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# Differentiation Strategy and Performance of Selected Supermarkets in Nairobi City County, Kenya

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## Abstract

The purpose of the study was to assess the extent to which is differentiation strategy influences selected supermarkets' performance in Kenya's County of Nairobi City. A descriptive research design was used. The study's unit of analysis was nine supermarkets situated in Nairobi City County. The study respondents included 63 employees from selected supermarket's functional departments including the following functional managers (Managing Director, Purchasing and Supply Chain, Operations, ICT, Finance, Human Resources, Business Development, and Marketing). The study employed census method. The questionnaire which comprised of semi-structured questions was the instrument applied during collection of both quantitative and qualitative data. Validity and reliability results were tested in the study. Expert judgement was used to test validity while reliability was tested using Cronbach's alpha. All the study variables were found to be reliable and valid. SPSS software analyzed qualitative data through descriptive statistics like means, standard deviations, and inferential statistics of regression analysis. Presence of a positive and significant link between performance and differentiation strategy (with β=0.629 and p=0.000) was recognized. Differentiation strategy was also found to significantly and positively impact performance. Higher differentiation levels lead to increased performance of selected supermarkets. Innovation and new product introduction by supermarkets enhanced its performance. Functional managers should create and implement strategies to minimize operational costs and reduce commodity prices. Product innovation should be sustained to fast-track product differentiation, enhance competition, and create barriers to entry in the market. Technology adoption should also be fast-tracked in all supermarket processes to enhance efficiency as well as effectiveness.

**Keywords:** *Differentiation strategy, supermarkets, performance*

## 1.0 Introduction

Market's competitive edge stands to be determined by a firm's ability to effectively exploit resources they possess while bringing value addition (Grabowska & Otola, 2013). According to Tapera (2016), there are four strategy levels namely business, corporate, functional, and operational. Business-level strategy involves the process a firm undertakes in setting its business course. It also entails execution of plans which are in line with the objectives of the business owner as well as having the potential to drive maximum investment returns (Ikonya, 2015). It similarly includes strategic options organizations explore including market or product diversification, as well as functional or organizational management (Bell, 2018). Pearce and

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Robinson (2003) argued that firms should reconsider their business strategies to manage the greater competitive environment.

According to Vega (2020) in 2017, global retail spending was $23 trillion compared to $ 4.4 trillion in 2007 which shows that retail sector has been expanding. Supermarkets are part of the food retail industry. In China, Supermarkets are becoming more and more prevalent. Most of these supermarkets are limited to certain geographical regions. However, most of these supermarkets have been experiencing fierce competition and stagnating sales growth over the last few years. Most of the supermarkets and more so the ones using traditional forms of operations have been faced off. For example, Carrefour sold more than eighty percent of its branches in China in 2019 due to declining sales (Hlengwa & Zondo, 2020).

In the USA, the supermarket industry is dominated by small powerful supermarkets that capture most of the sales. Due to this challenge, competition amongst the supermarkets is fierce and this limits other supermarkets from entering the market. The stiff competition has also resulted in most supermarkets offering higher quality products and improving their distribution mechanisms thus improving their sales (de Waal, van Nierop & Sloot, 2017).

In Germany, supermarkets and discount retailers' revenue increased at a compound annual growth rate of 1.3% between 2018 and 2023 and is anticipated to climb by 2.1% this year to reach €241.6 billion. In 2023, the profit margin is anticipated to be 0.7%. This has however been associated with the supermarkets' intentional investment in generic strategies such as cost leadership strategies which has greatly helped them to enhance their performance (Manthei, Sliwka & Vogelsang, 2023).

Supermarkets in South Africa were traditionally hesitant to enter rural areas as a result of a lack of competitive strategies. Small-scale retailers adjusted their focus causing them to lose customers to the supermarkets (Makhitha & Soke, 2021). Due to enhanced technology, Shoprite supermarket in South Africa increased its profits by 20.3% in 2019 compared to 2018 (Das Nair, 2020).

Zimbabwe supermarkets have developed, contributing to availability of food and employing more staff. Despite the challenges in the supermarket industry in the country, the performance of most supermarkets has increased due to the adoption of latest technology (Le-roy et al., 2020).

In Tanzania, supermarket growth has been linked to heightened demand for commodities, income growth per capita, and middle-class growth (Shayo, 2021). Tanzania's multinational retailers have been closing businesses while attributing this move to tough economic hardships caused by the COVID-19 pandemic. Closure of supermarkets was also attributed to declining economic conditions in the country. Game Store exited Tanzania's market causing 45 employees to lose their jobs (Malanga, 2022).

According to the KNBS 2022 report, retail and wholesale trade accounted for 7.9% of Kenya's GDP in 2021 supporting the country's economic growth. (Kenya National Bureau of Statistics, 2022). Financial challenges have also been encountered by some supermarkets in Kenya leading to their closure, for example, Uchumi, Nakumatt, and Tuskys supermarkets. Choppies in Botswana acquired Ukwala supermarket which exited Kenya (Ouma, 2018), whereas Shoprite also departed the market after operating for a short duration (Olawoyin, 2020). Uchumi supermarket also closed 31 stores 2019 in Kenya and declared 253 staff redundant due to declining performance (Gathiru, Khamah & Nyakora, 2019). Uchumi also exited Tanzania and Uganda markets (Government of Kenya, 2019) owing Kshs 7.6 billion. Its stocks are the worst performing at the Nairobi Securities Exchange even though it was first listed in 1992

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(Wambu, 2020). Tuskys' debt is more than Kshs 10 billion with the retailer indicating formulation of a new strategic plan and intention to clear all its debts within 15 years (Wasuna, 2022).

Kenyan supermarkets should embark on effective stakeholder management to promote sustainability. This study analyzes the influence of focus, differentiation, and cost leadership strategy on selected supermarkets in Kenya's Nairobi City County.

### 1.1 Problem Statement

Mutinda and Mwasiaji (2018) shared that the number of retail stores that collapse within the initial years of operating is about 50%. Karimi and Waruguru (2018) argue that Kenyan supermarkets function in a highly competitive and turbulent sector. Supermarkets encounter poor management, inventory logistics, supply chain challenges, and fierce rivalry from international and local retailers (Abbas, 2021) leading to job losses within the supermarket value chain and impacting the Kenyan economy negatively (Mwakio & Awuor, 2018).

Supermarket's performance in Kenya has been deteriorating. In a 10-year period in Kenya, about 10 supermarkets have closed or are in the process of closing shop. Supermarkets like Nakumatt, Tusksys, Mullys, Shoprite, and Uchumi have collapsed (Busines Watch, 2022). Shoprite exited the Kenyan market by the end of January 2021 as a result of losses above Kshs 3.2 billion in the 2019 – 2020 financial year. It also rendered its employees redundant, a situation that was heightened by the COVID-19 pandemic which also negatively impacted its performance. Choppies took over Ukwala supermarket in 2015 (Koigi, 2016) after Ukwala was unable to pay debts of about kshs1 billion (Fayo, 2019). Later, Choppies announced its exit by the end of 2019 in Kenya, Mozambique, and Tanzania markets after posting a loss of Sh 4.8 billion after tax for financial year ending in June 2018 (Theuri, 2021) and was required to pay $12.4 million debt to its suppliers and banks in Tanzania and Kenya (The East African, 2021).

### 1.2 Objective of the Study

To assess the extent todifferentiation strategy influences selected supermarkets' performance in Kenya's County of Nairobi City.

### 1.3 Research Questions

How does the selected supermarket's strategy of differentiation influence performance in Kenya County of Nairobi City?

## 2.0 Literature Review

### 2.1 Theoretical Framework

#### 2.1.1 The Porter's Generic Strategies

Strategy refers to the directional action taken by a firm to competitively realize its purpose. Strategies require action through top management decisions as well as huge amounts of firm resources (David, 2011).

Porter indicates that strategies propel firms to realize competitive advantage given these three bases: focus, cost leadership, and differentiation (Porter, 1980). The aforementioned bases are referred to as generic strategies (Porter, 1985). Generic strategies are vital in management theories by elaborating a firm's behavior towards rivals in a specified industry. Generic strategies refer to the chance to come up with a competitive edge regardless of the industry, type, and firm size (Herbert and Deresky, 1987). Implementation of a successful competitive strategy enables firms to understand their customers and define their industry niche (Porter, 1980).

The strategy of cost leadership emphasizes lower costs for the firm's activities, low prices, and input which is minimal (Sabir et al. 2021), taking advantage of purchasing inputs in large quantities as well as how the process is designed (Saleh et al. 2021). Minimal input entails partaking in cheap labour whilst the location of the raw materials and storage becomes closer in terms of accessibility (Talim, et al. 2021).

Some authors have defined two different types of low-cost strategy. The first type represents offering services and products in the market to many customers at the lowest price. The second type denotes a best-value strategy that gives the best value market price for products or services to an expansive amount of customers (Thompson et al. 2018; David 2017; Thomas and Hunger 2012). Firms that continuously implement low-cost strategies do so with a motive of improving their competitive edge and performance (Enida andKume, 2015). However, a low-cost strategy doesn't provide a lasting competitive edge for firms using best-value or low-cost strategies. When pursuing a low-cost strategy, firms need to be careful not to implement aggressive price cuts which could lower their profits considerably (David, 2011).

A firm implementing an effective low-cost strategy is characterized by greater efficiency, lower overhead costs, limited perks, high efficiency, budget controls, cost-minimization rewards as well as high employee engagement in cost control (David, 2017).

One of Porter's crucial strategies is differentiation (Reilly, 2002). Ahmed et al. 2021 shared that differentiation involves providing a customer with a valuable commodity through service or product distinctiveness. Akoi et al. (2021) argued that 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 differentiate itself from its rivals based on its product or service quality (Griffin, 2005; Islami et al., 2020).

Differentiation strategy is the firm's creation of unrivaled special products and services to attain brand customer loyalty (Mohamed and Gichinga 2018) leading to the attainment of competitive advantage (Kyengo et al. 2016). David (2019) further indicated that a differentiation strategy chooses features perceived by most buyers in the industry to be vital and uniquely caters to those needs to sustain customer loyalty. David (2017) indicated that differentiation doesn't guarantee a competitive edge, particularly when typical products satisfy customer needs or if quick product replication by rivals could happen. David (2011) shared that an effective strategy for differentiation enables organizations to set a higher-than-average price for the differentiation features in their products and achieve customer loyalty, especially if the differentiation features are difficult to be imitated by its rivals.

Thompson et al. (2018), indicate differentiation can be improved by creating product characteristics and performance attributes that attract many buyers; enhancing customer service or increasing extra services offered; getting high-quality inputs; investing in research and development activities related to production; implementing innovation and technology advancements; pursue constant quality improvement; intensify marketing efforts, brand promotion and improvement of employee skills, knowledge and expertise.

According to Porter (1985), high customer loyalty is achieved given the uniqueness of the service or the product. Focus strategy centres on precisely targeted customers or market sections (Ali & Anwar, 2021), and this strategy may be adapted in case differentiation or cost leadership fails (Ali et al. 2021). Focus strategy assists firms in targeting a specific niche in the industry like a group of buyers, a limited section of a specified line of a product, a regional or geographic market, or a focus market having different and unique options (Mohamed & Gichinga, 2018).

According to Islami et al. (2020), a firm's focus strategy involves concentrating on a specific geographical market, line of a product, or specific consumers. Akintokunbo (2018) indicated that the focus strategy exploits market development or penetration to meet the needs of secluded geographic areas. This can be achieved through meeting customer needs given distinct financing, inventory or even handling service problems. Products and services are therefore customized to meet the special demands of the customers who are small to medium-sized. David (2019) elaborates that since a firm is concentrating on a limited market, firms implementing a focus strategy tend to possess lesser volumes amounting to lower supplier bargaining power.

Focus strategy is attractive whenever there is a huge target market that is growing and profitable, whenever the niche is not considered by industry leaders to be critical to the firm's success, or when it is too costly to be implemented (Xhavit et al. 2020).

Different scholars have empirically contended that the suitability of a cost-leadership strategy occurs in an unchanging and probable environment while the differentiation strategy remains appropriate for environments that are undefined and dynamic (Porter, 1980; Kim and Lim, 1988; Marlin et al., 1994; Hambrick, 1983; Miller, 1988;). However, Hesterly and Barney (2014) indicate that a differentiation and low-cost strategy can't be executed simultaneously since a firm's requirements for the two strategies are contradictory and firms attempting to implement both strategies will fail.

This theory is deemed relevant to the study since it elaborates the differentiation strategies which are being looked at in this study. The theory explains the importance of differentiation strategy in enhancing the competitive advantage of the firm which further enhances firm performance. It's therefore critical for Kenya's supermarkets to adopt differentiation strategies to enhance their performance.

## 2.2 Literature Review

Kairu and Kibe (2022) investigated product differentiation impact on supermarket performance in Kenya's Nairobi County. Descriptive and inferential statistics were employed during an analysis of data. A descriptive research design was implemented. Study findings indicated product differentiation strategy positively and significantly impacted Nairobi supermarkets' performance.

Kitheka and Bett (2019) analyzed how differentiation strategy influenced Safaricom in Kenya's performance. Descriptive statistics analyze quantitative data. The design of descriptive research was adopted. Study findings depicted a powerful connection between differentiation policy and an organization's performance.

Musembi (2021) researched differentiation strategy and taxi firm's performance in Nairobi County. The research design employed was descriptive. Data analysis involved inferential and descriptive statistics. The findings presented a positive and substantial relationship between taxi firm's performance and differentiation strategy.

Musyoka, Arasa, and Ombuki (2019) studied how differentiation strategy impacted a firm's performance in Kenya's telecommunication industry. Inferential and descriptive statistics formed the essence of data analysis. Study results positively portrayed an utmost effect on performance of firms in Kenya's telecommunication industry. Positivism and descriptive research were anchored in this study.

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Ondere et al. (2016) assessed how sugar industry performance in Western Kenya was impacted by differentiation strategy. Descriptive survey design was implemented during data collection. Both descriptive and inferential statistics analyzed collected data. Study findings stipulated various differentiation strategies impacted the sugar industry's performance in Western Kenya to varying degrees.

### 2.3 Conceptual Framework

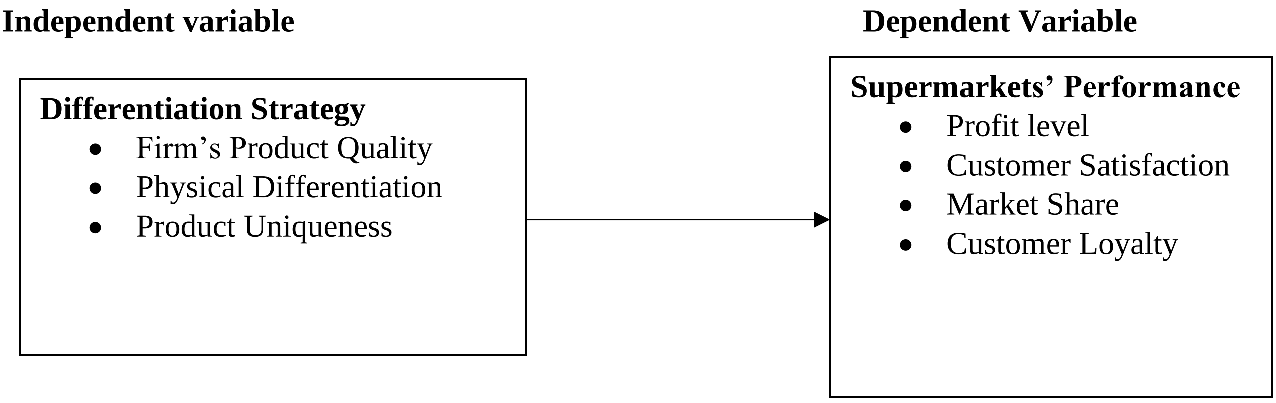


**Figure 1: Conceptual Framework**

## 3.0 Methodology

Descriptive research design was used. The study's unit of analysis was nine large supermarkets situated in Nairobi City County. Study respondents included 63 employees from selected supermarket's functional departments including the following functional managers (Managing Director, Purchasing and Supply Chain, Operations, ICT, Finance, Human Resources, Business Development and Marketing). The study employed census method. The questionnaire which comprised semi-structured questions was the instrument applied during collection of both quantitative and qualitative data. Validity and reliability results were tested in the study. Expert judgment was used to test validity while reliability was tested using Cronbach's alpha. All the study variables were found to be reliable and valid. SPSS software analyzed qualitative data through descriptive statistics like means, standard deviations, and inferential statistics of regression analysis. Given the busy nature of the interviewees in this study who comprise senior officers at management levels, the researcher had to first seek an appointment with each one of them beforehand as well as leaving the questionnaire and picking it later after the response has been filled.

## 4.0 Results and Discussion

### 4.1 Descriptive Statistics Results

#### 4.1.1 Differentiation Strategy

**Table 1: Application of Differentiation Strategy**

| Statement Indicated | No extent | Less extent | Moderate extent | Large Extent | Very large extent | Mean | Std. Dev |
|---|---|---|---|---|---|---|---|
| Introduced more branches to enlarge its market | 9.80% | 3.90% | 27.50% | 41.20% | 17.60% | 3.53 | 1.14 |
| Technology leveraging to enhance business processes | 3.90% | 2.00% | 9.80% | 64.70% | 19.60% | 3.94 | 0.86 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Enhanced customer's commodities offering | 2.00% | 2.00% | 13.70% | 62.70% | 19.60% | 3.96 | 0.77 |
| Customized products to suit exact customer requirements | 2.00% | 15.70% | 25.50% | 49.00% | 7.80% | 3.45 | 0.92 |
| Introduction of brand-new commodities in the marketplace | 0.00% | 13.70% | 9.80% | 43.10% | 33.30% | 3.96 | 1.00 |
| Some prices of products or services are more expensive than our rivals | 39.20% | 29.40% | 0.00% | 27.50% | 3.90% | 2.27 | 1.34 |
| Some commodity prices are renovated to improve market recognition | 11.80% | 25.50% | 2.00% | 31.40% | 29.40% | 3.41 | 1.44 |
| **Average** | | | | | | **3.50** | **1.07** |

**Source: Researcher, (2023)**

Findings depicted 58.8% of study respondents shared to a large extent, that the supermarket opened new branches to enlarge its market base. The mean and standard deviation were 3.53 and 1.14 respectively. This infers that most supermarkets opened new branches. To a large extent, 84.3% of study respondents shared that technology adoption enhanced business processes. Mean was 3.94 and standard deviation was 0.86. This implies that most supermarkets in Kenya were able to adopt the changes in technology in the sector.

To a large extent, 82.3% of respondents indicated the supermarket enhanced its products or services. The mean was 3.96 whereas the standard deviation was 0.77. This implies that most supermarkets in Kenya were able to improve their products. To a great extent, 56.8% of study respondents indicated product customization to suit customer needs happened. Mean was 3.45 and standard deviation was 0.92. This infers that most supermarkets in Kenya were able to customize their products to fit the needs of the customers.

To a large extent, 76.4% of respondents shared that new products were introduced. The mean was 3.96 while the standard deviation was 1.00. To a less extent, 68.6% of respondents highlighted that some product's prices were higher than their competitors. This infers that most supermarkets were able to introduce new products to the markets. The mean and standard deviation were 2.27 and 1.34 correspondingly. To a less extent, supermarket respondents indicated introduction of products or services for market recognition occurred. Thus, 3.41 depicted the mean with a 1.44 standard deviation. This infers that though supermarkets were able to introduce new products, not all products were able to receive market recognition.

Highest mean score statements include the introduction of new products in the market (the mean was 3.96 and Std. Dev. was 1.00), enhanced provision of products or services (the mean was 3.96 and Std. Dev. was 0.77), technology adoption to enhance business processes (the mean was 3.94 and Std. Dev. was 0.86). Lowest mean statements include some products or services prices are higher than our rivals' prices (the mean was 2.27 and Std. Dev. was 1.34), product or service renovation to improve market recognition (the mean was 3.41 and Std. Dev. was 1.44). Supermarkets were unwilling to increase commodity prices to avoid losing customers. Study respondents indicated the challenges they faced during this strategy execution and it included more time to implement, determination as well and resources that supermarkets were unwilling to spend. Respondents indicated that the differentiation strategy can be enhanced through undertaking thorough research on the target audience as well as the market to define what the supermarket will focus on.

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### 4.1.2 Descriptive Differentiation Strategy

Supermarkets' performance is depicted in the table below.

**Table 2: Supermarkets Performance**

| Statement | Not at all | Less extent | Moderate extent | Large Extent | Very large extent | Mean | Std. Dev |
|---|---|---|---|---|---|---|---|
| Greater recorded profits | 7.80% | 7.80% | 7.80% | 19.60% | 56.90% | 4.10 | 1.30 |
| Improved customer base | 5.90% | 3.90% | 3.90% | 17.60% | 68.60% | 4.39 | 1.13 |
| Greater sales turnover | 3.90% | 21.60% | 5.90% | 9.80% | 58.80% | 3.98 | 1.38 |
| Improved return on assets | 3.90% | 7.80% | 23.50% | 60.80% | 3.90% | 3.53 | 0.86 |
| Minimized complaints by customers | 5.90% | 15.70% | 17.60% | 45.10% | 15.70% | 3.49 | 1.12 |
| Heightened retention of customers | 19.60% | 15.70% | 0.00% | 60.80% | 3.90% | 3.14 | 1.31 |
| Improved loyalty by customers | 7.80% | 5.90% | 9.80% | 27.50% | 49.00% | 4.04 | 1.25 |
| Increase in the number of customers gained | 17.60% | 3.90% | 11.80% | 27.50% | 39.20% | 3.67 | 1.48 |
| Greater employee retention as a result of job satisfaction | 27.50% | 43.10% | 7.80% | 13.70% | 7.80% | 2.31 | 1.24 |
| Improved market brand appreciation | 11.80% | 5.90% | 2.00% | 31.40% | 49.00% | 4.00 | 1.36 |
| Enhanced growth of employees, skills, and employee development | 27.50% | 43.10% | 3.90% | 7.80% | 17.60% | 2.45 | 1.43 |
| Greater growth of the firm's revenues | 7.80% | 5.90% | 9.80% | 17.60% | 58.80% | 4.14 | 1.28 |
| **Average** | | | | | | **3.60** | **1.26** |

Study findings showed that 76.5% of study respondents shared that to a large extent, there were greater profits where a mean of 4.1 and 1.3 standard deviations were reported. This infers that most supermarkets were able to record increasing profits. 86.2% of respondents said that to a large extent, there was a growing customer base in the supermarket. The standard deviation was 1.13 with an average of 4.39. This infers that most supermarkets were able to grow their customer base. Also, 68.6% of respondents, given an average of 3.98 and 1.38 standard deviation, shared that given a large extent, there was improved sales turnover. This infers that most supermarkets were able to improve their sales turnover. Also, 64.7% of respondents shared to a large extent, the supermarket depicted a greater return on assets given a 0.86 standard deviation and an average of 3.53. This infers that most supermarkets were able to record a rise in return on assets.

Respondents who were 60.8% shared that to a large extent, there were minimal customer complaints given a 3.49 mean with a 1.12 standard deviation. This infers that most supermarkets were able to minimize their customers' complaints. Respondents who were 64.7% highlighted that to a large extent, greater customer retention had occurred. The standard deviation was 1.31 while the mean was 3.14. It was also indicated that 76.5% of respondents shared that to a large extent, greater customer loyalty had occurred. This infers that most supermarkets were able to increase their customer loyalty. Mean was 4.04 against a 1.25 standard deviation. Also, 66.7% of respondents indicated a higher customer acquisition rate occurred to a large extent. 1.48 standard deviation was recorded against a man of 3.67. This infers that most supermarkets had a high customer acquisition rate. Respondents comprising 70.6%, indicated to a less extent, minimal employee satisfaction and retention had occurred given a mean of 2.31 and 1.24 standard deviation. This infers that most supermarkets had favourable terms for their employees that enhanced their employee retention. Eighty-point four percent shared that given a large extent, they witnessed enhanced supermarket market brand recognition, with a 4.0 mean and 1.36 standard deviation. Respondents who were 70.6%, shared that to a less extent, there was greater employee growth, development, and enhanced skills given a 2.45 mean and 1.43 standard deviation. This infers that most supermarkets had not invested much in employee growth and development. It was also shared that 76.4% of respondents shared that given a large extent, they witnessed greater revenue growth at a 4.14 mean and 1.28 standard deviation. This infers that most supermarkets were able to record increased revenue growth.

Highest mean score statements were summarized as Growing customer base (the mean was 4.39 and std. dev. was 1.13); Greater revenue growth (the mean was 4.14 and std. dev. was 1.28); Enhanced profits (the mean was 4.10 and std. dev. was 1.30); Greater customer loyalty (the mean was 4.05 and std. dev. was 1.25); Enhanced market brand recognition (the mean was 4.00 and std. dev. was 1.36).

Lowest mean score statements were summarized as; minimal employee satisfaction and retention

(the mean was 2.31 and std. dev. was 1.24), greater employee growth, development, and enhanced skills (the mean was 2.45, and std. dev. was 1.43). Findings inferred that supermarket's customer base had grown but there was also a high employee turnover rate as the organization's employee needs were not being met to their satisfaction.

### 4.2 Correlation Analysis Results

**Table 3: Study's Correlation Statistics Outcomes**

| | | Organization performance |
|---|---|---|
| Organizational performance | Pearson Correlation | 1 |
| | Sig. (2-tailed) | |
| Differentiation strategy | Pearson Correlation | .674** |
| | Sig. (2-tailed) | 0.000 |

**Source: Researcher, (2023)**

Results portrayed that differentiation strategy was strongly and positively correlated with performance (given r = 0.674, p=0.000). Consequently, higher implementation of a differentiation strategy would result in higher organizational performance in supermarkets.

### 4.3 Regression Analysis Results

Regression analysis statistically evaluated the link amongst the study's independent and dependent variables.

**Table 4: Regression Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .660a | 0.436 | 0.433 | 0.75672 |

Differentiation strategies have been positively and statistically linked to the performance of selected supermarkets in Nairobi County in Kenya as enacted by the Pearson Correlation value of R=0.660, the variance proportion is elaborated by simple regression models of R squared=0.436, representing a proportion of 43.6 percent of study variables.

**Table 5: The ANOVA Table**

| Model | Sum of Squares | Degrees of freedom | Means Squares | F | Significance |
|---|---|---|---|---|---|
| Regression | 2.345 | 1 | 0.987 | 7.89 | .000[b] |
| Residual | 1.034 | 49 | 0.045 | | |
| Total | 5.2 | 50 | | | |

**Source: Researcher, (2023)**

Analysis of Variance (ANOVA) tested the model's fitness given the data collected. Findings showed that p value was equal to 0.000 and lower than 0.05 hence proved to be reliable. The calculated F (7.89) was higher than F-critical proving the model's fitness in evaluating the effect of differentiation strategy on selected supermarket's performance in Nairobi City County.

**Table 5: The Regression Model of Coefficient**

| Models | Unstandardized Coefficients | Standardized Coefficients | | | |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | t | Sig. |
| (Constant) | -0.243 | 0.46 | | -0.528 | 0.600 |
| Differentiation strategy | 0.629 | 0.111 | 0.545 | 5.672 | 0.000 |

Findings portrayed a positively noteworthy relationship between the supermarket's performance and differentiation strategy (where β is equal to 0.629 while p=0.000). Thus, improvement in one unit in a positive direction for the differentiation strategy would cause a 0.629 units increase in Supermarkets' performance.

The regression equation for this study was represented as:

**$Y= -0.243+ \mathit{0.629}\ X_1$**

From the above equation, Y refers to Organization's Performance, $X_1$ highlights firm's differentiation

## 5.0 Conclusion

Differentiation strategy was also found to significantly and positively impact performance. Higher differentiation levels lead to increased performance of selected supermarkets. Innovation and new product introduction by supermarkets enhanced its performance.

## 6.0 Recommendations

Functional managers should create and implement strategies to minimize operational costs and reduce commodity prices. Product innovation should be sustained to fast-track product differentiation, enhance competition, and create barriers to entry in the market. Technology adoption should also be fast-tracked in all supermarket processes to enhance efficiency as well as effectiveness.

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