goh, 2014).

According to the theory innovation is an idea, practice or object that organizations and individuals perceive as new (Miller, 2015). The theory proceeds to describe diffusion as the gradual process through which innovation is communicated through particular channels among members of a social system. According to Rogers (2003), Diffusion of Innovation Theory (DIT) considers several attributes; compatibility, relative advantage, trial ability, complexity, security/confidentiality and observability. Among the mentioned characteristics, it is only compatibility, complexity, and relative advantage that have a consistent relation to innovation adoption (Akowsky, Guirguis, Hughes, Sadowski & Yuksel, 2013).

According to Ramdani, Kawalek, and Lorenzo (2009), organizational readiness, experience with information systems, firm size, and top management support are critical factors in supermarket retail decisions in the organizational context. According to these authors, owner or manager profiles play a significant role in affect technology adoption in promotion of the products and services (Mahajan, 2010). However, the perceived set up costs, on-going costs and technical difficulties and complexities in the innovation are likely to make adopting electronic commerce unattractive to the supermarket chains that has little or no investment in technology (Karjaluoto & Vaccaro, 2019).

The theory informs the differentiating and diversifying variables. In addition the theory is relevant in the study on the adoption of technology in application of innovative ways of differentiating and diversifying its products and services in the retail chains. The diffusion of technology also allows application of technology in systematic and optimal pricing of the goods in the supermarkets. In addition, the firms need to communicate their ideas clearly so that they can be adopted by the target consumers.

## **2.3 Empirical Review**

### **2.3.1 Product Differentiation Strategy and Performance**

Amar (2015) conducted a study on the effect of product differentiation strategy on operating performance of the company. The study was conducted on industrial of SMEs in South Sulawesi, Indonesia using a survey method with the sample of 75 respondents. The data was collected through questionnaires, and processed by the method of path analysis. The results show that the strategy of product differentiation (vertical and horizontal) affects the operational performance of industrial of the SMEs significantly and negatively. It had implications such as in the early stages of the implementation of this strategy; the company can issue additional production costs in the form of material costs, and more failing products without being accompanied by an increase in new customers.

Adimo (2018) examined the relationship between product differentiation strategies and organizational performance in Sameer Africa Kenya. The study was guided by Strategic Balance Theory. Primary data was collected through self-administered questionnaires. The study was significant and provided an empirical evaluation of the relationship between differentiation strategy and organization performance. The study found that product differentiation had a

positive relationship with organizational performance. The study concluded that integrating product differentiation strategies through specific product attributes relevant to competitors and variety of products to match the need of various customers would result to improved performance. The study therefore recommends that product differentiation should be adopted because they have the highest relationship with organizational performance.

Sidhu and Mather (2017) stated that differentiation is also one of Porters key business strategies. When using this strategy; a company focuses its efforts on providing a unique product or service. Since the product or service is unique, this strategy provides high customer loyalty. Product differentiation fulfils a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share. He further argues that a differentiation strategy is often but not always associated with a higher price because it usually makes price less critical.

Qayyum (2017) carried out a study on product differentiation strategies and impact of factors influencing the differentiation process. The paper studied the differentiation strategies of mobile telecom operators and the impact of factors influencing the process of differentiation. The study concentrated on the differentiation strategies of the mobile telecom service firms operating in Pakistan. The findings from the four case studies revealed that all the mobile operators opt for the differentiation strategies based on the determinants. It was examined from the research that these determinants are interrelated with each other. It was evident from the study of all the case companies that regulations affect the industry profits, increase the cost of upgrading the networks and infrastructures, causing a delay in the adoption of innovation, thereby influencing the differentiation strategy. The second factor influencing the differentiation process revealed in this study was competitive imitation, which caused convergence of strategies resulting in undifferentiated services even though operators tried to differentiate their services.

Kamau (2018) examined the effects of differentiation strategy on sales performance in supermarkets in Nakuru town central business district. The purpose of the study was to establish the effects of differentiation strategy on sales performance of supermarkets within Nakuru CBD. The study hypothesized that there is no significant relationship between product differentiation strategy adopted by retail supermarkets and sales performance. The study employed non-experimental research survey design and used purposive and simple random sampling to get the

sample size of the respondents. The findings of the study showed that product and physical differentiation play a major role in activating annual sales performance at the supermarkets. The study recommended that supermarkets should scale up on the attributes of product and physical differentiation strategies if they are to compete in the growing market.

Shafiwu and Mohammed (2013) have investigated the effect of product differentiation on profitability in the petroleum industry in Ghana. The research sought to establish the relationship between differentiation and profitability in the petroleum industry and whether or not people patronized Effimax products. The research employed a correlation research design. It targeted 15 government owned and 14 privately owned oil marketing companies in Ghana. Cluster sampling technique was used to select one company out of the population. The study concluded that despite the fact that the petroleum industry is not seen to have differentiated products relative to other industries, it does not mean that the act of differentiation in itself is not a profitable strategy suitable to the industry. Rather, there may be other factors responsible for the less adoption.

Conrad (2014) asserts that the essence of differentiation is to be unique in ways that are valuable to customers and that can be sustained by the firm. It needs a critical study of buyer needs and preferences to consider what is important to them and what value are they willing to pay for this. Porter (1980) strengthens the position by indicating that the advantage of uniqueness may be in the form of customer service, design, brand image or technology. He further advises that differentiation extends beyond the characteristics of the product or service, to include every possible interaction between the firm and its customers. However, Grant (2013) adds that differentiation strategies are not about pursuing uniqueness for the sake of being different but is about understanding the product or service and the customer.

Pauline (2017) conducted a study on the relationship between differentiation strategy and organisational performance. The study applied correlational research design. The author used judgmental procedure to select 120 representatives from the following categories of individuals in the private enterprises. Applying multiple regression model and content analysis tools, the study analysed quantitative and qualitative data respectively. Results showed that service culture, service quality, customer experience and feedback are key determinants of performance in the sampled private firms. The study established that organisation structure of many private firms does not match the internal business processes.

According to Dean and Evans (2014), differentiation strategy enables customers to believe that differentiated services or products have unique features from those of the competitors. This is achieved through marketing techniques, charging premium prices, and engaging in advertising programs among others. Aaker (2012) observe that differentiation enables firms to attain competitive advantage due to the perceived uniqueness of their services and products. Differentiation is concerned with the creation of features that portray a company and its created value in relation to its rivals. Differentiation strategy also generates entry barriers to possible market entrants. This is achieved by building customer and brand loyalty. In implementing this strategy, a company provides a unique product or service from those of the rivals in the market. Product differentiation tailors the product to perfectly suit the need of the customer. In implementing differentiation strategy one needs to consider the distinct feature of his/her company from the rest of the companies (McCracken, 2012). Hence customers should be made aware of the distinction so that they form a positive perception about the company.

Dirisu, Oluwule and Ibidunni (2013) studied product differentiation as a tool of competitive advantage and optimal organizational performance focusing on Unilever Nigeria. The study focused on how competitive advantage can be achieved through product differentiation strategy and, ultimately, on how it influences the performance of the organization in the manufacturing company. Survey research was adopted for the research because of the nature of the respondents. This entailed the administering of questionnaires to the chosen sample. The population of the respondents was rather large, made up of all customers/consumers of the products of Unilever Nigeria Plc. The analysis carried out proved the existence of a positive significant relationship between product differentiation and the sales growth of an organization. The study recommended that executive management ought to focus and invest more on product differentiation as it could be used as a major competitive advantage tool against competitors in the industry and it is capable of guaranteeing the long-term survival of the organization.

Adimo (2018) examined the relationship between product differentiation strategies and organizational performance in Sameer Africa Kenya. The study was guided by Strategic Balance Theory. Primary data was collected through self-administered questionnaires. The study was significant and provided an empirical evaluation of the relationship between differentiation strategy and organization performance. The study found that product differentiation had a positive relationship with organizational performance. The study concluded that integrating

product differentiation strategies through specific product attributes relevant to competitors and variety of products to match the need of various customers would result to improved performance. The study therefore recommends that product differentiation should be adopted because they have the highest relationship with organizational performance.

Lynch (2015) intimates that differentiation strategy has many advantages for the firm which makes use of the strategy. One of the major challenges facing differentiation is uncertainty in recovering the extra cost through premium pricing. According to Demiri (2010), differentiation strategy also has two alternatives: Broad and Narrow Focus. Differentiation Broad Focus seeks uniqueness and premium price in the overall market of the industry, whereas Differentiation-Narrow Focus aims at uniqueness and premium price at one market segment only. Risks of differentiation include the following: a firm may offer differentiated features that surpass the customer needs; when the differentiation no longer provides value which the customers are willing to pay, emulation by rivals and finally, learning can narrow customer's realization of the value of the differentiated products.

### **2.3.2 Product Promotion Strategy on Performance**

Lal and Rao (2017) examined the impact of promotional strategies in supermarket and also to know the composition of promotional strategies within the supermarket. The survey research method was adopted. It was discovered that promotional strategies stimulate consumers and give them a choice among different varieties of product. It was concluded that promotional strategies create a great impact on market share and sales. The study posited that supermarkets should aim at obtaining good quality products and services with honesty in the use of promotional strategies to enable the consumer make the most rational choice of product and services.

Adewale, Adesola and Oyewale (2018) investigated the impact of marketing strategy on business performance with special reference to the selected SMEs in Oluyole local government area Ibadan, Nigeria. The survey research design method was used in this study which involves using a self-design questionnaire in collecting data from one hundred and three (103) respondents. The results showed that the independent variables (i.e Product, Promotion, Place, Price, Packaging and after sales service) were significant joint predictors of business performance in term of profitability, market share, return on investment, and expansion.

Cherutich (2018) examined the effects of promotion strategies on performance of small and medium size enterprises. The findings indicated that the organization uses personal selling as a major promotional strategy others are sales promotions publicity and advertisements. The study also revealed that increase in customers leading to high sales is a way that the promotional strategies can enhance organizations stability. The study asserted that increase in sales is a major impact of promotional strategies in the organization\$ the other impacts realized are expansion of sales territory increase in organizational profit is and improvement of the organizational image The study further noted the following from the findings as the major challenges facing the organization in sales promotions they are sometimes expensive and government regulates promotions misinterpretation of the promotion organization structure and policy.

Adefulu (2015) studied promotional strategy impacts on market share and profitability in Coca-Cola and 7up companies in Lagos State, Nigeria. Survey research method was adopted. The study population was the staff in marketing positions in the selected companies. Questionnaire was administered on the samples from Coca-Cola and 7UP companies. The statistical tool employed was the univariate analysis of variance (ANOVA) to determine the statistical significance and the extent to which promotional strategy brings about variation in market share and profitability in the selected companies The study revealed the need for a better understanding of the organizational factors that determine the commitment of organizational resources to drive the achievement of marketing goals. In addition, promotional strategy measured by advertising, publicity and sales promotion affected market share and profitability at different percentage rates while Personal selling did not.

Mokhtar and Wan-Ismail (2012) in their study noted that personal network promotional tool comprised of promotion through family/friends (asking friends or relatives to advertise), sales promotion (special sale price, purchase with purchase, giveaway with purchase and free sample) and distributors have impact on performance. In the study conducted among women in Kenya by Arvinlucy (2012) it was found that most women groups use personal selling in promoting their products. This was due to the fact that other promotional elements require a lot of money and the groups do not have sufficient fund to carry out those other promotional elements. Advertising was only used once by the groups providing services just to create awareness of their existence so that they may get donors to fund their activities. The different elements of the promotional strategy impacts on performance was also noted in the previous studies.

The study by Ambler and Puntoni (2014) examined six promotion-related variables, i.e., advertising, sales promotion, personal selling, trade fairs, personal visits, and promotion adaptation, for their effects on export performance. Most of the promotional related variables were found to be positively linked to firm performance. Notably, advertising was the most widely researched variable of promotional mix, based on the notion that with sound advertising procedures the firm can communicate information, constantly remind, and persuade foreign customers to buy the products and, therefore, generate more sales.

Grankvist, Kollberg, Peterson (2014) in their study in which they focused on promotional strategies for banking services, concluded that all elements of promotion mix were used to some extent for promotion of banking services. This view was supported by Ananda and Murugaiah (2015) who carried out similar study on financial industry and recognized the importance of promotional strategy in influencing performance in the sector. In his finding, Kristina (2016) recommended that promotional strategies should be designed as per the nature of services to be promoted. The impact of promotional strategy was further noted by Channon (2015) when he opined that promotion attract deal oriented consumers who are likely to switch banks rather than new long accounts.

Mohd and Wannur (2012) in their study noted that personal network promotional tool comprised of promotion through family / friends (asking friends or relatives to advertise), sales promotion (special sale price, purchase with purchase, giveaway with purchase and free sample) and distributors (which moving around office, schools, clinics, houses and any premises showing the products) have impact on performance. In the study conducted among women in Kenya by Arvinlucy (2012) it was found that most women groups use personal selling in promoting their products. This was due to the fact that other promotional elements require a lot of money and the groups do not have sufficient fund to carry out those other promotional elements. Advertising was only used once by the groups providing services just to create awareness of their existence so that they may get donors to fund their activities. The different elements of the promotional strategy impacts on performance was also noted in the previous studies.

Chalarsoughi and Savory (2012) in the study on effect of sales promotion as a tool on customer attention to purchase concluded that introducing Khodro's products through sales' promotion attracts customer's attention to purchase. 50% of the participant selected the agreement choice

believing that sales' promotion will bring about customers attention and promotion of selling. Fornell, Robinson, and Wernerfelt (2016) argued that sales' promotion can play a dual role in that it can be involved in both habit formation as well as in habit destruction.

Metwally (2017) explained the variations in the growth rates of advertising expenditure of consumer goods and services in Australia by developing and testing a number of hypotheses. The regression results indicate, among other findings, that the growth in advertising expenditure is strongly correlated with the growth in sales and that movement in market shares exerts a significant effect on the growth in advertising expenditure. This view was corroborated by Dekimpe and Hanssens (2018) who used the Vector Auto Regressive modeling to show that temporary increases in advertising have a long term carry over effect on the brand's performance in some, but not all the stores.

Adefulu (2015) studied promotional strategy impacts on market share and profitability in Coca-Cola and 7up companies in Lagos State, Nigeria. Survey research method was adopted. The study population was the staff in marketing positions in the selected companies. Questionnaire was administered on the samples from Coca-Cola and 7UP companies. The statistical tool employed was the univariate analysis of variance (ANOVA) to determine the statistical significance and the extent to which promotional strategy brings about variation in market share and profitability in the selected companies. The study revealed the need for a better understanding of the organizational factors that determine the commitment of organizational resources to drive the achievement of marketing goals. In addition, promotional strategy measured by advertising, publicity and sales promotion affected market share and profitability at different percentage rates while Personal selling did not.

### **2.3.3 Product Diversification Strategy on Performance**

Njuguna (2018) studied the influence of geographical diversification strategy on performance of non-financial firms. Descriptive correlational survey design was employed. A census of 45 non-financial firms was taken. Both primary and secondary data was collected. To complement it semi-structured questionnaires were given to 135 departmental managers. Data analysis was carried out using SPSS in the form of descriptive and inferential statistics. To exhibit the relevant relationships regression model was used. The study established that there was a non-significant

positive relationship between product diversification and firm performance. Regression analysis revealed that 15.2% of changes in firm performance were attributed to use of this strategy.

Phung and Mishra (2016) did a study on the impact of corporate diversification on firm performance of listed companies in Vietnam over a period between 2007 and 2012. The findings revealed that corporate diversification had a negative effect on the firm performance. Further, the findings also revealed that lack of a corporate governance system which is efficient may encourage firms to follow diversification strategies which would impair the firm's performance.

The findings of the study by Doaei, Anuar and Ismail (2015) on 102 manufacturing firms listed in Busra Malaysia revealed that there existed a negative relationship between product diversification and efficiency, international diversification and efficiency. According to Denis and Sarin (2017) and Berger and Ofek (2015) they argued that based on the agency theory managers pursued their own interest and in this view product diversification had a negative impact on firm performance. Boubaker, Mensi, and Nguyen (2018) in their study using annual data from 25 non-banking listed firms on the Tunis Stock Exchange found a strong evidence of corporate diversification decreasing the firm value. While Singh (2017) who analyzed the relationship between corporate diversification and firm performance of 889 Indian firms found that diversified firms performed significantly worse than focused firms. Further their findings revealed a significant negative relationship between degree of diversification and firm performance and made a conclusion that this was a result of inefficiencies in costs of the diversified firms.

The study by George and Kabir (2018) on the relationship between corporate diversification and performance of 607 Indian firms listed on the Bombay revealed that, at first sight, diversification strategies of firms appeared to lower firm performance. The result supported prior studies documenting a 'diversification discount'. However, when the authors turned their attention to distinguishing features like the organizational structure and corporate governance of these firms, the results revealed that diversification strategies of independent firms significantly lowered the firm profitability whereas those of firms that were affiliated to business groups had an insignificant impact on firm performance.

La Rocca and Staglianò (2012) in their study of Italian firms between 1980 and 2007 on the effect of unrelated corporate diversification on firm performance findings revealed that there was

a positive effect which was explained by the fact that these firms diversified to reduce information asymmetry and derive benefits from the internal capital market. Hann, Ogneva, and Ozbas (2018) who carried out a study of the US firms from 2008 to 2016 stated that diversified firms could reduce the cost of capital and therefore improve the firm's value more than focused firms, the positive effect according to their findings was accelerated when the firms' managers received incentives in the form of stock options.

Phung and Mishra (2016) did a study on the impact of corporate diversification on firm performance of listed companies in Vietnam over a period between 2007 to 2012. The findings revealed that corporate diversification had a negative effect on the firm performance. Further, the findings also revealed that lack of a corporate governance system which is efficient may encourage firms to follow diversification strategies which would impair the firm's performance. Findings of a study by Jung and Chan-Olmsted (2005) on media conglomerates revealed related product and international diversification contributed to better financial performance of the media conglomerates. The researchers also noted that excessive diversification which led to high degree of unrelated diversification would decrease the performance.

The investigation by George and Kabir (2018) on the relationship between product diversification and performance of 607 Indian firms listed on the Bombay Stock Exchange revealed that, at first sight, diversification strategies of firms appeared to lower firm performance. The result supported prior studies documenting a 'diversification discount'. However, when the authors turned their attention to distinguishing features like the organizational structure and corporate governance of these firms, the results revealed that diversification strategies of independent firms significantly lowered the firm profitability whereas those of firms that were affiliated to business groups had an insignificant impact on firm performance. The results indicated that performance as measured in terms of turnover growth, net profit, return on sales, return on equity and return on assets increased in line with increase in diversification.

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interest and in this view product diversification had a negative impact on firm performance. Boubaker, Mensi, and Nguyen (2018) in their study using annual data from 25 non-banking listed firms on the Tunis Stock Exchange found a strong evidence of corporate diversification decreasing the firm value. While Singh (2017) who analyzed the relationship between corporate diversification and firm performance of 889 Indian firms found that diversified firms performed significantly worse than focused firms. Further their findings revealed a significant negative relationship between degree of diversification and firm performance and made a conclusion that this was a result of inefficiencies in costs of the diversified firms.

Marangu, Oyagi, and Gongera (2014) results revealed that concentric strategies had a general relevance impact on competition, at private degree the regression evaluation showed that there was a statistically favorable straight relationship in between concentric diversity and also firm competition. This suggested that concentric diversity had a favorable result on sugar companies' competitiveness.

#### **2.3.4 Pricing Strategy on Performance**

Katta and Sethuraman (2015) researched the problem of making an earnings optimizing pricing-scheduling plan for a capacity-constrained firm with a heterogeneous client base by taking into consideration the problem of pricing plan develop the customers getting to a service center, with the objective of earnings making the most of when the value of service as well as time-sensitivity of a customer are his personal info. The major conclusion they arrive at is that under particular problems it could be beneficial to swimming pool clients of different features together as well as treat them similarly; this occurs since clients themselves choose their service course.

Avlonitis and Indounas (2015) explored the pricing that service companies pursue along with the different pricing methods adopt by 170 companies in 6 different sectors in Greece. The information was collected with interview and evaluated purely using qualitative method. The study expose that the pricing method adopted by huge bulk of the example are cost-plus as well as the prices is base upon market typical price as well as the research additionally reveals that pricing objectives as well as prices approach are highly relevant.

Balaji and Ragavhan (2017) examined the influence of psychological pricing on price rigidity of the retail sector in USA. The study used 10 brand which were analysed making use of Anova. The study established a substantial distinction in the pricing strategies that various brand names

adopt. The study found that that brand name drives pricing approach and that differential rates approaches is not followed by the stores at the private degree. This observation indicates that pricing approach is not driven by the shop level need and is determined at a much more aggregate degree.

Obigbemi (2010) evaluated the influence of change in price on the sales turnover of SMEs in Ogun as well as Lagos in Nigeria. A qualitative method was taken on with 200 respondents. The information were evaluated making use of pupil t-test was used and the Trainee t-test. The study disclosed that there is a connection in between modification in expense of sales and turn over as well as further suggest that regular and sufficient tracking of SMEs which the service of price expert need to be utilized when making pricing decisions by SMEs. According to Lynch (2015) the risk of following the price management approach, nonetheless, is that the business's concentrate on minimizing expenses even sometimes at the cost of various other vital elements may become so leading that the company loses vision.

Strickland (2014) observes that in cost leadership, a firm set out to become the low cost producer in its industry for a given level of quality. This can be at an ordinary sector cost to make a revenue greater than the competitors or listed below the ordinary price to grow market share. This becomes convenient in a cost war environment where the company might retain some profits and the competitors booking sheds. Porter (1980) advises that price leadership needs aggressive building and construction of efficient range centres, energetic price reductions from experience, tight expense curve control and expense maximization in different features. While pursuing affordable leadership, the companies should ensure to include features and solutions that the customers think about important.

Anderson (2006) did a study on competitive strategies adopted by petroleum retail stations in Kenya. The studies exhibits that all stations combine two strategies to maintain their competitive advantage and stay relevant. They mostly use differentiation & cost leadership concurrently, most of which are the multinationals due to their favourable financial capabilities. The conditions under which multinational companies operate may not be directly applicable to local retail companies whose major challenge is the scarcity of resources.

Henard (2016) observed that the penetration price strategy is realized by setting a relatively low price for the new product aiming at reaching deeper market penetration in the current period and

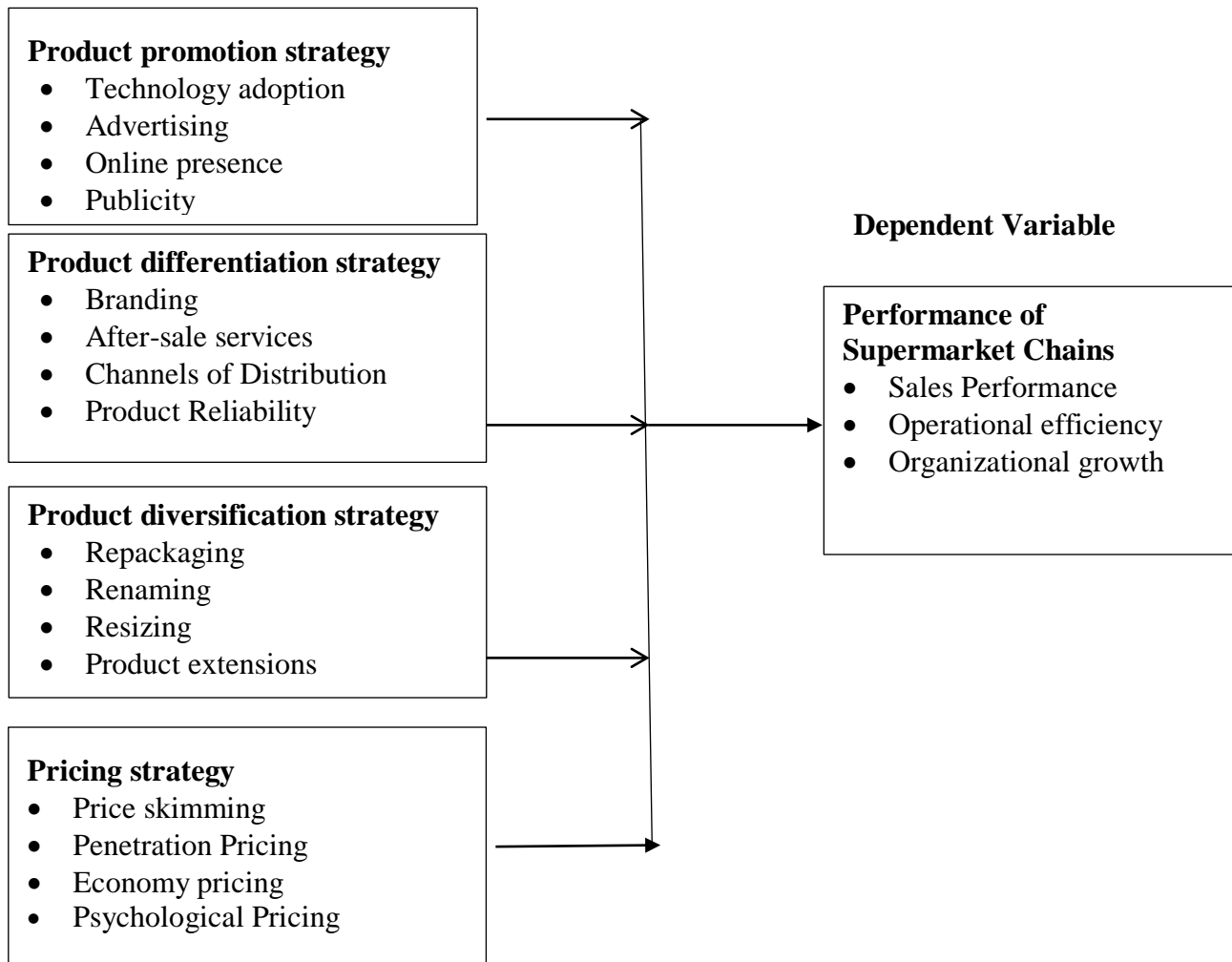
providing, as well as, a greater market share in subsequent periods. This strategy is applied only in the case when the price of demanded product is at the level which provides a sales volume increase. Therefore, in an industry where the considerable part of total costs could be reduced thanks to the economies of scale and experience, the justified penetration pricing application enables the company to realize greater a profit in the market.

Besanko and Winston (2016) found that central assumption of price skimming is because each consumer pays a price at or below his or her reservation price, each consumer is satisfied with his or her purchase. However, beyond the purchase decision, there is scant research on consumers' responses to price skimming. Instead, investigations concern firm profit maximization and variables impacting profit maximization, such as diffusion rates, competition and production learning curve.

## **2.4 Conceptual Framework**

Conceptual framework helps the reader see proposed relationships between the variables in the study and shows the interaction of variables diagrammatically (Kothari, 2013). The conceptual framework is as shown in Figure 2.1.

## Independent Variables



**Figure 2.1: Conceptual Framework**

Product promotion strategy is used by marketers to inform, persuade, or remind consumers and B2B users to influence their opinion or elicit a response. Most firms use some form of promotion (Zhdanova & Ryabov, 2017). Production differentiation is a strategy adopted by a firm through application of new design to gain a competitive advantage (Evangelista, 2017). It involves distinguishing a product or service from others, to make it more attractive to a particular market (Islami, Mustafa & Latkovikj, 2020).

Diversification strategy is when an organization enters a new market or industry which the organization is not currently operating in. In this strategy the organization also introduces new products to the new market (Weitz & France, 2018). Pricing strategy is used by firms mostly in the introductory part to recover production and advertising costs. The firm sets a relatively high price for a product or service at first, then lowers the price over time (Jiang & Li, 2016).

## 2.5 Measurement of Study Variables

The measurement of the independent and the dependent variables is as shown in the operationalization Table 2.1

**Table 2.1: Operationalization of Variables**

<b>Variables</b>	<b>Operational Indicators</b>	<b>Type of Scale</b>
Product promotion strategy	<ul style="list-style-type: none"> <li>• Technology adoption</li> <li>• Advertising</li> <li>• Online presence</li> <li>• Publicity</li> </ul>	Likert Scale
Product diversification strategy	<ul style="list-style-type: none"> <li>• Repackaging</li> <li>• Renaming</li> <li>• Resizing</li> <li>• Product extensions</li> </ul>	Likert Scale
Pricing strategy	<ul style="list-style-type: none"> <li>• Price skimming</li> <li>• Penetration Pricing</li> <li>• Economy pricing</li> <li>• Psychological Pricing</li> </ul>	Likert Scale
Product differentiation strategy	<ul style="list-style-type: none"> <li>• Branding</li> <li>• After-sale services</li> <li>• Channels of Distribution</li> <li>• Product Reliability</li> </ul>	Likert Scale
Performance	<ul style="list-style-type: none"> <li>• Sales Performance</li> <li>• Operational efficiency</li> <li>• Organizational growth</li> </ul>	Likert scale

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter provides a discussion of the outline of the research methodology that was used in this study. It focuses on the research design, target population, sampling procedure data collection methods and comes to a conclusion with the data analysis and data presentation methods that was used in this study.

#### **3.2 Research Design**

A research design is the set of methods and procedures used in collecting and analyzing measures of the variables specified in the problem research and it constitutes the blueprint for the collection, measurement, and analysis of data (Williams, 2016). This study employed a descriptive research design. A descriptive research design was used as it enables the researcher to describe the characteristics of the variables of interest.

#### **3.3 Target Population and Sampling Frame**

Population refers to the entire group of people, events or things of interest that the researcher wishes to investigate (Sekaran, 2015). The target population was the 9 major supermarkets in Nairobi County and the justification is that they have chains and thus enabled the study to make significant comparisons across the chains. These supermarkets include Naivas Limited, Tuskys, Uchumi Supermarkets, Ukwala Supermarkets, ShopRite, Carrefour, Chandarana Supermarkets, Eastmatt Supermarkets and Maathai Supermarkets. The respondents were the senior management, supervisors and staff. The justification is that the respondents represented both the management level and the staff level and thus was representative. The target population is as shown in Table 3.1.

**Table 3.1: Target Population**

No	Supermarket	Management	Supervisors & Staff	Total
1	Naivas Supermarkets	2	20	22
2	Tuskys Supermarkets	2	20	22
3	Uchumi Supermarkets	2	20	22
4	Ukwala Supermarkets	2	20	22
5	ShopRite Supermarkets	2	20	22
6	Carrefour Supermarkets	2	20	22
7	Chandarana Supermarkets	2	20	22
8	Eastmatt Supermarkets	2	20	22
9	Maathai Supermarkets	2	20	22
	Total	18	180	198

### 3.4 Sampling and Sampling Procedure

Sampling refers to the process of obtaining information about an entire population by examining only a part of it. A sample is the segment of the population that is selected for investigation (Bryman & Bell, 2013). This study adopted Yamane (1967) simplified formula to calculate the sample size for the supervisors and staff which provided the number of responses that should to be obtained using the equation;

$$n = \frac{N}{1 + N(e)^2}$$

Where:

$n$  = sample size

$N$  = population size

$e$  = the level of precision

1 = Constant

$$n = 180 / [1 + 180(0.05)^2]$$

$$= 124.13 \approx 125 \text{ respondents}$$

$n = 125$  respondents.

Therefore, the 125 respondents was apportioned equally in the supermarkets. Stratified random sampling technique was used in selecting the respondents. In addition, all the 18 senior personnel in management was used.

### **3.5 Research Instrument**

Primary data was collected by means of a structured questionnaire. The questionnaire was in 2 sections. Section A contained demographic information and section B was a series of statements to capture perception on innovative strategies. The key variables include the independent variables, which are product differentiation strategy, product diversification strategy, pricing strategy, product promotion strategy and the dependent variable as performance.

### **3.6 Pilot Study**

According to Mugenda and Mugenda (2003), a pretest sample ranges from 1% to 10% depending on the sample size. In this study, 10% of the sample size was used for the pilot test. Therefore, 13 questionnaires was piloted by issuing them to respondents who were not included in the final study sample.

### **3.7 Validity and Reliability of Research Instrument**

Mugenda and Mugenda (2010) states that validity is the accuracy and meaningfulness of inferences, which are based on the research results. The validity of the questionnaire was tested on questionnaire, 13 questionnaires was pilot tested and reviewed with a view to improve validity of the data that was collected (Kothari, 2004). Cronbach's alpha coefficient was generated to assess reliability. The closer Cronbach's alpha coefficient was to 1, the higher the internal consistency reliability (Sekaran, 2006). A coefficient of 0.7 was used as recommended by Cronbach (1951). The results are as shown in Table 3.2.

**Table 3.2: Reliability Test**

<b>Variables</b>	<b>Items</b>	<b>Cronbach Alpha</b>
Product promotion strategy	5	0.813
Product differentiation strategy	4	0.825
Product diversification strategy	5	0.791
Pricing strategy	4	0.892
Performance	5	0.853

The results indicated that the statements under product promotion strategy (0.813), product differentiation strategy (0.825), product diversification strategy (0.791), pricing strategy (0.892) and performance (0.853) had a Cronbach alpha of above 0.7 and thus the statement were considered reliable.

### **3.8 Data Collection Procedure**

Data collection refers to acquisition of subjects and collection of information needed for an investigation; techniques of collection varies depending on the research design (Kothari, 2012). Primary data was selected for this study and it was selected by using a structured questionnaire. The study used online and drop and pick method and the researcher used scheduled phone calls to follow-up on the dropped questionnaires.

### **3.9 Diagnostic Tests**

The study conducted normality test, multicollinearity and heteroscedasticity.

#### **3.9.1 Multicollinearity**

Multicollinearity is usually a situation in which there is a high degree of association between independent variables and dependent variable. Multicollinearity was tested using variance inflation factor VIF. Multicollinearity was detected where the VIF value is above 10 according to

Bryman and Bell (2013) who indicated that where  $VIF \geq 10$  indicate presence of Multi-collinearity.

### **3.9.2 Heteroscedasticity**

In regression models, the error term difference or variance is assumed to be constant across observations. If this assumption is violated, the random variable is called heteroscedastic. If the control model is heteroscedasticity, then the analysis is not correct. According to Williams (2016), heteroscedasticity gives equal weight to all observations and causes the standard errors to be discriminated and consequently results in an incorrect conclusion when testing the hypothesis. Breusch-Pagan was used to check for existence of heteroscedasticity in the data collected.

### **3.9.3 Normality test**

The assumption of normality is very important as it enables one to make accurate statistical inferences from test of hypothesis (Field, 2009). This study used the Jarque-Bera test statistic (Bera & Jarque, 1982) to test for the normality of the residuals.

### **3.10 Data Processing and Analysis**

The completed questionnaires was edited for completeness and consistency; data was checked for errors and omissions. Quantitative data collected using a questionnaire was analyzed by the use of descriptive statistics using the Statistical Package for Social Sciences (SPSS). The statistics to be generated was descriptive statistics and inferential statistics using SPSS. The specific descriptive statistics included percentages and frequencies while the inferential statistics included multiple linear regression models. The multiple regression model before moderation was as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y = Performance of Supermarket Chains.

X<sub>1</sub> = Product promotion strategy

X<sub>2</sub> = Product differentiation strategy

X<sub>3</sub> = Product diversification strategy

$X_4$  = Pricing strategy

$\beta_{1...4}$  = Coefficients of the variables

$\varepsilon$  = Error term

The test for significance was at 0.05.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **4.0 Introduction**

This chapter focused on data analysis, findings and interpretation. Results were presented in tables and diagrams. The analyzed data was arranged under themes that reflected the research objectives.

#### **4.1 Response Rate**

The response rate was analyzed to show the representative from the sample size. A response rate is very important to the credibility of the research results. A low response rate may decrease the statistical power of the data collected and undermine the reliability of the results. It may also undermine the ability of the researcher to generalize the results to the larger target audience. This is further complicated by the fact that a low response rate can be indicative of a non-response bias within the sample. A low response rate can give rise to sampling bias if the non-response is unequal among the participants regarding exposure and/or outcome.

The study administered 129 questionnaires after using 14 questionnaires for pilot testing from a sample size of 143 and the results are as shown in Table 4.1.

**Table 4.1: Response Rate**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
Returned	113	87.6%

Unreturned	16	12.4%
Total	129	100%

According to Mugenda and Mugenda (2003) and Kothari (2004), a response rate of above 50% is adequate for a descriptive study. Babbie (2004) also asserted that return rates of above 50% are acceptable, 60% is good and 70% is very good. Thus, the response rate of 87.6% under this study was very good for study.

## 4.2 Demographic Characteristics

This section consists of information that describes basic characteristics including position in the organization, gender, age, highest level of education, and duration in the retail sector.

### 4.2.1 Job Position

The respondents were asked to indicate their job position in the organisations and the results are as shown in the Table 4.2.

**Table 4.2: Job Position**

Category	Frequency	Percent
Senior managers	11	9.7%
Supervisors	26	23%
Staff	76	67.3%
Total	113	100

The results show that majority of the respondents were staff who represented 67.3% of the sample followed by supervisors 23%. The least was senior managers who were at 9.7%. This indicated that the respondents were adequately distributed in the retail sector.

### 4.2.2 Gender

The respondents were asked to indicate their gender and the results are as shown on table 4.3.

**Table 4.3: Job Position**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Female	53	46.9%
Male	60	53.1%
Total	113	100

The results show that majority of the respondents were men who represented 53.1% of the sample while 46.9% were female. This indicated that the composition of the staff in the retail chains had more male than female staff representation.

#### **4.2.3 Age**

The respondents were asked to indicate their age bracket and the results are as shown in the Table 4.4.

**Table 4.4: Age of Respondents**

<b>Age</b>	<b>Frequency</b>	<b>Percent</b>
Below 20 years	9	8%
21 - 30 years	42	37.2%
31 - 40 years	36	31.9%
41 - 50 years	17	15%
Over 50 years	9	8%
Total	113	100

Results indicated that most of the respondents were aged above 21-30 years represented by 37.2% and they were followed by 31 - 40 years at 31.9%. Those with 41-50 years were at 15% while the least below 20 years and over 50 years at 8%. This indicated that the employees at the retail supermarket chains were middle aged.

#### **4.2.4 Level of Education**

The respondents were asked to indicate their highest level of education and the results are as shown in the Table 4.5.

**Table 4.5: Highest Level of Education**

<b>Level of Education</b>	<b>Frequency</b>	<b>Percent</b>
Secondary	13	11.5%
Diploma	27	23.9%
Higher Diploma	35	31%
Bachelor's	16	14.2%
Master	16	14.2%
PhD	6	5.3%
Total	113	100

The results indicated that most of the respondents had attained a higher diploma and this was represented by 31% followed by those with diploma at 23%. Further, those who had Bachelors were at 14.2% which was equal with Masters at 14.2%. The respondents who had acquired secondary education were at 11.5% while the least was PhD at 5.3%. The level of education outcomes suggests that the respondents were able to comprehend to the questions raised and give substantial reaction since they would have some degree of understanding as guided by their level of education which for this situation majority have higher diploma and graduate as their minimum education level.

### **4.3 Descriptive Statistics**

This section presents the descriptive results on product promotion strategy, product differentiation strategy, product diversification strategy, pricing strategy and performance. For purposes of presentation, the results for strongly (5) agree and agree (4) were combined as agree while strongly disagree (1) and disagree (2) were combined as disagree.

#### **4.3.1 Product Promotion Strategy**

The first objective of the study was to explore the influence of product promotion strategy on performance of supermarket chains in Nairobi County, Kenya. The study evaluated the respondents' level of agreement with the various statements on the product promotion strategy using a scale of 1 – 5 where 5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 4.6.

**Table 4.6: Product Promotion Strategy**

<b>Statements</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Mean</b>	<b>Std. Dev</b>
Our supermarket engages in competitive advertising	5.3%	9.7%	23.0%	51.3%	10.6%	3.52	0.99
Our supermarket has a strong online presence and ecommerce integration	3.6%	19.6%	17.9%	49.1%	9.8%	3.42	1.03
Our supermarket engages in publicity through use of influential personalities	5.3%	3.5%	15.9%	50.4%	24.8%	3.86	1.02
Our supermarket offers free samples on selected new products	3.5%	12.4%	19.5%	52.2%	12.4%	3.58	0.98
Average						3.60	1.00

Under product promotion strategy, the respondents were asked if their supermarket engages in competitive advertising and 61.9% agreed while 15.0% disagreed with the statements. On whether their supermarket has a strong online presence and ecommerce integration, 58.9% agreed with the statement while 23.2% disagreed. The respondents were asked if their supermarket engages in publicity through use of influential personalities and 75.2% agreed while 8.8% disagreed with the statement. Lastly, the respondents were asked if their supermarket offers

free samples on selected new products and 64.6% agreed while 15.9% disagreed with the statement. The overall mean was 3.6 that showed that majority agreed to the statements on product promotion strategy with variations of 1.0.

### 4.3.2 Product Differentiation Strategy

The second objective of the study was to explore the influence of product differentiation strategy on performance of supermarket chains in Nairobi County, Kenya. The study evaluated the respondents' level of agreement with the various statements on the product differentiation strategy using a scale of 1 – 5 where 5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 4.7.

**Table 4.7: Product Differentiation Strategy**

Statements	Strongly Disagree					Mean	Std. Dev
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree		
Our supermarket conducts regular branding for its products	1.8%	2.7%	13.3%	50.4%	31.9%	4.08	0.85
Our supermarket conducts regular after-sale services	3.5%	1.8%	4.4%	61.9%	28.3%	4.10	0.85
Our supermarket engages in after-sale services	1.8%	14.2%	18.6%	57.5%	8.0%	3.56	0.90
Our supermarket takes part channels of distribution	5.3%	14.2%	18.6%	52.2%	9.7%	3.47	1.03
Our supermarket has reliability of product in the market	2.7%	17.7%	17.7%	46.9%	15.0%	3.54	1.04
Average						3.75	0.93

Under product differentiation strategy, the respondents were asked if their supermarket conducts regular branding for its products and majority agreed with this, at 82% while 5% disagreed. On

whether the supermarket conducts regular after-sale services, 90% agreed while 5% disagreed. The respondents were asked if their supermarket engages in after-sale services 66% agreed while 16% disagreed with the statements. On whether the supermarket take part channels of distribution, 62% agreed while 20% disagreed with the statements. Lastly, the respondents were asked if the supermarket has reliability of product in the market and 62% agreed while 20% disagreed with the statements. The overall mean was 3.75 that showed that majority agreed to the statements on product differentiation strategy with variations of 0.93.

### 4.3.3 Product Diversification Strategy

The third objective of the study was to explore the influence of product diversification strategy on performance of supermarket chains in Nairobi County, Kenya. The study evaluated the respondents' level of agreement with the various statements on the product diversification strategy using a scale of 1 – 5 where 5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 4.8.

**Table 4.8: Product Diversification Strategy**

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev
Our supermarket does product repackaging for product presentation	0.90%	6.20%	14.20%	35.40%	43.40%	4.14	0.944
Our supermarket does product renaming for market targeting	3.50%	13.30%	8.00%	59.30%	15.90%	3.71	1.006
Our supermarket does product resizing for variety of SKUs	12.40%	31.90%	7.10%	21.20%	27.40%	3.19	1.451
Our supermarket offers product extensions for customers	15.90%	43.40%	4.40%	16.80%	19.50%	2.81	1.413
<b>Average</b>						<b>3.46</b>	<b>1.20</b>

Under product differentiation strategy, the respondents were asked if their supermarket does product repackaging for product presentation and 78.8% agreed to the statement while 7.1% disagreed. On whether the supermarket does product renaming for market targeting, 75.2% agreed while 16.8% disagreed. The respondents were asked if their supermarket does product resizing for variety of sizes and 48.6% agreed while 44.3% disagreed to the statements. Lastly, the respondents were asked if their supermarket offers product extensions for customers and 36.3% agreed and 59.3% disagreed to the statement. The overall mean was 3.46 that showed that majority agreed to the on product diversification strategy with variations of 1.21.

#### 4.3.4 Pricing Strategy

The fourth objective of the study was to explore the influence of pricing strategy on performance of supermarket chains in Nairobi County, Kenya. The study evaluated the respondents' level of agreement with the various statements on the pricing strategy using a scale of 1 – 5 where 5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 4.9.

**Table 4.9: Pricing Strategy**

<b>Statements</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Mean</b>	<b>Std. Dev</b>
Our supermarket does price skimming of its products	31.9%	49.6%	6.2%	8.0%	4.4%	2.04	1.05
Our supermarket engages in penetration pricing	8.0%	41.6%	7.1%	34.5%	8.8%	2.95	1.20
Our supermarket offers economy pricing for client absorption	9.7%	29.2%	15.9%	32.7%	12.4%	3.09	1.23
Our supermarket does psychological pricing for market targeting	4.4%	5.3%	13.3%	38.9%	38.1%	4.01	1.07
Our supermarket discount on selected products regularly	4.4%	8.0%	7.1%	70.8%	9.7%	3.73	0.91
<b>Average</b>						<b>3.164</b>	<b>1.09</b>

Under pricing strategy, the respondents were asked if their supermarket does price skimming of its products and 81.5% disagreed while only 12.4% agreed. On whether their supermarket engages in penetration pricing 49.6% disagreed 43.3% agreed to the statement. The respondents were asked if their supermarket offers economy pricing for all client absorption and 45.1% agreed while 38.9% disagreed to the statement. When asked if their supermarket does psychological pricing for market targeting, 77.0% agreed while only 9.7% disagreed. Lastly, the respondents were asked if their supermarket discount on selected products regularly and 80.5% agreed while 12.4% disagreed to the statement. The overall mean was 3.16 that showed that majority were neutral to the on pricing strategy with variations of 1.09.

#### 4.3.5 Performance of Supermarkets

The dependent objective of the study was performance of supermarket chains in Nairobi County, Kenya. The study evaluated the respondents' level of agreement with the various statements on the performance using a scale of 1 – 5 where 5- strongly agree, 4- agree, 3- neutral, 2- disagree and 1- strongly disagree. The findings are as illustrated in Table 4.10.

**Table 4.10: Performance**

<b>Statements</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Mean</b>	<b>Std. Dev</b>
Our supermarket has increased Sales Performance over the last five years	0.9%	20.4%	13.3%	61.1%	4.4%	3.48	0.897
Our supermarket has increased Operational efficiency over the last five years	4.4%	13.3%	11.5%	62.8%	8.0%	3.57	0.972
Our supermarket has experienced improved customer service delivery over the last five years	22.1%	18.6%	12.4%	25.7%	21.2%	3.05	1.481
Our supermarket has experienced an increased market share over the last five years.	19.5%	15.0%	12.4%	36.3%	16.8%	3.16	1.399

Our supermarket has experienced increased customer base over the last five years.	17.7%	23.0%	16.8%	25.7%	16.8%	3.01	1.373
Average						3.254	1.22

On performance, the respondents were asked if their supermarket has increased sales performance over the last five years and 65.5% agreed with the statement while 21.3% disagreed. On whether the supermarket has increased operational efficiency over the last five years, 70.8% agreed while 17.7% disagreed. The respondents were asked if the supermarket has experienced improved customer service delivery over the last five years and 46.9% agreed while 40.7% disagreed. On whether the supermarket has experienced an increased market share over the last five years, 53.1% while 34.5% disagreed with the statement. Lastly, the respondents agreed with the statement that the supermarket has experienced increased customer base over the last five years with 42.5% while 40.7% disagreed. The overall mean was 3.25 that showed that majority were neutral to the on performance with variations of 1.22.

#### 4.5 Correlation Analysis

Correlation analysis was conducted to establish the relationship between the independent and dependent variables. The correlation matrix is presented in Table 4.11.

**Table 4.11: Correlation Matrix**

		Perfor mance	Product Differentiation Strategy	Product Promotion Strategy	Pricing Strategy	Product Divers
Performance	Pearson Correlation	1.000				
	Sig. (2-tailed)					
Product Differentiation Strategy	Pearson Correlation	.690**	1.000			
	Sig. (2-tailed)	0.000				
Product Promotion Strategy	Pearson Correlation	.637**	.658**	1.000		

	Sig. (2-tailed)	0.000	0.000			
Pricing Strategy	Pearson Correlation	.743**	.736**	.635**	1.000	
	Sig. (2-tailed)	0.000	0.000	0.000		
Product Diversification	Pearson Correlation	.628**	.690**	.691**	.722**	1.000
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	

The results in Table 4.11 revealed that product differentiation strategy and performance of supermarket chains in Nairobi County, Kenya are positively and significantly related ( $r = .690^{**}$ ,  $p = 0.000$ ). The results further indicated that Product Promotion Strategy and performance of supermarket chains in Nairobi County, Kenya are positively and significantly related ( $r = .637^{**}$ ,  $p = 0.000$ ). Pricing Strategy and performance of supermarket chains in Nairobi County, Kenya are positively and significantly related ( $r = .743^{**}$ ,  $p = 0.000$ ). Lastly, results showed that Product Diversification and performance of supermarket chains in Nairobi County, Kenya are positively and significantly related ( $r = .628^{**}$ ,  $p = 0.000$ ). This implies that an increase in product differentiation strategy, product promotion strategy, pricing strategy, product diversification leads to an increase on performance of supermarket chains in Nairobi County, Kenya are positively.

#### 4.6 Diagnostic Tests

The diagnostic tests conducted included Multicollinearity Test, Test for Heteroscedasticity and Normality Test.

##### 4.6.1 Multicollinearity Test

Multicollinearity test was conducted to determine if two or more of the predictor (independent) variables in the regression model were highly correlated. Variance inflation factor (VIF) were used to test multicollinearity and VIF of below 10 indicated acceptable limits. If the VIF value of exploratory variables are greater than 10, then variables were regarded as highly collinear.

**Table 4.12: Multicollinearity Test Using Tolerance and VIF**

	<b>Collinearity Statistics</b>	
	<b>Tolerance</b>	<b>VIF</b>
Product Differentiation Strategy	0.379	2.639
Product Promotion Strategy	0.452	2.211
Pricing Strategy	0.365	2.743
Product Diversification	0.370	2.699
Average	0.392	2.573

From the findings above all the variables had tolerance values  $>0.2$  and VIF values  $<10$  as shown in Table 4.12 and thus according to Myres (2015) who indicated that where  $VIF \geq 10$  indicate presence of Multicollinearity, there was no multicollinearity among the independent variables.

#### **4.6.2 Test for Heteroscedasticity**

Heteroscedasticity is the circumstance in which the variability of a variable is unequal across the range of values of a second variable that predicts it. Running a regression model without accounting for heteroscedasticity would lead to unbiased parameter estimates. To test for heteroscedasticity, the Breusch-Pagan/Godfrey test was used. Heteroscedasticity test was run using Breusch-Pagan / Cook-Weisberg test in order to test whether the error terms are correlated across observations in the cross section of the data (Long & Ervin, 2000). The hypothesis was that;

$H_1$ : The data is Homoscedastic.

If the p-value is less than 0.05, the hypothesis is rejected. Results are presented in Table 4.14.

**Table 4.13: Heteroscedasticity Results**

<b>Breusch-Pagan / Cook-Weisberg test for heteroskedasticity</b>		
<b>H<sub>0</sub>: Constant variance</b>		
<b>Variables: fitted values of Performance</b>		
chi2(1)	=	0.070
Prob > chi2	=	0.9543

Results in Table 4.13 show that the p-value is greater than the 5%. Then the hypothesis was not rejected at a critical p value of 0.05 since the reported Chi2 (1)= 0.070 and p-value was 0.9543>0.05 and thus the data did not suffer from heteroscedasticity.

### 4.6.3 Normality Test

Test for normality determines if the data is well modeled and normally distributed (linear). To test the normality of the variables, Shapiro–Wilk test was used as it has the highest power among all tests for normality. The hypothesis was tested at a critical value at 0.05, where the rule is that reject  $H_0$  if the probability (P) value is less than 0.05 or else do not reject. The dependent variable should be normally distributed because the study was analyzed using a multiple regression model where the condition of normality must be satisfied (Quataroli & Julia, 2012). The hypothesis was that;

$H_1$ : The data is normal.

The results for normality are as shown in Table 4.14.

**Table 4.14: Normality Outputs**

Variables	Shapiro-Wilk		
	Statistic	df	Sig.
Performance	0.980	113	0.090
Product Differentiation Strategy	0.934	113	0.100
Product Promotion Strategy	0.940	113	0.720
Pricing Strategy	0.959	113	0.200
Product Diversification	0.949	113	0.080

The results indicates that using the Shapiro-Wilk test of normality, the data is normal since the p-values are above 0.05 for all the variables and thus we do not reject the alternative hypothesis ( $H_1$ ). Therefore, the variables on performance, product differentiation strategy, product promotion strategy, pricing strategy and product diversification are normal in distribution and hence subsequent analysis can be carried out.

### 4.7 Regression Analysis

The study sought to carry out regression analysis to establish the statistical significance relationship between the product differentiation strategy, product promotion strategy, pricing

strategy and product diversification on performance of supermarket chains in Nairobi County, Kenya. According to Chatterjee and Hadi (2015), regression analysis is a statistical process of estimating the relationship among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent and one or more independent variables. More specifically, regression analysis helps one to understand how the typical value of the dependent variable changes when any one of the independent variable is varied, while the other independent variables are held fixed (Gunst, 2018).

The results presented in Table 4.15 present the fitness of model used of the regression model in explaining the study phenomena.

**Table 4.15: Model Fitness**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.787a	0.619	0.605	0.35

The variables product differentiation strategy, product promotion strategy, pricing strategy and product diversification were found to be satisfactory variables in explaining performance of supermarket chains in Nairobi County, Kenya. This is supported by coefficient of determination also known as the R square of 0.619. This means that differentiation strategy, product promotion strategy, pricing strategy and product diversification explain 61.9% of the variations in the dependent variable, which is performance of supermarket chains. This results further means that the model applied to link the relationship of the variables was satisfactory.

The Analysis of Variance (ANOVA) results are shown in Table 4.16.

**Table 4.16: Analysis of Variance**

<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	21.412	4	5.353	43.822	.000b
	Residual	13.193	108	0.122		
	Total	34.605	112			

The findings further confirm that the regression model of is significant and supported by F= 43.822,  $p < 0.000$ ) since p-values was 0.000 which is less than 0.05.

The study conducted a regression of coefficient analysis to establish the statistical significance relationship between the independents variables notably differentiation strategy, product

promotion strategy, pricing strategy and product diversification on the dependent variable that was performance of supermarket chains.

The regression of coefficient results are as shown in Table 4.16.

**Table 4.16: Regression of Coefficients**

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.772	0.116		15.338	0.000
Product Promotion Strategy	0.096	0.043	0.198	2.240	0.027
Product Differentiation Strategy	0.106	0.046	0.224	2.321	0.022
Product Diversification	0.010	0.047	0.021	0.215	0.830
Pricing Strategy	0.224	0.050	0.437	4.443	0.000

The multiple regression model was presented as follows.

$$Y = 1.772 + 0.106X_1 + 0.096X_2 + 0.224X_3 + 0.010X_4$$

Where:

Y = Performance of Supermarket Chains.

X<sub>1</sub> = Product promotion strategy

X<sub>2</sub> = Product differentiation strategy

X<sub>3</sub> = Product diversification strategy

X<sub>4</sub> = Pricing strategy

The constant of 1.772 showed that when product differentiation strategy, product promotion strategy, pricing strategy and product diversification are held constant, performance of supermarket chains will remain at 1.772 units. The regression of coefficients results show that Product Differentiation Strategy and performance of supermarket chains in Nairobi County, Kenya is positively and significantly related ( $\beta=0.106$ ,  $p=0.022$ ). The results further indicated that Product Promotion Strategy and performance of supermarket chains in Nairobi County, Kenya are positively and significantly related ( $\beta= 0.096$ ,  $p=0.027$ ). The results further indicated that Pricing Strategy and performance of supermarket chains in Nairobi County, Kenya are positively and significantly related ( $\beta= 0.010$ ,  $p=0.000$ ). Lastly, results showed that Product

Diversification and performance of supermarket chains in Nairobi County, Kenya were positive and significant ( $\beta = 0.224$ ,  $p = 0.830$ ).

#### **4.8 Discussion of Findings**

The objective of this study was to determine the influence of innovative strategies on performance of supermarket chains in Nairobi County, Kenya. The variables of interest were differentiation strategy, product promotion strategy, pricing strategy and product diversification on performance of supermarket chains in Nairobi County, Kenya. The pre-estimation tests conducted on Multicollinearity Test, Test for Heteroscedasticity, and Normality Test indicated that the underlying assumptions were fit for regression analysis.

The first objective of the study was to explore the influence of product promotion strategy on performance of supermarket chains in Nairobi County, Kenya. Product Promotion Strategy and performance of supermarket chains in Nairobi County, Kenya was found to be positively and significantly related ( $r = .637^{**}$ ,  $p = 0.000$ ). Further, regression results indicated that Product Promotion Strategy and performance of supermarket chains in Nairobi County, Kenya are positively and significantly related ( $\beta = 0.096$ ,  $p = 0.027$ ). This implies that a unitary increase in Product Promotion Strategy leads to increased performance of supermarket chains in Nairobi County, Kenya by 0.637 units holding other factors constant.

The null hypothesis was therefore rejected that Product Promotion Strategy has no significant effect on performance of supermarket chains in Nairobi County. The findings are consistent with Lal and Rao (2017) who examined the impact of promotional strategies in supermarket and also to know the composition of promotional strategies within the supermarket and found that promotional strategies create a great impact on market share and sales. The study posited that supermarkets should aim at obtaining good quality products and services with honesty in the use of promotional strategies to enable the consumer make the most rational choice of product and services. The results are also in line with Adewale, Adesola and Oyewale (2018) who investigated the impact of marketing strategy on business performance with special reference to the selected SMEs in Oluyole local government area Ibadan, Nigeria and results showed that the independent variables (i.e. Product, Promotion, Place, Price, Packaging and after sales service) were significant joint predictors of business performance in term of profitability, market share, return on investment and expansion.

Further, the results agree with Cherutich (2018) who examined the effects of promotion strategies on performance of small and medium size enterprises. The findings indicated that the organization uses personal selling as a major promotional strategy others are sales promotions publicity and advertisements. The study also revealed that increase in customers leading to high sales is a way that the promotional strategies can enhance organizations stability. The study asserted that increase in sales is a major impact of promotional strategies in the organizations the other impacts realized are expansion of sales territory increase in organizational profit is and improvement of the organizational image. The results are in line with Adefulu (2015) who studied promotional strategy impacts on market share and profitability in Coca-Cola and 7up companies in Lagos State, Nigeria and the study revealed the need for a better understanding of the organizational factors that determine the commitment of organizational resources to drive the achievement of marketing goals. In addition, promotional strategy measured by advertising, publicity and sales promotion affected market share and profitability at different percentage rates while Personal selling did not. Lastly, the results agree with Mokhtar and Wan-Ismail (2012) who established that personal network promotional tool comprised of promotion through family/friends (asking friends or relatives to advertise), sales promotion (special sale price, purchase with purchase, giveaway with purchase and free sample) and distributors have impact on performance.

The second objective of the study was to explore the influence of Product Differentiation Strategy on performance of supermarket chains in Nairobi County, Kenya. Product Differentiation Strategy and performance of supermarket chains in Nairobi County, Kenya was found to be positively are positively and significantly related ( $r = .690^{**}$ ,  $p = 0.000$ ). Further, regression results indicated that Product Differentiation Strategy and performance of supermarket chains in Nairobi County, Kenya are positively and significantly related ( $\beta = 0.106$ ,  $p = 0.022$ ). This implies that a unitary increase in Product Differentiation Strategy leads to performance of supermarket chains in Nairobi County, Kenya by 0.106 units holding other factors constant.

The null hypothesis was therefore rejected that Product differentiation Strategy has no significant effect on performance of supermarket chains in Nairobi County. This agrees with Dirisu, Oluwule and Ibidunni (2013) who studied product differentiation as a tool of competitive advantage and optimal organizational performance focusing on Unilever Nigeria and the results

indicated that the existence of a positive significant relationship between product differentiation and the sales growth of an organization. The study recommended that executive management ought to focus and invest more on product differentiation as it could be used as a major competitive advantage tool against competitors in the industry and it is capable of guaranteeing the long-term survival of the organization. The findings are also consistent with Amar (2015) who conducted a study on the effect of product differentiation strategy on operating performance of the company. The results show that the strategy of product differentiation (vertical and horizontal) affects the operational performance of industrial of the SMEs significantly and negatively. It had implications such as in the early stages of the implementation of this strategy; the company can incur additional production costs in the form of material costs, and more failing products without being accompanied by an increase in new customers. The findings further agree with Adimo (2018) who examined the relationship between product differentiation strategies and organizational performance in Sameer Africa Kenya and found that integrating product differentiation strategies through specific product attributes relevant to competitors and variety of products to match the need of various customers would result to improved performance. The study therefore recommends that product differentiation should be adopted because they have the highest relationship with organizational performance.

The findings are in line with Qayyum (2017) who carried out a study on product differentiation strategies and impact of factors influencing the differentiation process and established that it was evident from the study of all the case companies that regulations affect the industry profits, increase the cost of upgrading the networks and infrastructures, causing a delay in the adoption of innovation, thereby influencing the differentiation strategy. The second factor influencing the differentiation process revealed in this study was competitive imitation, which caused convergence of strategies resulting in undifferentiated services even though operators tried to differentiate their services. Kamau (2018) has examined the effects of differentiation strategy on sales performance in supermarkets in Nakuru town central business district and the findings of the study showed that product and physical differentiation play a major role in activating annual sales performance at the supermarkets. The study recommended that supermarkets should scale up on the attributes of product and physical differentiation strategies if they are to compete in the growing market. Shafiwu and Mohammed (2013) have investigated the effect of product differentiation on profitability in the petroleum industry in Ghana and the study found that

despite the fact that the petroleum industry is not seen to have differentiated products relative to other industries, it does not mean that the act of differentiation in itself is not a profitable strategy suitable to the industry. Rather, there may be other factors responsible for the less adoption. Pauline (2017) conducted a study on the relationship between differentiation strategy and organisational performance and the results showed that service culture, service quality, customer experience and feedback are key determinants of performance in the sampled private firms. The study established that organisation structure of many private firms does not match the internal business processes.

The third objective of the study was to determine the influence of product diversification strategy on performance of supermarket chains in Nairobi County, Kenya. Product diversification Strategy and performance of supermarket chains in Nairobi County, Kenya was found to be positively and significantly related ( $r = .628^{**}$ ,  $p = 0.000$ ). Further, regression results indicated that Product Diversification Strategy and performance of supermarket chains in Nairobi County, Kenya are positively and significantly related ( $\beta = 0.010$ ,  $p = 0.0830$ ). This implies that a unitary increase in Product diversification Strategy leads to performance of supermarket chains in Nairobi County, Kenya by 0.010 units holding other factors constant.

The null hypothesis was therefore not rejected that Product Diversification Strategy has no significant effect on performance of supermarket chains in Nairobi County. The findings are in line with Njuguna (2018) who studied the influence of geographical diversification strategy on performance of non-financial firms and established that there was a non-significant positive relationship between product diversification and firm performance. Regression analysis revealed that 15.2% of changes in firm performance were attributed to use of this strategy. Marangu, Oyagi, and Gongera (2014) results revealed that concentric strategies had a general relevance impact on competition, at private degree the regression evaluation showed that there was a statistically favorable straight relationship in between concentric diversity and also firm competition This suggested that concentric diversity had a favorable result on sugar companies' competitiveness.

However, the findings differ with Phung and Mishra (2016) who did a study on the impact of corporate diversification on firm performance of listed companies in Vietnam over a period between 2007 and 2012 and the findings revealed that corporate diversification had a negative

effect on the firm performance. Further, the findings also revealed that lack of a corporate governance system which is efficient may encourage firms to follow diversification strategies which would impair the firm's performance. The investigation by George and Kabir (2018) on the relationship between corporate diversification and performance of 607 Indian firms listed on the Bombay revealed that, at first sight, diversification strategies of firms appeared to lower firm performance. The result supported prior studies documenting a diversification pricing. La Rocca and Staglianò (2012) in their study of Italian firms between 1980 and 2007 on the effect of unrelated corporate diversification on firm performance findings revealed that there was a positive effect which was explained by the fact that these firms diversified to reduce information asymmetry and derive benefits from the internal capital market.

The fourth objective of the study was to determine the influence of pricing strategy on performance of supermarket chains in Nairobi County, Kenya. Pricing Strategy and performance of supermarket chains in Nairobi County, Kenya was found to be positively and significantly related ( $r = .743^{**}$ ,  $p = 0.000$ ). Further, regression results indicated that pricing Strategy and performance of supermarket chains in Nairobi County, Kenya are positively and significantly related ( $\beta = 0.224$ ,  $p = 0.000$ ). This implies that a unitary increase in pricing Strategy leads to performance of supermarket chains in Nairobi County, Kenya by 0.010 units holding other factors constant.

The null hypothesis was therefore rejected that pricing Strategy has no significant effect on performance of supermarket chains in Nairobi County. The findings are in line with Avlonitis and Indounas (2015) who explored the pricing that service companies pursue along with the different pricing methods adopt by 170 companies in 6 different sectors in Greece and established that the pricing method adopted by huge bulk of the example are cost-plus as well as the prices is based upon market typical price as well as the research additionally reveals that pricing objectives as well as prices approach are highly relevant.

Balaji and Ragavhan (2017) examined the influence of psychological pricing on price rigidity of the retail sector in USA and found that brand name drives pricing approach and that differential rates approaches is not followed by the stores at the private degree. This observation indicates that pricing approach is not driven by the shop level need and is determined at a much more aggregate degree. This agrees with Obigbemi (2010) who evaluated the influence of change in

price on the sales turnover of SMEs in Ogun as well as Lagos in Nigeria and established that there is a relationship in between modification in expense of sales and turn over as well as further suggest that regular and sufficient tracking of SMEs which the service of price expert need to be utilized when making pricing decisions by SMEs. According to Lynch (2015) the risk of following the price management approach, nonetheless, is that the business's concentrate on minimizing expenses even sometimes at the cost of various other vital elements may become so leading that the company loses vision.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter summarizes the study findings, its conclusions and recommendations, presented in consideration to the study objectives used to the influence of innovative strategies on performance of supermarket chains in Nairobi County, Kenya.

#### **5.2 Summary of Findings**

##### **5.2.1 Product Promotion Strategy and Performance of Supermarkets**

The first objective of the study was to explore the influence of product promotion strategy on performance of supermarket chains in Nairobi County, Kenya. The descriptive overall mean was 3.6 that showed that majority agreed to the statements on product promotion strategy with

variations of 1.0. Product Promotion Strategy and performance of supermarket chains in Nairobi County, Kenya was found to be positively and significantly related. Further, regression results indicated that Product Promotion Strategy and performance of supermarket chains in Nairobi County, Kenya are positively and significantly related. This implies that a unitary increase in Product Promotion Strategy leads to performance of supermarket chains in Nairobi County, Kenya by 0.637 units holding other factors constant. The null hypothesis was therefore rejected that product promotion strategy no significant effect on performance of supermarket chains in Nairobi County.

### **5.2.2 Product Differentiation Strategy and Performance of Supermarkets**

The second objective of the study was to explore the influence of Product Differentiation Strategy on performance of supermarket chains in Nairobi County, Kenya. The descriptive overall mean was 3.75 that showed that majority agreed to the statements on product differentiation strategy with variations of 0.93. Product Differentiation Strategy and performance of supermarket chains in Nairobi County, Kenya was found to be positively and significantly related. Further, regression results indicated that Product Differentiation Strategy and performance of supermarket chains in Nairobi County, Kenya are positively and significantly related. This implies that a unitary increase in Product Differentiation Strategy leads to increased performance of supermarket chains in Nairobi County, Kenya by 0.106 units holding other factors constant. The null hypothesis was therefore rejected that product Differentiation strategy has no significant effect on performance of supermarket chains in Nairobi County.

### **5.2.3 Product Diversification Strategy and Performance of Supermarkets**

The third objective of the study was to determine the influence of product diversification strategy on performance of supermarket chains in Nairobi County, Kenya. The descriptive overall mean was 3.46 that showed that majority agreed to the on product diversification strategy with variations of 1.21. Product diversification Strategy and performance of supermarket chains in Nairobi County, Kenya was found to be positively and significantly related. Further, regression results indicated that Product Diversification Strategy and performance of supermarket chains in Nairobi County, Kenya are positively and significantly related. This implies that a unitary increase in Product Diversification Strategy leads to performance of supermarket chains in Nairobi County, Kenya by 0.010 units holding other factors constant. The null hypothesis was

therefore not rejected that product Diversification strategy no significant effect on performance of supermarket chains in Nairobi County.

#### **5.2.4 Pricing Strategy and Performance of Supermarkets**

The fourth objective of the study was to determine the influence of pricing strategy on performance of supermarket chains in Nairobi County, Kenya. The descriptive overall mean was 3.16 that showed that majority were neutral on pricing strategy with variations of 1.09. Pricing Strategy and performance of supermarket chains in Nairobi County, Kenya was found to be positively and significantly related. Further, regression results indicated that pricing Strategy and performance of supermarket chains in Nairobi County, Kenya are positively and significantly related. This implies that a unitary increase in pricing Strategy leads to performance of supermarket chains in Nairobi County, Kenya by 0.010 units holding other factors constant. The null hypothesis was therefore rejected that pricing strategy no significant effect on performance of supermarket chains in Nairobi County.

#### **5.3 Conclusion**

The study sought to determine the influence of innovative strategies on performance of supermarket chains in Nairobi County, Kenya. The study concluded that product promotion strategy has a positive and significant coefficient with performance of supermarket chains. This positive coefficient for product promotion strategy implied that an increase in product promotion strategy will led to a significant increase on performance of supermarket chains.

The study further concluded that product differentiation strategy has a positive and significant coefficient with performance of supermarket chains. This positive coefficient for product differentiation strategy implied that an increase in product differentiation strategy will lead to a significant increase on performance of supermarket chains.

The study further concluded that product diversification strategy has a positive but insignificant coefficient with performance of supermarket chains. This positive coefficient for product differentiation strategy implied that an increase in product differentiation strategy will led to a significant increase on performance of supermarket chains however not significantly.

Lastly, the study further concluded that pricing strategy has a positive and significant coefficient with performance of supermarket chains. This positive coefficient for pricing strategy implied

that an increase in product differentiation strategy will led to a significant increase on performance of supermarket chains.

#### **5.4 Recommendations**

Based on the study findings, the following recommendations were made;

The study recommends that the supermarkets should highly adopt in-depth product promotion strategies by adoption of mass product promotion with the use of technology adoption, advertising, online presence, publicity. This is because product promotion is key in creating awareness, getting people to try products, providing information, retaining loyal customers, increasing the use of products, and identifying potential customers which will increase their product visibility in the market.

In differentiation strategies, firms should ensure they use innovation and creativity to redesign their products to create a market barrier. This includes aligning of product Repackaging, Renaming Resizing and Product extensions. The supermarkets should also embrace market innovation. Market innovation involves ensuring client satisfaction, workforce performance as well as the entire firm performance. They should also do not continuous benchmark with other companies in the industry to help them improve in terms of market position.

In pricing strategies, supermarkets within the CBD should aim at specialization in order to increase their profit margins. The supermarkets should also use product pricing to ensure they tap the market hence withstanding competition and having a high market survival rate. Supermarket should always do a research to find out the prices offered by the competitors to help them offer competitive prices to the clients. The key areas for pricing include price skimming penetration pricing, economy pricing psychological pricing.

Diversification strategies were not found to be significant and thus the study recommends that the supermarkets should not put much emphasis and resources in diversification of its products but rather on promotion, differentiation and its pricing.

#### **5.5 Limitations of the Study**

The Coronavirus (COVID '19) pandemic was a big threat to the researcher and this called for a change of approach of data collection. The use of an online questionnaire was affected especially in supermarkets due to their busy schedules.

## 5.6 Suggested Areas for further Research

Since the study targeted large supermarket chains in Nairobi County, future research should be focused to other Counties. Since there are other large supermarket chains in other Counties, it is possible that they do adopt different innovative strategies and indeed encounter different challenges. The study aimed at establishing how innovative strategies influence performance of large supermarket chains in Nairobi County. The study did not link specific drivers with corresponding strategies. Future studies should seek to establish various specific drivers that lead to adoption of certain strategies particularly in retail industry.

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## APPENDICES

### Appendix I: Questionnaire

Dear Respondent,

I am a researcher from the KCA University undertaking a study to examine the *Influence of Innovative Strategies on Performance of Supermarket Chains in Nairobi County, Kenya* as a requirement to fulfil my master's degree. The study is purely for educational purposes and any responses you give will be treated confidentially. You will be required to respond to the questions from Section A Section to D. Your honest response will be highly appreciated.

#### Section A: Background of Respondents

Kindly tick in the boxes as appropriate

1. What is your gender?

I. Male\_ [ ]

II. Female\_ [ ]

2. What is your age?

I. Below\_20 years

II. 21years to 30years

III. 31years to 40years

IV. 41years to 50years

V. Over 50years

3. What is your highest level of education?

a. Secondary [ ]

b. Diploma [ ]

c. Higher Diploma [ ]

d. Bachelor's [ ]

e. Master [ ]

f. PhD [ ]

4. What is your position in the organization?

- a. Senior managers [ ]
- b. Supervisors [ ]
- c. Staff [ ]

5. How many years have you been in the retail sector?

- a. Less than 1 years [ ]
- b. 1-2years [ ]
- c. 3-4 years [ ]
- d. 5 years and above [ ]

### Section A: Product Differentiation Strategy

This section contains statements on product differentiation strategy in supermarket chains at Nairobi County, Kenya. Please express your agreement and disagreement by marking the appropriate box.

Use the scale where; 1= Strongly\_Disagree, 2 = Agree, 3 = Neutral, 4 = Disagree 5= Strongly\_Agree

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Our supermarket conducts regular branding for its products					
Our supermarket conducts regular after-sale services					
Our supermarket engages in after-sale services					
Our supermarket take part channels of distribution					
Our supermarket has reliability of product in the market					

### Section B: Product Diversification Strategy

This section contains statements on product diversification strategy in supermarket chains at Nairobi County, Kenya. Kindly express your agreement and disagreement by marking the appropriate box.

Statement	1	2	3	4	5
Our supermarket does product repackaging for product presentation					
Our supermarket does product renaming for market targeting					
Our supermarket does product resizing for variety of sizes					
Our supermarket offers product extensions for customers					

### Section C: Pricing Strategy

This section contains statements on pricing strategy in supermarket chains at Nairobi County, Kenya. Kindly express your agreement and disagreement by marking the appropriate box.

Statement	1	2	3	4	5
Our supermarket does price skimming of its products					
Our supermarket engages in penetration pricing					
Our supermarket offers economy pricing for all client absorption					
Our supermarket does psychological pricing for market targeting					
Our supermarket discount on selected products regularly					

### Section D: Product Promotion

This section contains statements on product promotion in supermarket chains at Nairobi County, Kenya. Please express your agreement and disagreement by marking the appropriate box.

Statement	1	2	3	4	5
Our supermarket engages in competitive advertising					
Our supermarket has a strong online presence and ecommerce integration					
Our supermarket engages in publicity through use of influential personalities					
Our supermarket offers free samples on selected new products					

**Section D: Performance**

This section contains statements on performance of supermarket chains in Nairobi County, Kenya. Please express your agreement and disagreement by marking the appropriate box.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Our supermarket has increased Sales Performance over the last five years					
Our supermarket has increased Operational efficiency over the last five years					
Our supermarket has experienced improved customer service delivery over the last five years					
Our supermarket has experienced an increased market share over the last five years.					
Our supermarket has experienced increased customer base over the last five years.					

