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Effectiveness of Differentiation Strategy on Business Performance of Kenyan Betting Companies.

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Abstract: *As it is vital to check on the internal capability of a firm, it is more advantageous to evaluate the scope of the strategy and the effectiveness so that a firm becomes saturated with unique competitive advantage vis a vis its resources and capabilities. The research aimed at analyzing effectiveness of differentiation strategy on business performance of Kenyan Betting Companies. The study used a survey research design. The study targeted 90 employees in the various 7 betting business. These are Sport pesa, Betway, Mcheza, Betin Kenya, Bet yetu, Betika and Elite bet. Data were collected using questionnaires. Descriptive statistics was used to analyze the data with the help of Statistics Package of Social Science (SPSS) in determining the extent of implemented competitive strategies on Kenya's betting firms. Chi square (X^2) was computed in determining the interdependency of variables. This involved the use of expected frequencies and observed frequencies at 5% significance levels for which its value is available in the statistical tables. The studies found out that differentiation strategy on business performance were significant ($p \leq .05$). Managers need to ensure that the message of differentiation reaches the clients, as the customer's perceptions. The betting companies may adopt Niche market may result in changing a product in order to improve differentiation; the changes themselves are not differentiation.*

Keywords: *Differentiation, Strategy, business performance*

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I. Introduction

Differentiation in business refers to the art of marketing a particular product or service in a way that makes it stand out against other products or services. This involves differentiating it from competitors' products as well as a business's own product/service offerings. The concept was proposed by Edward Chamberlin in his 1933 Theory of Monopolistic Competition. Walters and Knee (2011), and Johnson and Scholes (2012) conducted a research and found out that distinctive marketing competencies are skills which businesses can develop to form the basis for competitive advantages over their competitors. This therefore means that differentiation strategy has the potential of creating competitive advantages to a business which leads to improved sales performance. The generic of differentiation strategy involves creating a market position that is perceived as being unique industry- wide and that is sustainable over the long run. Such differentiation can be based on design or brand image distribution.

Pearce and Robinson (2015) aver that differentiation strategies are based on providing buyers with something that is different or unique, that makes the company's strategic positioning, product or service distinct from that of its rivals. Superior value is created because the product is of higher quality, is technically superior in some way, comes with superior service, or has a special appeal in some perceived way. In effect, differentiation builds competitive advantage by making customers more loyal - and less price-sensitive to a given business product/service. Additionally, consumers are less likely to search for other alternative products once they are satisfied.

Hernant, Mikael and Thomas (2011), some of the differentiation strategies adopted by organizations to foster sales performance evolve around interplay of various elements of the retail mix. These include: offering quality products, wide selection, assortment, strategic positioning, after-sales service, quality service, convenient location, parking space, attractive design and layout, conducive atmosphere, sales incentives, convenient operating hours, own branding/value addition and a one-stop-shop. Carpenter and Moore (2016). Economically valuable bases of product differentiation can enable a business to increase its revenues, neutralize threats and exploit opportunities.

Differentiation strategies require a firm to create something about its product that is perceived as unique within its market. Whether the features are real, or just in the mind of the customer, customers must perceive the product as having desirable features not commonly found in competing products. The customers also must be relatively price-insensitive. Adding product features means that the production or distribution costs of a differentiated product will be somewhat higher than the price of a generic, non-differentiated product. Customers must be willing to pay more than the marginal cost of adding the differentiating feature if a differentiation strategy is to succeed (Cavusoglu, 2010).

Statement of the Problem

Various studies have been done on competitive strategies in Kenya. Towet (2002) carried out a research on competitiveness of mobile phone industry and found that competition was crucial for sustainability and survival for the players. Kaburu (2008) did a study on the effect of marketing strategies on financial performance of media houses and found that there was significant relationship between market strategies and financial performance. Caroline (2014) conducted a study on effectiveness of competitive strategies by universities in Meru and Tharaka Nithi counties and found that each strategy was unique in the university setting therefore the findings could not be applied in other settings. No study has been done in the betting industry specifically on effectiveness of differentiation strategies on business performance touching on betting companies. The study therefore sought to fill the knowledge gap by carrying out a study on the differentiation strategies on business performance.

General Objective

The main objective of the study was to determine the effectiveness of differentiation strategies on business performance of Kenyan betting companies.

Empirical Review

Business Performance concept is multidimensional involving elements such as: economic performance (sales, productivity, profit), social performance (employee and customer satisfaction), legal performance (obeying of laws and law-like recommendations), or social performance (adopting of conduct norms based on ethical considerations) (Hernant, 2011).The performance of any business organization is affected by the strategies that the organization has chosen (Mutuku,2015). Hunger and Wheelen (2015) say that strategies, which are a set of managerial Different stakeholders, require different performance indicators to enable them make informed decisions (Manyuru, 2005).Lusch and Laczniak (2009) defines business performance as the total economic results of the activities undertaken by an organization. The performance of any business organization is affected by the strategies the organization has chosen (Mutuku, 2015).

Hunger and Wheelen(2015) says that strategies, which are a set of managerial decisions and actions determine the long-term of the corporation. Performance in an organization may take many forms depending on whom and what the measurement is meant for. Different stakeholders require different performance indicators to enable them make informed decisions (Manyuru, 2015). Measurement of business performance generally include such bottom-line, financial indicators as sales, profits, cash flow return on equity and growth (Dess and Robinson, 2014).However, Thompson et al., (2017) notes that using financial measures alone overlooks the fact that what enables a company achieve or deliver better financial results from its operations is the achievement of strategic objectives that improve its competitiveness and market strength. Non-financial measures include innovativeness (Goldsmith and Clutterbuck, 2014) and market standing.

II. Differentiation strategies

Differentiation can take different forms like branding, advertising and features

When several companies are offering trial products, they will want to identify and distinguish their particular offerings. This is what is called "branding". Nashua (2015) notes that; branding of products is necessary because marketers are acting in ways of diluting brands instead of building them. Branding provides marketing identity. It also serves to differentiate products and creates a basis for building brand name through trust. The objective of branding is to aid target customers in identifying the branded items and to familiarize them with it, so as to accept it.

The value of being different has been studied by many researchers of different theoretical backgrounds. Despite the heterogeneity of the context of their studies, researchers in strategic management agree that a firm may face less competition by differentiating itself from others hence good performance. (Baum and Mezias, 2012). From a population ecology perspective, the finite nature of the environment is such that firms occupy a distinct niche and compete for essential resources. From this point of view, a firm out-competes its competitors only when it locates itself in a niche where it possesses exclusive access to their sources it requires for survival (Hannan and Freeman, 2017). This ecological approach to competition assumes that the market has finite level resources. Subsequent research that adopts this ecology perspective thus argues that organizations compete more intensely when their resource requirements are similar (Baum and Mezias, 2012;). From this perspective, a firm can avoid competition for limited resources by departing from densely populated regions or differentiating itself from its competitors and therefore good firm performance.

Another stream of research that emphasizes the benefits of being different derives from the resource-based theory perspective. In this view, it is essential for a firm to preoccupy valuable, non-substitutable, rare, and inimitable resources in order to sustain good firm performance over its competitors (Barney, 2011). Because of their very nature, rare and inimitable resources require that a firm exploit and deploy them in a unique way compared to its market competitors; in other words, the way a firm operates in the market 10 differentiates it from its competitors. Since successful strategies are more likely to be imitated (Haveman, 2013) and mimetic behaviors can arise under conditions of uncertainty (Cyert and March, 2012; DiMaggioand Powell, 2013), a successful firm's rare and inimitable resources are always at risk of being imitated by its competitors. Therefore, a firm should constantly strive to differentiate itself from its competitors and seek rare and inimitable resources with which to sustain its competitive advantage and continually improve its sales hence good performance.

According to a study conducted by Obado (2015) on Kenyan Sugar manufacturing firms, the firms achieved differentiation by branding their sugar, distribution networks and customer service. Differentiation involves offering products or services that are perceived industry-wide as being unique (Porter, 1998). A company thus designs to appeal to customers with a special sensitivity for a particular product attribute which in turn helps build customer loyalty. This loyalty helps the company to charge premium prices for its products (Pearce & Robinson, 2016). To build competitive advantage through differentiation, a firm must search out sources of uniqueness that are burdensome and time consuming for rival to match (Thompson and Strickland, 2003). Other indicators of differentiation in hotels are; variety of services, quality of services offered and use of modern equipment in service delivery.

Advertising

Marketing activities like advertisements and sales promotions were also existent. Studying the competitive strategy employed by the pharmaceutical industry, Ndubai (2013) found that the retail firms emphasized on customer service to enhance the image. Other strategies include choice of strategic locations, stocking other items like cosmetics, surgical and diagnostic items, mobile phones and scratch cards and also ensuring cleanliness and enough lighting in the shops. Attractive counter displays, staff uniforms and road sign boards were used as strategies. The major challenge faced is unethical competition which leads to price undercutting in the sector.

Farshid& Amir (2012) studied the influence of marketing mix on market share of polymer sheets manufacturing firms in Iran. The study was a survey and targeted 95 polymer sheet manufacturing firms. The one-sample T test was used to test the influence of marketing strategy on market share. A study by Shafiwu and Mohammed (2013) sought to establish the effect of product differentiation on profitability in the petroleum industry of Ghana. The research was a case study done outside Kenya and employed correlation research design.

Muthoka (2012) study on the response strategies to competition by horticultural export firms in Kenya targeted the 36 major horticultural export firms in Kenya. The key concepts used in his study are generic in nature: strategy, organizational environment and organizational competition. Data was analyzed using descriptive statistics. Kamau(2013) who studied the effects of differentiation strategy on sales performance in supermarkets within Nakuru sampled eleven (11) supermarkets used product, physical and service differentiation variables which are generic in nature. Her survey was limited to one town in Kenya and it dealt with distributors of assorted commodities.

Products features

Products features may be defined as the set of associations linked to the brand that consumers hold in memory. Positive brand image is associated with consumer loyalty. A positive brand image helps the consumer to be favorably inclined towards future brand promotions and resist competitors marketing activities.

Barney (2013) says that though a company may have several basis of differentiation, at the end it is only a matter of customer perception. Approach to differentiation can take many forms such as design and brand image, technology, product features, customer service or dealer networks (Porter, 1998). All these create perpetual barriers against competitors (Pearce & Robinson, 2011). Advantages of differentiation are that it provides insulation against competitive rivalry because of brand royalty by customers; it increase margins which avoids the need for low cost position and positions the firm better vis-à- vis substitute products than its competitors (Porter, 1998). A differentiation strategy is one in which a firm offers products or services with unique features that customers value (Ndubai, 2013). The value added by the uniqueness commands a premium price.

According to Coutler (2012) the key characteristics of differentiation strategy is perceived quality whether real or not. This may be through superior product design, technology, customer service or other dimensions. Differentiation strategy calls for development of a product or service that offer, unique attributes to the customers. The firm hopes to cover the extra costs by the premium price commanded by the product or service uniqueness. If suppliers increase their prices, the firm may be able to pass along the costs to its customers who cannot find substitute products easily (http: www.quickmba.com/strategy/generic,shtml,6th July 2012).

The advantage of differentiation strategy is that the perceived quality insulates a company from threats from any of the five forces that determine the state of competition in an industry. Again, firms using differentiation strategy have some internal strength including high research and development capabilities, strong sales team and corporate reputation for quality and innovation. Brand loyalty protects a firm from threats of substitute products. Rothschild (1984) contends that differentiation is often the secret to extending the life cycle of business and making it more expensive to enter and follow. The risks associated with differentiation strategy include imitation by competition and changing customer tastes and preferences. The shelf life of differentiation strategy is getting shorter and shorter.

Differentiating the product offering of a firm means creating something that is perceived industry wide as being unique. It is a means of creating your own market to some extent. There are several approaches to differentiation: Different design, brand image, number of features, new technology. A differentiation strategy may mean differentiating along two or more of these dimensions. Differentiation is a defendable strategy for earning above average returns because: It insulates a firm from competitive rivalry by creating brand loyalty; it lowers the price elasticity of demand by making customers less sensitive to price changes in your products. Uniqueness, almost by definition, creates barriers and reduces substitutes. This leads to higher margins, which reduces the need for a low-cost advantage. Higher margins give the firm room to deal with powerful suppliers. Differentiation also mitigates buyer power since buyers now have fewer alternatives.

Achieving a successful strategy of differentiation usually requires the following: Exclusivity, which unfortunately also precludes market share and low cost advantage, strong marketing skills, product innovation as opposed to process innovation, applied R&D, customer support and less emphasis on incentive based pay structure (Porter,1998). Theuri (2003) who studied branded fast food outlets found that the fast food chains served specific target markets. They also offered variety of products and services besides ensuring high quality in their products and service

III. Methodology

The study used a survey research design. A survey is a method for gathering information from individuals, institution or phenomenon (Mugenda and Mugenda, 2009). This helps to explain the cause and impact relationship of the study, data collection method and selection of the constructs to achieve conclusive and accurate result (Patton, 2000). The study targeted 90 employees in the various 7 betting business. These are Sport pesa, Betway, Mcheza, Betin Kenya, Bet yetu, Betika and Elite bet. The researcher used questionnaires as data collection instrument. Cranach's alpha was used to assess the reliability coefficient of the research instruments that gave an average of 0.8. The research data was analyzed using descriptive statistics and inferential statistics. For closed questions, the researcher used the statistical package for social sciences (SPSS) to code, enter, and compute the measurements of the multiple regressions for the study. Descriptive statistics such as frequency distribution, and percentages were used to analyze the data and correlation analysis was conducted to determine the relationship between dependent and independent variables.

Effects of Differentiation Strategy on Business Performance

Pearce & Robinson, (2016) said that differentiation Strategy entails offering a product or service to the market that is unique or has unique factors. It is the creation of distinguishing qualities that makes a product to send out from the available options .The study sought to establish the influence of differentiation strategy on business performance in Kenyan betting companies.

Table 1 Differentiation Strategy on Business Performance

Differentiation Strategy	Resp	SD	D	UN	A	SA	Mean	SD
Advertising has persuaded the public to use the company's products.	F	-	-	-	68	22	4.2444	0.43216
	%	-	-	-	75.6	24.4		
The company's products has offered unique value to the customer needs	F	22	-	-	68		3.2667	1.29649
	%	24.4	-	-	75.6			
The company's products has continued to stand out due to proper branding	F	68	15	-	2.2	2.2	3.7444	1.37850
	%	75.5	16.7	-	5.6	5.6		
The company's introduction of many betting markets has a positive impact on the company incomes.	F	2	29	-	18	41	2.8222	1.54758
	%	22	32.2	-	20	45.6		
The company is sensitive product offering in different market segments.	F	20	34	-	14	22	1.4556	1.02947
	%	22.2	37.8	-	15.6	24.4		

From the findings the influence of differentiation strategy on business performance in Kenyan betting companies. The study established that majority of the respondents agreed that advertising has persuaded the public to use the company's productsas shown by 75.6% agreed and 24.4% strongly agreed with a mean of 3.86 and a standard deviation of 1.245.

They also agreed on the statement that the company's products have offered unique value to the customer needs as shown by 24.4% who strongly disagreed and 75.6% who agreed with a mean of 3.2667 and a standard deviation of 1.29649.

Furthermore it was agreed that on the statement that the company's products has continued to stand out due to proper branding as shown by 75.5% of the respondent who strongly disagreed and 11.2 on agreement side with a mean of 3.7444 and a standard deviation of 1.37850.

The company's introduction of many betting markets has a positive impact on the company incomes, it was agreed 65.5% and 54.2% who disagreed, as shown by mean of 2.8222 and a standard deviation of 1.54758 and finally they agreed that the company is sensitive product offering in different market segments, 60.0% of the respondent disagreed whereas 40% agreed. This was as shown by mean of 1.4556 and a standard deviation of 1.02947.

The above findings were inline with Barney and Hesterley (2006), who explained that differentiating a product is an expression of creativity in the groups operating within a firm and therefore creates opportunities in the industry in particular. Further an agreement was seen by Porter, (2000) who stated that differentiation may generate superior profitability since it provides insulation against competitive rivalry because of the customer loyalty which leads to the customers not being sensitive to price changes .It produces higher margins to deal with the power of the supplier which mitigates the power of the buyer since they lack alternatives. A firm that offers differentiated products benefits from customer loyalty. To implement the differentiation strategy, the firm requires a special consideration to the structure of the organization, management controls and the implementation of cost leadership strategies as it will impact business performance.

Porter (1998), states that a firm can use low cost leadership, differentiation strategy and the market focus strategy as generic strategies to seek long-term competitive advantage. A firm that engages in each generic strategy but fails to achieve any of them is "stuck in the middle." Hence, Breene and Nunes (2005), in their research and experience with clients, could demonstrate that what distinguishes high performers from their competitors is the consistent way they construct and maintain this competitive essence.

The success of differentiation is partially related to product focus. The approach of focus involve identifying the market for segmentation and coming up with products that satisfy the need. The application of the strategy in the betting industry saw the establishment of various betting markets for examples half time results.

Chi-square analysis on Differentiation Strategy on Business Performance

Table 2: Chi-square analysis on Differentiation Strategy

	Advertising has persuaded	The company's products has offered unique value to the customer needs	The company's products has continued to stand out due to proper branding.	Company introduction of many products in the market has a positive impact on the company incomes	The company is sensitive product offering in different market segments
Chi-Square	23.511[a]	23.511[a]	36.667[b]	9.378[b]	126.800[b]
df	1	1	3	3	3
Asymp. Sig.	.000	.000	.000	.025	.000

From table 4.2 showed that all the statements on differentiation strategy on business performance were significant ($p \leq .05$). This implies that all variables on differentiation strategy had relationship on business performance. the above findings was inline with the success of the strategy depends on the ability to deliver enhanced benefits to customers together with low prices whilst achieving sufficient margins for reinvestment to maintain and develop the bases for differentiation. Miller, (1992) argued that if differentiation can be achieved there should be no need to have a lower price since it should be possible to obtain prices at least equal to competition, if not higher. However, Johnson and Scholes (2007) countered that the hybrid system can be advantageous if much greater volumes can be achieved than competitors then margins may still be better because of a low cost base. If an organization is clear about the activities on which differentiation can be built (potential core competencies) it may be able to reduce costs on other activities or as an entry strategy in a market with established competitors.

IV. Conclusions

From the study it was concluded that for effective application of ddifferentiation strategy to be applied in abetting company. To involve themselves in aadvertising which is persuaded the public to use the company's products. The company's need to review products offered to be unique value to the customer needs. There is need for company's products to continue to stand out due to proper branding. And that the company should be sensitive product offering in different market segments.

Recommendation on Policy and Practice

The betting companies may adopt Niche market may result in changing a product in order to improve differentiation; the changes themselves are not differentiation. Marketing or product differentiation is the process of describing the differences between products or services, or the resulting list of differences. This is done in order to demonstrate the unique aspects of a firm's product and create a sense of value.

This study confirms existing literature in terms of the positive effectiveness of competitive strategies on business performance of Kenyan betting companies. Scholarly research has clearly examined the link between resource based theory developed by Peter Coase (2007), the theory mostly places the ability for a firm to deliver sustainable competitive advantage on managing the resources such that the outcomes are not limited to competitors. However the potters conceptualization is not supported by Herbrick (2013) suggesting that as the competitive strategy are compatible in general, they do not produce single results. The underlying assumptions makes the theory lose a bit of its shape since resources such as entrepreneurship are highly mobile as they can be easily accessed or can easily change hands.

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