

Differentiation Strategy and Performance of Supermarkets in Kenya

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ABSTRACT

Competitive strategy is the long-term plan that a firm has to achieve an advantage over its competitors in the business environment. The success of an organization in a competitive environment depends on how well it addresses challenges and positions itself. The purpose of this study was to establish the influence of differentiation strategy on the performance of Supermarkets in Kenya. A descriptive cross-sectional survey of all supermarkets in the 47 Counties focusing on five counties that were selected based on retail yield, household expenditure, and retail space demand according to Cytonn Report 2019. The unit of analysis, therefore, was all the supermarkets in five counties, namely Kiambu, Nyeri, Mombasa, Nairobi, and Machakos, while the units of observation were 270 employees from the supermarkets. The collected data were processed, binary coded, and entering them directly into SPSS software for analysis. It was found that implementation of differentiation strategy dimensions, namely effective technological adoption to enhance *quality* ($\chi^2(1) = 31.220$, $p < 0.001$; $\phi(\Phi) = 0.340$, $p < 0.001$), *customisation* of products through investment in innovation ($\chi^2(1) = 4.296$, $p = 0.038$; $\phi = 0.126$, $p = 0.038$), charging of *premium price* for products ($\chi^2(1) = 7.493$, $p = 0.006$; $\phi = 0.167$, $p = 0.006$), and customer *perception of valued difference* in products ($\chi^2(1) = 6.723$, $p = 0.010$; $\phi = 0.158$, $p = 0.01$) are significantly associated with improved performance of supermarkets in Kenya. An increase in the adoption of a differentiation strategy increases the probability of satisfactory organizational performance ($\chi^2(1) = 11.975$, $p = 0.001$, Phi/Cramer's $V = 0.211$, $p = 0.001$). Therefore, the differentiation strategy is a statistically significant determinant of the organizational performance of supermarkets in Kenya.

Keywords: Differentiation strategy, Organizational Performance, Supermarkets

INTRODUCTION

No organization exists in a vacuum. All organizations lend themselves to the environment and are therefore regarded as environmentally sensitive. One of the challenges presented by a dynamic environment is increased competition. To ensure survival and success, firms need to develop the capability to manage threats and exploit emerging opportunities. This requires the formulation of strategies that dynamically match capabilities to environmental requirements. Success, therefore, calls for a proactive business approach through the formulation and implementation of competitive strategies (Wangari, 2018). A firm's competitive environment comprises threat of new entrants, suppliers, buyers, product substitutes, and the intensity of rivalry among competitors that directly influences a firm and its competitive actions and responses (Chu, Urriza, Calvo, & Chintagunta, 2017).

While a company's strategy is essentially a management action plan aimed at achieving business growth, customer loyalty, and operational efficiency (Chisnall, 2005; Thompson *et al.*, 2010), effective strategies enable firms to meet customer needs, respond to market changes, and maintain profitability. Daft (2011) posits that retailers globally are adopting strategies focused on improving product offerings, pricing models, and customer service while minimizing costs to sustain competitive advantage.

Differentiation strategy

At the business level, firms choose from at least three generic strategies - cost leadership, differentiation and focus strategy (Porter, 1980). Differentiation strategy involves offering products or services that are perceived as unique and valuable by customers. This uniqueness may arise from product quality, branding, innovation, customer service, or technological advancement. By creating distinctive value, firms can charge premium prices and build strong customer loyalty. Differentiation enhances competitiveness by reducing price sensitivity and strengthening the firm's position in the market (Zairbani and Jaya Prakash, 2023). According to Reilly (2002) and Ahmed et al. (2021) differentiation which is another of Porters (1980) generic strategy involves providing a customer with a valuable commodity through service or product distinctiveness. It is the firm's creation of unrivaled special products and services so as to attain brand customer loyalty (Kitheka & Bett, 2019) leading to attainment of competitive advantage (Kyengo et al. 2016; Thompson et al. 2018). David (2019) further indicated that differentiation strategy chooses features perceived by most buyers in the industry to be vital and uniquely caters to those needs to sustain customer loyalty. According to Akoi et al. (2021), differentiation can be accomplished through distinct features, brand image, use of technology, supply chain, crafting marketing target or message target or through advertising. Through differentiation, a firm seeks to distinguish itself from its rivals based on its product or service quality (Griffin 2005; Islami et al. 2020).

Problem statement

The retail sector in Kenya operates within a highly turbulent and competitive environment, which has significantly affected the performance and sustainability of major supermarket chains. In recent years, several leading retailers, including Tuskys, Uchumi, Nakumatt, and Choppies, have experienced financial distress leading to widespread branch closures and, in some cases, complete market exit (Cytonn, 2020; Ogero, 2020). These challenges have been attributed to factors such as intense competition, poor management practices, weak cost control mechanisms, and external shocks such as the COVID-19 pandemic (Cytonn, 2020; Kenya National Bureau of Statistics, 2020).

The decline of these supermarkets has had substantial economic implications, including job losses, reduced government revenue, and diminished investor confidence, despite the sector being a key contributor to Kenya's GDP (Kenya National Bureau of Statistics, 2020). To remain competitive, firms must adopt effective strategies that enhance their distinct market positioning and responsiveness to customer needs. Differentiation strategy is one such strategy which can play a critical role in enabling organisations, including supermarkets, to achieve superior performance by offering unique products, enhanced service quality, and improved customer experiences (Onditi, 2018).

While prior studies have examined the relationship between competitive strategies and firm performance, limited empirical evidence of how differentiation strategy practices influence Performance. This study addresses this gap by examining the influence of differentiation strategy practices on the organizational performance of supermarkets in Kenya.

Objective and hypothesis

The study sought to establish the influence of differentiation strategy on performance of supermarkets in Kenya, and tested the following null hypothesis

H₀: Differentiation strategy has no significant influence on the performance of supermarkets in Kenya.

LITERATURE REVIEW

This study is anchored on Porter's Generic Strategies Model (Porter, 1980), which explains how firms achieve competitive advantage within their chosen market scope. The theory posits that organizations can enhance performance by pursuing one of three primary strategies: cost leadership, differentiation, or focus. The model further emphasizes the importance of aligning competitive advantage with market scope, whether broad or niche,

as a basis for strategic positioning (Ormanidhi & Stringa, 2008). Differentiation strategy, in particular, enables firms to create unique products or services that are valued by customers, thereby allowing them to charge premium prices and achieve superior performance outcomes. In the context of this study, the theory provides a foundation for understanding how differentiation strategy influences the organizational performance of supermarkets in Kenya by enhancing distinctiveness, customer loyalty, and overall competitiveness.

Empirical literature consistently demonstrates a positive and significant relationship between differentiation strategy and organizational performance across various sectors. In the Kenyan retail context, Gatutha and Namusonge (2020) established that competitive strategies significantly enhance supermarket performance, with differentiation strategy exerting the strongest influence compared to cost leadership and focus strategies. Similarly, Njeka and Otinga (2019) found that product differentiation significantly contributes to the growth of supermarkets by attracting new customers and fostering brand loyalty among existing ones.

Evidence from the manufacturing sector also supports this relationship. Adimo (2018) reported that product differentiation positively influences organizational performance by aligning product features with customer preferences and enhancing product variety. Likewise, Baraza and Arasa (2017) confirmed that differentiation strategy significantly improves firm performance within Kenya's manufacturing sector.

Beyond the Kenyan context, studies reinforce these findings. Lok (2017) demonstrated that differentiation strategies enable online grocery firms to achieve competitive advantage by aligning offerings with consumer expectations and market dynamics. Additionally, Gorondutse and Hilman (2017) established that differentiation strategy positively influences performance, with environmental factors such as munificence strengthening this relationship. Overall, the reviewed studies provide strong empirical support for the role of differentiation strategy in enhancing organizational performance. However, they also reveal a gap in adequately addressing the influence of internal contextual factors, suggesting the need for further research to examine how such factors shape the effectiveness of differentiation strategies in the supermarket sector. The conceptualization of the study is presented in Figure 1.

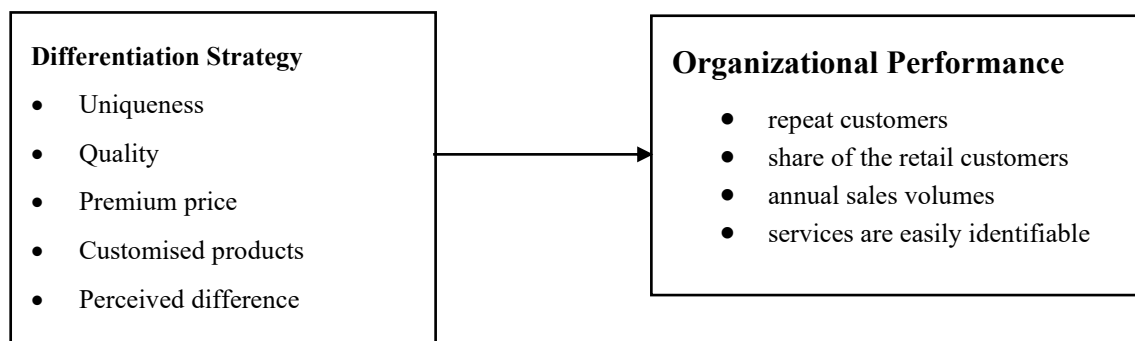


Figure 1: Conceptual Framework

As shown in Figure 1, two of the statements that were used to assess the presence of differentiation strategy were that the supermarket provides unique, quality products with a special appeal to the customers, has adopted technology enhancing the speed and quality of the services offered, as well as customization of products. Organisation performance was observed and measured through indicators that included, the supermarket - has many repeat customers; has a large share of the retail customers; annual sales volumes, and the supermarket services are easily identifiable – an indication of strong brand

METHODOLOGY

Design

The study adopted a descriptive cross-sectional survey research design using a positivist research philosophy. It aimed at understanding of associations between differentiation strategy variables/attributes/practices and performance of supermarkets in Kenya.

Population and sample

Criteria for selecting 107 supermarkets

This study targeted all supermarkets across Kenya's 47 Counties but five Counties were purposively selected based on retail yield, household expenditure, and retail space demand, as identified in the Cytonn Report (2019). This is equivalent to 10% of all Counties in Kenya. The criteria for selection was based on the ranking where the top five were selected as shown in Table 1.

Table 1. Retail Space Opportunity 2020

Region/Weight	Retail Yield Score	Retail Space Score	Household expenditure (per adult) score	Weighted score	Rank
	30.0%	30.0%	40.0%		
Kiambu	8	8	7	7.6	1
Central region	8	9	5	7.1	2
Mombasa	4	5	8	5.9	3
Nairobi	5	1	9	5.4	4
Machakos	5	6	3	4.5	5
Kajiado	5	7	2	4.4	6
Kisumu	3	2	6	3.9	7
Nakuru	1	3	4	2.8	8
Uasin Gishu	1	4	1	1.9	9

Source: Cytonn Research 2019

There are 719 supermarkets in the selected Counties: Nairobi (258), Kiambu (364), Mombasa (32), Nyeri (37), and 28 in Machakos (Retail Trade Association of Kenya, 2022). The sampling frame for supermarkets was thus 719 supermarkets operating in the five Counties. A sample comprising 15% of all the supermarkets in each County was taken randomly and the total from the five counties formed the study sample of 107 supermarkets equivalent to 15% of the total population. A sample of 10-30% of the population is adequate if the selection is objective and the total elements exceed 30 (Mugenda, A., & Mugenda, O., 2003).

Supermarkets sample

The sample of 107 supermarkets and its distribution is presented in Table 2.

Table 2. Sample size distribution

County	Population	Sample Size (15%)	Target respondents
Nairobi	258	38	114
Kiambu	364	54	162
Mombasa	32	5	15
Nyeri	37	6	18
Machakos	28	4	12
Total	719	107	321

Source: Adapted from Cytonn Research 2019

While random sampling method was used to select 15% (107) of supermarkets from each County, purposive sampling was used to obtain the actual respondents/ people from the employees in each supermarket. The rationale for using purposive sampling is that only a certain category or cadre of the total number of employees

in the supermarkets is likely to have most of the required information on strategic management issues. Consequently, three employees were picked from each of the 107 supermarkets comprising the operations manager, business development manager and finance manager - who were also in supervisory positions-, since this category of employees were involved in strategy formulation and strategy implementation. The sample size was 321 employees who were purposively selected as units of observation. The selection of three respondents per supermarket ensured that there is no single respondent bias.

Measures of variables

Both differentiation strategy and organisational performance were measured on a five-point Likert type scale. Differentiation strategy was measured by five items namely, the supermarket - *provides **unique** products with a special appeal to the customers; adopted technology enhancing the speed and **quality** of the services offered; has invested in innovation to provide **custom-made** services; charges a **premium price** for its products and services; and market share; and **customers perceive** the product as positively different.*

Organisational performance was measured by asking respondents to rate the following: the supermarket - *has many repeat customers; has a large share of the retail customers; endeavors to meet the needs of the clients entirely; records high annual sales volumes; and outlets and services are easily identifiable by customers.* The statements were anchored on a scale of 1 to 5 (1= strongly disagree, 2=disagree, 3=nether agree nor disagree, 4=agree, and 5=strongly agree).

Data collection instrument

A structured questionnaire with items anchored on a five-point Likert type scale was used for data collection. The instrument was tested for reliability and validity prior to use for data collection. The scale for each questionnaire item was 1= strongly disagree, 2=disagree, 3=nether agree nor disagree, 4=agree, and 5=strongly agree.

The validity and reliability of data instruments were tested by conducting a pilot study in a one county other than those in the main study. The questionnaire was tested on an equivalent of 5% of the sample (16 randomly selected respondents) drawn from a supermarket in Murang'a County that was not included in the study to ensure that it was relevant, effective and could help the researcher to refine the questions to elicit responses/ data that was appropriate to the objective of the study. Reliability was tested using the internal consistency approach.

The internal consistency of the instrument for five and four items for differentiation strategy and performance, respectively was calculated using Cronbach's Alpha (α) statistic. The reliability of the instrument *differentiation strategy* ($n=5$, $\alpha=0.744$) and *performance of supermarkets* ($n=4$, $\alpha=0.667$, approximately 0.7 to one decimal place). The reliability statistics were within the recommended threshold of at least 0.7 for established/ validated measurement scales and 0.6 for newly developed scales (Nunally, 1978); the measurement scales that were used in this study for differentiation strategy and performance were new; specifically developed for this study. Hair et al (2019) also state while Cronbach's alpha values above 0.70 are preferred for established scales, 0.60–0.70 are acceptable in exploratory research.

Data sources and data collection procedures

Primary data that was obtained by administering questionnaires to three employees within each supermarket. An introduction letter and ethical approval were respectively obtained from the university and the National Commission of Science, Technology and Innovation (NACOSTI) before going into the field. Clearance was sought the researcher also sought authority from the supermarket management to collect data from their organization.

Upon receiving all authorizations, self-administered semi-structured questionnaires were distributed by trained research assistants to the three purposively selected employees in the five randomly supermarkets using a drop-

and-pick method. The respondents we give one week to fill the questionnaires for the research assistants to collected the responses.

Data processing and analysis

Data was analysed using SPSS version 27 where both descriptive and inferential analyses were done on quantitative the data.

Before examining the association between differentiation strategy and organisational performance, classical linear regression analytical model diagnostic tests were conducted to determine whether the assumptions of this model were satisfied for it to be used study the relationship. Since the data did not satisfy the assumptions of classical linear regression cross tabulation and chi-square test were used to determine the influence of differentiation strategy on performance in Kenya.

Since responses were on a five-point Likert scale (1=strongly disagree, 2=disagree, 3=neither agree/nor disagree, 4=agree, 5=strongly agree), they were transformed by coding according to the following rule:

$$\text{Differentiation (D*): } D^* = \begin{cases} 1, & D_i = 4, 5 \\ 0, & \text{otherwise} \end{cases}; \quad \text{Performance (P*): } P^* = \begin{cases} 1, & P = 4, 5 \\ 0, & \text{otherwise} \end{cases};$$

In the preceding coding formulation, D_i =differentiation strategy attribute (uniqueness, quality, customization, premium price, and perceived valuable difference), Likert scale data; D^* and P^* are, respectively, binary coded differentiation strategy and performance of supermarkets; while P = Likert data on performance of supermarkets.

The foregoing coding resulted into binary data for the five differentiation attributes and the overall measure of differentiation, as well as performance of super markets for use in cross tabulation and chi-square tests of association.

RESULTS AND DISCUSSION

Response Rate

Out of 321 questionnaires were distributed, 270 completed and returned the questionnaires representing 84% response rate. Mugenda and Mugenda (2003) assert that a response rate of 50% or more is adequate for data analysis and reporting; a rate of 60 percent is good while a response rate of 80 percent and over is excellent. Babbie (2004) also suggested that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good. This implies that 84% response rate for this study is suitable for data analysis and reporting.

Implementation of Differentiation Strategy

The objective of the study was to assess the influence of differentiation strategy on the performance of supermarkets in Kenya. Implementation/ practice of differentiation strategy was measured by eliciting responses on uniqueness, quality, customisation, premium price, and perception difference in products/service. These differentiation attributes were operationalised through five statements which were anchored on a five-point Likert scale. Response were collected on the following statements: *The supermarket provides unique products with a special appeal to the customers*", "*has adopted technology enhancing the speed and quality of the services offered*", "*has invested in innovation to provide custom made services*", "*charges premium price for its products and services*", and "*the supermarket's customers perceive the products and services of the supermarket as being different attracting a high market share*".

The overall mean score of differentiation strategy implementation was 4.29 and with a standard deviation of 0.65 (M=4.29, SD=0.65), suggesting that generally, differentiation strategy was being practiced, and that there

was no wide variation in the response ($SD < 1.00$), indicating high consensus among respondents. A description of implementation differentiation strategy by the supermarkets is shown in Table 1.

Table 1. Implementation of differentiation strategy

Variable	n	Min	Max	Mean	SEM	SD	Skewness		Kurtosis		95% CI	
<i>The supermarket ('s)</i> ...					SE		Stat.	SE	Stat.	SE	LL	UL
... provides unique products with a special appeal to the customers	270	1	5	4.27	0.047	0.77	-1.438	0.148	3.714	0.295	4.18	4.36
... has adopted technology enhancing the quality of the services offered	270	2	5	4.24	0.051	0.85	-1.086	0.148	0.71	0.295	4.14	4.34
... has invested in innovation to provide custom made services	270	1	5	4.16	0.052	0.85	-1.187	0.148	1.934	0.295	4.06	4.26
... charges premium price for its products and services	270	3	5	4.28	0.041	0.67	-0.398	0.148	-0.786	0.295	4.20	4.36
... customers perceive the products and services of the supermarket as being different attracting a high market share	270	2	5	4.33	0.044	0.72	-1.072	0.148	1.44	0.295	4.24	4.42
Implementation of differentiation strategy	270	2	5	4.29	0.040	0.65	-1.311	0.148	2.608	0.295	4.21	4.37
Valid n (listwise)	270											

Among the individual indicators of differentiation, the statement that *customers perceive the products and services of the supermarket as different, thus attracting a high market share* recorded the highest mean (**M = 4.33**, **SD = 0.72**), this shows that product and service uniqueness contributes to market competitiveness. The act of *the supermarket charges premium prices for products and services* obtained a mean of **4.28** with the lowest standard deviation among the differentiation items (**SD = 0.67**). The provision of *unique products with a special appeal to customers* also recorded a high mean (**M = 4.27**, **SD = 0.77**).

Additionally, the adoption of technology to enhance service speed and quality (**M = 4.24**, **SD = 0.85**) and that the supermarket has invested in innovation to provide custom made services (**M = 4.16**, **SD = 0.85**) further demonstrate the supermarkets' commitment to differentiation. With the low standard deviations across all items ($SD < 1$), there was agreement among respondents regarding the presence of differentiation practices. All the means were within the 95% confidence interval (CI); that between the lower limit (LL) and upper limit (UL).

Performance of supermarkets

To measure performance, responses were elicited on the following statements which were anchored on a five point-Likert type scale (1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree) as follows: The supermarket "has many repeat customers indicative of a strong brand and customer satisfaction", "has a large share of the retail customers", "records high annual sales volumes", and "The supermarket outlets and services are easily identifiable by customers". The mean responses on performance items/ indicators are presented in Table 2.

Table 2. Performance of supermarkets

Variable	Mean	SEM	SD	Skewness		Kurtosis		95% CI	
				Statistic	SE	Statistic	SE	LL	UL
<i>The super market ...</i>									
...has repeat customers indicative of a strong brand and customer satisfaction	4.34	0.043	0.71	-1.365	0.148	3.936	0.295	4.26	4.42
...has a large share of the retail customers	4.30	0.044	0.72	-1.35	0.148	3.798	0.295	4.21	4.39
...records high annual sales volumes	4.26	0.056	0.92	-1.806	0.148	4.038	0.295	4.15	4.37
...outlets and services are easily identifiable by customers.	4.10	0.066	1.08	-1.479	0.148	1.763	0.295	3.97	4.23
Performance of super markets	4.25	0.037	0.62	-2.03	0.148	7.606	0.295	4.18	4.32
Valid N (listwise)	270								

The overall performance mean was 4.25 (SD=0.62) suggesting that the performance of the supermarkets was satisfactory. The highest rated performance measure was “the supermarket has repeat customers indicative of a strong brand and customer satisfaction” (M=4.34, SD=0.71). As seen from Table 2, all means were within the 95% CI.

The study results are consistent with those of Adimo (2018), who suggested that aligning product features with customer preferences and offering product variety enhances organizational performance implying that most supermarkets in Kenya recognized that successful differentiation depends on understanding customers’ needs, preferences, and buying behaviours. This means that supermarkets that actively study and respond to what customers’ value are better positioned to design products and services that stand out in the market, and which can be sold at a premium price.

Classification of implementation of differentiation strategy and performance of supermarkets

Association between implementation of differentiation strategy and performance of supermarkets was assessed through crosstab classification (Table 3), chi square test and Cramer’ V for effect size.

Table 3. Cross tabulation of Implementation of differentiation strategy versus performance

		Performance		Total
		0	1	
Differentiation strategy				
The supermarket provides unique and quality products with a special appeal to the customers	0	7	20	27
	1	44	199	243
...has adopted technology enhancing the speed and quality of the services offered	0	20	19	39
	1	31	200	231
... has invested in innovation to provide custom made services	0	13	30	43
	1	38	189	227
... charges premium price for its products and services	0	12	21	33
	1	39	198	237
... customers perceive the products and services of the supermarket as being different attracting a high market share	0	9	14	23
	1	42	205	247
Overall differentiation strategy	0	16	26	42
	1	35	193	228
Total		51	219	270

There is a positive pattern between differentiation strategy and supermarket performance. For the overall differentiation strategy measure (Overall differentiation strategy), 35 of the 42 supermarkets (83.3%) were correctly classified as having low differentiation strategy and low-performance category, while 193 of the 228 supermarkets (84.6%) classified as having high implementation of differentiation strategy were in the high-performance category. Supermarkets offering *unique and quality products* had 199 out of 243 (81.9%) in the high-performance category, while technology adoption for *enhanced quality products* had 200 out of 231 (86.6%) in the high-performance category. Investment in innovation showed 189 out of 227 (83.3%) recorded high performance, premium pricing had 198 out of 237 (83.5%), and customer-perceived differentiation had 205 out of 247 (83.0%).

Association between implementation of differentiation strategy and performance of supermarkets

To support the descriptive classification of the implementation of differentiation strategies on performance of supermarkets, inferential tests was run to provide statistical evidence using Pearson's chi-square tests as shown in Table 4.

Table 4. Chi-square test between implementation of differentiation strategy and performance

Variable		Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
The supermarket provides unique and quality products with a special appeal to the customers	Pearson Chi-Square	.970 ^a	1	0.325		
	Continuity Correction ^b	0.526	1	0.468		
	Likelihood Ratio	0.901	1	0.342		
	Fisher's Exact Test				0.309	0.228
	Linear-by-Linear Association	0.966	1	0.326		
The supermarket has adopted technology enhancing the speed and quality of the services offered	Pearson Chi-Square	31.220 ^a	1	<0.001		
	Continuity Correction ^b	28.798	1	<0.001		
	Likelihood Ratio	25.486	1	<0.001		
	Fisher's Exact Test				<0.001	<0.001
	Linear-by-Linear Association	31.105	1	<0.001		
The supermarket has invested in innovation to provide custom made services	Pearson Chi-Square	4.296 ^a	1	0.038		
	Continuity Correction ^b	3.46	1	0.063		
	Likelihood Ratio	3.895	1	0.048		
	Fisher's Exact Test				0.054	0.036
	Linear-by-Linear Association	4.28	1	0.039		
The supermarket charges premium price for its products and services	Pearson Chi-Square	7.493 ^a	1	0.006		
	Continuity Correction ^b	6.25	1	0.012		
	Likelihood Ratio	6.477	1	0.011		
	Fisher's Exact Test				0.015	0.009
	Linear-by-Linear Association	7.465	1	0.006		

Customers perceive the products and services of the supermarket as being different attracting a high market share	Pearson Chi-Square	6.723 ^a	1	0.01		
	Continuity Correction ^b	5.357	1	0.021		
	Likelihood Ratio	5.66	1	0.017		
	Fisher's Exact Test				0.021	0.015
	Linear-by-Linear Association	6.699	1	0.01		
Overall Differentiation strategy	Pearson Chi-Square	11.975 ^a	1	0.001		
	Continuity Correction ^b	10.537	1	0.001		
	Likelihood Ratio	10.359	1	0.001		
	Fisher's Exact Test				0.002	0.001
	Linear-by-Linear Association	11.931	1	0.001		
	number of valid cases	270				

a 0 cells (0.0%) have expected count less than 5. The minimum expected count is 7.93.

b Computed only for a 2x2 table

From the statements to which responses were sought, differentiation strategy attributes were *uniqueness* of products and services, *quality* of products and services, *customization of products*, *premium pricing* of products, and perceived valuable difference in products and services. As seen in Table 4, the inferential analysis provides statistical evidence supporting the descriptive pattern observed in the crosstabulation of performance and differentiation strategy. The Pearson's chi-square test shows that *adoption technology adoption enhancing the speed and quality of the services offered* has a statistically significant association with supermarket performance ($\chi^2(1) = 31.220$, $p < .001$), *investment in innovation to provide custom made services* ($\chi^2(1) = 4.296$, $p = .038$), *charging premium prices for products and services* ($\chi^2(1) = 7.493$, $p = .006$), and customers' perception that the supermarket's products and services were differentiated ($\chi^2(1) = 6.723$, $p = .010$) were significantly associated with performance of supermarkets. Conversely, *providing unique and quality products with special customer appeal* did not have a statistically significant association with performance ($\chi^2(1) = 0.970$, $p = .325$). At the aggregate level, differentiation strategy (Overall differentiation strategy) has a statistically significant relationship with supermarket performance, with Pearson's $\chi^2(1) = 11.975$, $p = .001$.

Strength and direction of the association between implementation of differentiation strategy and performance of supermarkets

Effect size (strength) and direction of the effect of the differentiation strategy on performance of supermarkets was further assessed through the Phi (ϕ) and Cramer's V tests as shown in Table 5.

Table 5. Phi and Cramer's V tests for direction and effect size

Symmetric Measures			
		Value	Approximate Significance
The supermarket provides unique and quality products with a special appeal to the customers.	Phi (ϕ)	0.06	0.325
	Cramer's V	0.06	0.325
The supermarket has adopted technology enhancing the speed and quality of the services offered	Phi (ϕ)	0.34	<0.001
	Cramer's V	0.34	<0.001

The supermarket has invested in innovation to provide custom made services	Phi (ϕ)	0.126	0.038
	Cramer's V	0.126	0.038
The supermarket charges premium price for its products and services.	Phi (ϕ)	0.167	0.006
	Cramer's V	0.167	0.006
Customers perceive the products and services of the supermarket as being different attracting a high market share.	Phi (ϕ)	0.158	0.01
	Cramer's V	0.158	0.01
Overall differentiation strategy	Phi (ϕ)	0.211	0.001
	Cramer's V	0.211	0.001
Number of valid cases		270	

From Table 5 providing unique and quality products with special customer appeal had no significant association with nor effect on the supermarkets' performance ($\phi = 0.060$, $p = 0.325$). This is consistent with the consistent with the chi-square tests result. Adoption of technology enhancing the speed and quality of the services offered. had the strongest association with performance ($\phi = 0.340$, $p < 0.001$), representing a moderate positive effect. Investment in innovation to provide custom made services had a weak positive association ($\phi = 0.126$, $p = 0.038$), while premium pricing ($\phi = 0.167$, $p = 0.006$) and customer-perceived product/service differentiation ($\phi = 0.158$, $p = 0.010$) also had small positive effects.

For the overall differentiation strategy – comprising he combined effect of the five attributes of differentiation strategy (Overall differentiation strategy, D), the ϕ and Cramer's V value of 0.211 ($p = 0.001$) indicates a small but statistically significant association between differentiation strategy and performance of supermarkets. The direction of the relationship is positive.

CONCLUSION

Based on the findings of this study, differentiation strategy has a significant positive association with the organizational performance in supermarkets in Kenya. Effective technological adoption to enhance quality, investment in innovation for custom products (customisation), charging of premium price for products and customer perception of valuable differentiated products and services are associated with improved performance of supermarkets. Therefore, a well-designed differentiation strategy that accounts for diverse customer needs and preferences contribute to repeat customers, large share, annual sales, and brand visibility.

This study affirms that differentiation strategy is a critical determinant of enhanced performance in the supermarket sector in Kenya. It is therefore, recommended that supermarkets conduct regular audits of their policies and procedures relating to differentiation strategies to identify areas requiring improvement and redesign for enhanced organizational performance, and develop structured frameworks that promote the provision of high-quality, unique products and services aligned with evolving customer needs, tastes, and preferences in a dynamic retail environment.

Additionally, the differentiation strategies should be designed to cater to diverse customer base while integrating technology to enhance efficiency, speed of service, and customer satisfaction. Overall, robust policies that reinforce continuous improvement, product quality, speed of delivery, customer appeal, and innovation as key drivers of improved organizational performance should be formulated and implemented in the supermarket sector

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