

**PRODUCT DIFFERENTIATION AND PERFORMANCE AT TIER 3 DEPOSIT
TAKING SACCOs IN KENYA**

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DECLARATION

This is to declare that this project is my original work and has not been presented to any other university for any kind of academic award.

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This project has been submitted with my approval as the university supervisor

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DEDICATION

This project is in honor of my parents for their devotion and commitment and to the lecturers at the University of Nairobi's Faculty of Business and Management Science, whose persistent supervision and support enabled me to complete this task within the allotted time.

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Above all else, I am grateful to God for his unending supply, love, and protection in the face of my every want, despair, fear, and discouragement. I alone am responsible for any typos in this script's formatting.

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LIST OF ABBREVIATIONS

ATM	-	Automated Teller Machine
DTS	-	Deposit Taking SACCOs
FOSA	-	Front Office Saving Activities
RBT	-	Resource-Based Theory
SACCO	-	Savings and Credit Co-Operative
SASRA	-	Sacco Societies Regulatory Authority
SCP	-	Structure- Conduct-Performance
UK	-	United Kingdom
WOCCU	-	World Council of Credit Unions
SCA	-	Sustainable Competitive Advantage

ABSTRACT

Differentiation of products as a competitive strategy allows organizations to develop more valuable products that can penetrate markets with ease. Therefore, firms have a responsibility in finding appropriate ways of not only creating but also adding value to their target customers. While the decline in market share is an inevitable consequence of industry dynamics, it has serious implications for the long-term viability and competitiveness of small- and medium-sized DT-SACCOs. The objective of this research was to establish the relationship between Product differentiation and performance of Tier 3 Deposit Taking SACCOs. This research was underpinned on Resource-Based View and Differentiation Theory. The research adopted a cross-sectional research design. The study focused on the 84 tier 3 Deposit Taking SACCOs in Kenya. The survey method was employed to collect data for the research, with self-administered, structured questionnaires being used to gather primary data. The researcher used SPSS V.25.0, a statistical package for social science, to undertake a descriptive statistical analysis of the quantitative data, and then presented the findings in the form of percentages, means, standard deviations, and frequencies. Qualitative analysis followed theme coding of the qualitative information. A regression analysis was performed to draw inferences from the gathered facts. Based on the findings, the Sacco members have a preference for the company's products because of their high quality, the rising product variety has increased its reliability in the industry, the company charges a premium for its products because of their superior craftsmanship, and the company designs its products with the members' needs in mind. In addition, some establishments have earned a stellar reputation for providing high-quality products and services, while some SACCOs tailor their customer support to each individual's unique set of needs, taking into account factors like age, income, and education level. The research also concluded that the SACCOs' output lacked any distinguishing qualities (quality). The research discovered that the results of Deposit Taking SACCOs was most affected by horizontal differentiation, next by vertical differentiation, and finally by mixed differentiation. Deposit Taking SACCOs were urged to develop competitive strategies that are technology focused and up to date in order to improve product differentiation. The research also suggested that management focus on improving the quality of goods and services on a larger scale.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Competitive strategies play a critical and strategic role in enabling corporations to meet their goals and objectives in today's dynamic business environment. Developing a winning competitive business strategy involves coming up with a wide formula on ways in which an organization plans to compete, how objectives and goals need to be achieved and key policies necessary to carry out such objectives and goals. Tuva (2015) defines differentiation as a situation in which organizations put in place measures to stand out as distinctive from others in the market. Application of differentiation strategy by firms involves attempts aimed at being distinctive in a given sector along with some features which are greatly appreciated by target customers. Such firms must select key features of a product to majority of customers in their sectors and thereafter distinctively position themselves to meet the needs while charging premium prices.

Differentiation strategy enables less established firms to attain some competitive advantages in industries controlled by larger organizations that include multinationals. Organizations need to choose effective differentiation strategies that can convince customers that a product offered is positively distinct from all other similar ones offered by competitors. The strategy should also allow a firm to effectively compete in other areas not just on price, which may not favour all players. If effectively applied, product differentiation strategies can also play critical role in boosting brand loyalty among buyers of a product based on perceived improved quality or affordability. Different organizations

have pursued different forms of differentiation strategies depending on what their missions and visions are. Differentiation strategies can be based on such factors such as product, technology, personnel, place or promotion (Olando, Jagongo & Mbewa, 2013). Therefore, effective application of differentiation strategies can enable firms to create key competitive advantages which can boost sales performance.

The performance of any company can be impacted by the various strategies settled on (Wanyama, 2009). Mumanyi (2014) stated that strategies are a collection of action that managers and different stakeholders require to use in order for them to make informed decisions. Maina and Kagiri (2016) describe firm performance as the overall economic outcomes of various pursuits taken up by an entity. Organizational performance can take many dimensions subject to whom and what the measurement is meant for. Commonly used indicators of organization performance may generally include a number of bottom-line financial measures such as sales growth, profitability, cash flow and return on equity whereas non-financial parameters are made up of innovation, customer satisfaction, efficiency and market share.

Savings and Credit Cooperatives (SACCOs) have been in existence for over a century and have been playing active role in the provision of financial services to more than a hundred and twenty million individuals globally. Members of SACCOs are drawn from all sections of society including low and middle-income earners from rural and urban setups, artisans, traders in informal businesses, farmers and executives. Ombado (2010) posits that as a result of growth prospects in the sector there has been intensified competition among diverse players who seek to have control of the markets. Therefore, SACCOs have a role

to play in coming up with unique ways that can enable them to gain SCA so as to remain relevant and survive the stiff competition in the markets in which they operate (Di Patti & Gobbi, 2011).

SARSA (2015) avers that SACCOs are governed by principle of conservative lending where the needs and interests of members are placed before profitability of such institutions. Based on this argument, performance of SACCOs are quantifiable in a number of ways such as boost in membership, sufficient funds to loan members, increase in deposits, uptake of loans, minimal cost of operation and enhanced income (from loans portfolio, investment and services). This assists SACCOs to grow as well as continue operating in economically and financially sustainable ways (Mbewa & Jagongo, 2012). Nevertheless, it is increasingly becoming clear that majority of SACCOs operating in the country are struggling to compete on low-cost basis; preferring strategies of product differentiation. A number of SACCOs operating in the country have shown a tendency of seeking competitive advantages by developing products that have more valued characteristics for instance product quality, flexibility or reliability in delivery of such products to targeted buyers in various markets.

This research will be guided by two theories namely: differentiation theory and Resource Based View (RBV). Differentiation theory was advanced by Chamberlin and Robinson (1971) and states that a customer can learn to differentiate product characteristics and situations to choose relevant ones based on their past experiences with the product. This theory assumes that a product need to be seen as distinct from others if they are to penetrate markets with ease and win market share (buyers need to be convinced on why they should

consume a product). It is further argued that a product also need to be seen as distinct for it to retain market share. Barney (1991) developed RBT which argues that for firms to experience better performance and competitive advantages over peers, then they need to be in possession of valuable, non-substitutable, rare and inimitable resources. The theory assumed that entities across sectors may be different based on resources under their control, and their uniqueness may provide competitive advantage over certain periods of time (Bridoux, 2015).

1.1.1 Concept of Product Differentiation

The concept of product differentiation was introduced in 1933 by Edward Chamberlin who was an American economist. He described the concept as the process by which a firm's product is made more attractive to a particular target market by distinguishing such products from those offered by other players in the market. On the other hand, Rahman (2010) describes product differentiation as a business strategy used by organizations in their endeavor to achieve competitive advantages through enhancement of perceived value of their products in comparison with the perceived value of products offered by competitors. Product differentiation entails distinguishing a firm's products from competitors in an effort to make them more attractive to targeted customers. An organization including startups must be in possession of large sums of money if they are to successfully differentiate their products from those offered by competitors. This is because product differentiation requires a lot of capital in the areas of advertising as well as research and development.

Dirisu et al. (2013) argue that much as there are a number of methods applicable in product differentiation, identification of relevant product driven differentiators can be particularly useful in the gain and sustainability of SCA. Companies operating in the same sector develop products with distinct performance and or quality resulting in manufacturing of low-cost low-quality products or higher cost, high quality products. The same company can sell a variety of different goods or services with distinct performance or quality and even service support from the seed producers. Successful differentiation of products has three features namely commanding a premium price, increased sales volumes and customer loyalty to a brand (Bridoux, 2015). A differentiated product is seen by buyers to have features that make it unique from those offered by other players as well as distinct in some specific ways and difficult to copy. There are times when organizations are compelled to decrease the degree of product differentiation and this may impact profit margins of such entities. Organizations always attempt to come up with similar characteristics like their rivals if they realize that buyers prefer some specific characteristics in a product so as to boost sales volumes. Dealing in products with similar characteristics by firms may result in failed product differentiation since it may be challenging to differentiate such products.

1.1.2 Organization Performance

The definition of organization performance has undergone some advancements over the past few decades as a result of dynamic global business environment. Performance encompass evaluation of financial and non-financial parameters of the productivity of an enterprise. Nevertheless, the performance of the company can be described as the results gained from sound practices in management, marketing, economics and competitiveness (Taouab & Issor, 2019). Measurement of firm performance plays key role in effective

management of any organization. Firms are currently operating in continuously changing business environments and survival and remaining competitive calls for such enterprises to perform faster while offering great products at affordable prices (Taouab & Issor, 2019). Continuous performance of a firm enables both management and stakeholders to assess how profitable a company is and is key to improvement of business operations (Al-Matari et al., 2014).

Firm performance improvement needs measurements so as to recognize to what degree a company's resource allocation affects its achievement. Both non-financial and financial indicators can be used to measure firm performance (Taouab & Issor, 2019). Such indicators must be continuously monitored and evaluated to enhance efficiency in operations (Karani, 2018). The non-financial/ strategic performance dimension includes parameters such as product quality, innovations, market share, customer satisfaction, employees' satisfaction, reputation, environmental and social performance (Yuliansyah, 2015; Herly, 2011; Selvam et al, 2016). Financial indicators of performance are return on assets (ROA), return on equity (ROE), return on investment (ROI) and profitability among others. Different performance measures hold different value to different stakeholders and should therefore be independently managed so as to achieve the goals of an organization. A company that performs well not only provides value to its shareholders but also generates business and job opportunities which enhance the economic output of individuals and a nation in general. An effective performance measurement tool enables a firm to easily analyze and evaluate its performance. Such tools will have the following features: Incorporation of the vision of a firm, ability to analyze performance trends in the industry, ability to get feedback on customer satisfaction (Noor, Kamardin, & Ahmi, 2017). Firms

need to evaluate their performance so as to critically analyze outcomes from new business strategies employed and to quantify activities of their strategies into monetary value. In the recent past, technological upgrading has become a crucial determinant of firm performance.

Performance from the perspective of SACCOs entails collections of savings from members which then invested in profitable opportunities as a means of meeting expected demands over the foreseeable future and interest of such members. Profits generated from such opportunities are shared among members. Additionally, SARSA (2011) avers that SACCOs are governed by principle of conservative lending where the needs and interests of members are placed before profitability of such institutions. Based on this argument, performance of SACCOs can be measured using various indicators for instance boost in membership, sufficient funds to loan members, increase in deposits, uptake of loans, minimal cost of operation and enhanced income (from loans portfolio, investment and services). On the other hand, Otim (2005) used a number of indicators to measure performance of SACCOs. Such indicators included turnover, value of assets, value of deposits as well as strength of share capital held. The author avers that much as the list is not comprehensive, the four parameters used can sufficiently be used in measuring the value and performance of individual SACCOs.

1.1.3 Deposit Taking SACCOs

Deposit-taking institutions consist of Commercial Banks, Mortgage Finance Company, Microfinance Banks and DT-SACCOs; Regulated Non-Withdrawable Deposit Taking SACCOs. Deposit-taking Sacco business is defined to include mobilization of demand

deposits from members which are operated in savings accounts, similar to those provided by commercial banking institutions. At the commencement of the year 2020, the Authority had issued deposit-taking licenses to 173 DT-SACCOs in the country. The list of these licensed DT-SACCOs was duly published in the Kenya Gazette Notice No. 761 dated 31st January, 2020 in full compliance with the provisions of Section 28 of the Sacco Societies Act as read with Reg. 8 of the Regulations, 2020 which requires the Authority to publish on an annual basis the list of all licensed DT-SACCOs (SASRA, 2020).

During the course of the year 2020, the Authority considered and granted new deposit-taking licenses to two (2) DT-SACCOs namely M/S Acumen SACCO Society Ltd and M/S Kimisitu SACCO Society Ltd. This brought to total 175 DT-SACCOs duly licensed to undertake deposit-taking business in Kenya for the period ended December 2020. The Authority traditionally peer-groups DT-SACCOs into three groups delineated by the magnitude of their overall assets. There are the big tier DT-SACCOs, with assets above Kshs 5 billion; the intermediate rank DT-SACCOs, with assets between Kshs 1 billion and Kshs 5 billion; and the micro level DT-SACCOs, with assets under Kshs 1 billion. The peer-grouping is important to enable the Authority monitor the risk assessment in the DT-SACCOs and their respective level of compliance with the prescribed prudential standards, premised on similarity or commonality of their characteristics (SASRA, 2020).

Deposit Taking SACCOs have done been differentiating products in a bid to help them to differentiate and make the products stand out from those offered by other players in the market. This is because differentiation strategy plays key role in attainment of SCA in markets controlled by larger established firms. The differentiation strategy adopted by the

Sacco has effectively delivered the message to its customers that the products offered are unique and different from those offered by competitors. Differentiation strategies adopted by Deposit Taking SACCOs have brought about creation of a perceived value among existing as well as potential customers and has enabled the firm to compete effectively in areas aside from price which may not be advantageous to all players.

1.2 Research Problem

Differentiation of products as a competitive strategy allows organizations to develop more valuable products that can penetrate markets with ease (Rouf, 2011). Effective business strategies play crucial roles in enabling organizations to influence their operating environment to their advantage as well as defend themselves from stiff competition. To achieve long-term success, firms have a role to compete effectively and outdo their competitors in the fast changing business environments (Bucci & Matveenko, 2017). Therefore, firms have a responsibility in finding appropriate ways of not only creating but also adding value to their target customers. However, despite having product differentiation, the influence of product differentiation on performance of organizations has not been explicitly established.

On average the DT-SACCOs with total assets above Kshs 5 Billion have always registered a faster growth rate than the rest of the pack between 2017/2018 period and 2019/2020 period. The big level DT-SACCOs grew by 12.20% in 2017/2018, 13.56% in 2018/2019, and 11.11% in 2019/2020. It is noteworthy that over the period, the average rate of growth of small-tiered DT-SACCOs with total assets below the Kshs 1 Billion have been decreasing, with a 5.23% growth in 2020. Although the shrinking of the market share is a

natural function of market dynamics, if the trend continues, then the market share of the small tiered DT-SACCOs is likely to be greatly reduced which is likely to impair their competitiveness and sustainability (SASRA, 2020).

Unique competitive strategies embraced by Saccos give rise to consumer satisfaction resulting in attainment of sustainable competitive advantage (SCA). Some of these strategies are product differentiation which has not been successful in most of Sacco's since the majority of items and services provided by deposit taking SACCOs are homogenous (Wanyama, 2009). Deposit Taking SACCOs are currently faced with a tough challenge of differentiating themselves in a highly crowded market. Remaining relevant calls for offering novel products to its customer base that has a variety of options to choose from. Saccos have a responsibility to deliver services and provide value for money to their customers by looking into their prices, product offering, focus or spread, delivery of products, availability of products, flexibility and quality of products being offered. These factors are frequently conflicting thereby making it such a big challenge for firms to achieve their differentiation goals (Korir, 2017). It is only firms that understand and able to come up with solutions to the link between people, process and technology that will meet such challenges. Such challenges should not be approached in silos but rather a recognition has to be made that every attempt to differentiate and enhance firm performance can only be a success when people, processes and technologies are considered in conjunction with other players in the market (Njoki, 2018).

A number of scholars and researchers have advocated for the need of firms to be different. For example, the proposition of population ecology posits that organizations should avoid stiff competition for limited resources through avoidance of densely populated areas or by making themselves different from their rivals (Baum & Mezias, 1992). RBV also gives emphasis on the importance of uniqueness in the achievement of sustainable competitive advantages among organizations (Barney, 1991). Other researchers have established that the connection between differentiation strategy and firm performance can be reduced by a number of situational variables for instance focus on profit margins as well as manufacturing (Davis & Schul, 1993). Nevertheless, the influence of adopted differentiation strategies on sales performance with regards to annual sales revenue is not very clear.

There are a number of past local studies looking at the influence of product differentiation on firm performance. Such studies include; The influence of product differentiation of substitutes on competitive strategies among DTS in Kericho, Kenya (Korir, 2017); Factors that influence financial performance of DTS in Kisii, Kenya (Oigo, 2015); Role of competitive strategies on performance of DTS in Muranga, Kenya (Njoki, 2018). The studies had aspects related to product differentiation and performance of Saccos in Kenya. There exists a knowledge gap since none of the reviewed studies focused specifically on the role played by product differentiation on performance of DTS in Kenya. The current research aimed to address the following question: What is this influence of product differentiation on performance at Deposit Taking SACCOs?

1.3 Objective of the Study

The objective of this research was to establish the relationship between product differentiation and performance of Tier 3 Deposit Taking SACCOs.

1.4 Value of Study

The research would inform the differentiation and Resource Based Theory because it would reveal the application of the theories in connection to the role of product differentiation on firm performance. Further, this research would enable the theories to relate to why organizations need to continuously endeavor to differentiate themselves from their rivals and search for rare and inimitable resources with which to attain SCA.

The study would help Saccos in formulation of policies that can enhance product differentiation strategies thereby boosting financial services accessibility among members. Such goals can be achieved through coming up with novel and affordable products using the latest technologies. To other stakeholders, this study was invaluable in providing insights to appreciate the need to embrace product differentiation nexus for effective SACCO performance. Academicians and scholars would find the research valuable since it would greatly boost the general knowledge on the link between product differentiation and firm performance. This study would also provide scholars with information on product differentiation by the DTSS sector thereby expanding their knowledge on strategies to employ and identification of possible knowledge gaps that can be addressed in future.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter gives a presentation of available literature on product differentiation and its influence on firm performance in addition to other closely related past researches with an aim of bringing to light existing knowledge gaps thereby highlighting the necessity of current study. Also included in the chapter are the various theories on which the research is anchored.

2.2 Theoretical Review

This research was underpinned on Resource-Based View and Differentiation Theory.

2.2.1 Resource Based View

This theory was proposed by Barney (1991) and argues that for firms to experience better long term performance and competitive advantages over peers, then they need to be in possession of valuable, non-substitutable, rare and inimitable resources. Firms have a responsibility to tap into their internal resources if they are to have competitive advantages over peers. Firms need to position themselves based on their resource as well as capabilities rather than on the products they offer if they are to attain SCA in the market. SCA gives an entity increased sales and customers compared to rivals. Firms need to seek ways of developing novel and outstanding products with no equivalent substitutes in the market. This is key in enhancement of sales and profits since customers with no perfect substitutes will easily purchase such products thereby boosting performance of such firms (Barney, 1991).

Implementation of business strategies that can improve competitiveness of a firm requires that such firms be in possession of both tangible and intangible resources. The effective utilisation of resources can ensure that firms remain competitive and profitable through development of key strategies such as product differentiation. For firms to attain SCA they also need to come up with other key strategies that will enhance their market share and presence in the competitive markets. A competitive strategy such as product differentiation requires firms to maximize on both tangible and intangible resources at their disposal.

2.2.2 Differentiation Theory

Chamberlin and Robinson proposed the model in the 1930s in their work on variations from the long established perfect competition model which come up as a development of the theory of monopolistic competition. The theory can be seen as similar to the classical economics perfect competition model since it narrates an abstract ideal world, thereby marketers try to distinguish their products from competitor's, with an aim of facing reduced direct competition (Chamberlin & Robinson, 1971).

The differentiation model which formed the basis of differentiation theory supports a string of extensively held beliefs, that can be widely summarized as follows: a product need to be seen as distinct from others if they are to penetrate markets with ease and win market share (buyers need to be convinced on why they should consume a product). It is further argued that a product also need to be seen as distinct for it to retain market share. This implies that consumers of a product need to have reasons to continue using a product in the competitive markets where there are other brands as well as new entrants. In such markets some products are much more differentiated compared to others resulting in more loyal

customer base which is less sensitive to products offered by other players. This may result in better profit margins. Nevertheless, an extremely differentiated product can suffer from limitations on market share due to the fact that it is only a given group of individuals, or only in a particular circumstance which is preferred (Dumay et al., 2013).

2.3 Product Differentiation

Differentiation a key strategy which companies make use of in their quest to attain SCA through enhancement of perceived value of products offered in comparison with perceived value of products offered by other players in the market. Porter (1980) argues that differentiation strategies need to create an outstanding and sustainable market positions within industries in which firms operate. Firms can base such differentiation strategies on price, brand image and distribution among other factors (Frambach et al., 2003). Different organizations use different strategies which they hope can create a lasting perception in the minds of buyers that the products they offer have superior features and are unique from competitor's in terms of quality, durability, reliability, design features and availability (Sashi & Stern, 1995).

Various saccos have used product differentiation strategies as a key tool in their attempt to survive competition and ensure sustainability. The achievement of SCA is not always permanent hence firms must always come up with ways of remaining relevant in the market. SCA can enable a financial institution to continue offering valuable, rare, inimitable, and non-substitutable financial services to the market where other players may not be able to duplicate the benefits of such strategies. The primary objective of a differentiation strategy as a management tool is important to the performance of a firm as

well as achievement of performance advantages via strategic initiatives is increasingly crucial (Bucci & Matveenko, 2017).

Application of differentiation strategies demands that a firm comes up with products which offer outstanding characteristics that are appreciated by buyers and which they perceive as better or different from what is offered by other players. The value that comes from such unique features of a product may make an organization to charge a higher price for it in the hope that such premium prices will cover additional expenses incurred when offering such products to customers. Organizations which have achieved success using differentiation strategies usually possess critical internal strengths including access to top notch scientific researches, proficient, knowledgeable and creative workforce, supportive and able salesforce capable of conveying product benefits and positive company image to target customers (Liu, 2010).

A differentiation strategy is suitable in instances in which the segment of market being targeted by a firm is not price-conscious, market is competitive, buyers have particular desires which are not met well and an organization has key assets besides abilities which can empower it to meet such desires in techniques which may not be easily copied. These resources may include intellectual properties, rare technical abilities, skilled and talented workforce as well as innovative processes. Perceived differentiation exists independently of the product's actual differences from rivals thanks to brand image building (Van Schendel, 2009). As a result of stiff competition that has been brought about by globalization, organizations need to come up with a wide range of products which can solve their financial challenges.

Raduan et al. (2009) see product differentiation as a competitive business strategy in which organizations aim to gain SCAs by boosting consumers' estimations of their items' worth to what is being offered by competitors. It involves differentiating firm's product from others in an attempt to make such products attractive to the target customers. This entails distinguishing the products from those offered by rivals and own products of an organization. Unless a new organization acquires an existing company, newcomers need to differentiate their brand to overcome existing brands. An organization including startups must be in possession of large sums of money if they are to successfully differentiate their products from those offered by competitors. This is because product differentiation requires a lot of capital in the areas of advertising as well as research and development. A financial institution which can carefully distinguish its products by offering quality or superior performing products can easily weaken the competitive strategies employed by other firms.

Raduan et al. (2009) further argue that organizations which engage in activities that are distinctive and difficult to replicate stand a better chance of attaining SCA thereby being more profitable compared to other players in the market. Performance of organizations can also be enhanced through a combination of other factors which may include adoption of novel technologies, ability to offer quality products as well as strategic types among others. Over the years, the direct impact of business strategies on competitiveness and performance of firms have been acknowledged by scholars and policy makers (Van Schendel, 2009).

Product differentiation also entails addition of distinct features to a product in an effort to differentiate it from those offered by rivals. Organizations can also distinguish their

products through packaging, branding, pricing, styling as well as advertising and promotions. Product differentiation is classified into three; horizontal differentiation, vertical differentiation and mixed differentiation. Horizontally differentiated products when offered to buyers at the same price, would be rated differently revealing dissimilar tastes for different varieties. Rather, products are seen to be vertically differentiated or if offered at the similar prices, all buyers decide to buy one of the same, which is the highest quality (Bridoux, 2015).

Organizations normally get vertical differentiation either along one decisive characteristic or along a few characteristics each of which has a broad range of distinct values. Vertical differentiation of products (for instance, by quality) demands for honest advertising which can play key role in solving problem by signaling quality. Should buyers be informed about quality of a product, a quality product should demand higher prices compared to low-quality products. If a product's promotional activities are honest and credible then costly prices mean better quality (Wilmers, 2017).

Rahman (2010) sees differentiation as a competitive strategy which aims to generate SCA by having a "different" product from those offered by competitors in terms of features, performance, or other elements which have no direct connection to cost or price. To be successful, the message of differentiation need to reach targeted customers since their perceptions of an organization is very crucial. Dirisu et al. (2013) avers that much as there exist several methods to distinguish brands, identification of meaningful product driven differentiators is particularly productive in the gain and sustainability of competitive advantages. A firm's capacity to sell its differentiated product at prices which is above that

which was spent in the creation of such products enables it to outdo other players in the market thereby earning outstanding returns in the process.

In order to successfully develop a differentiation strategy, it is essential to establish the factors which make an organization different from other players in the market. Such factors as market sector, quality of products, firm size and age, image of the firm, involvement in client organizations, ownership structure, delivery systems as well as marketing approach can differentiate an organization. Products offered by firms can be distinguished in several ways. Unusual characteristics, quality customer service, continuous product innovations, perceived prestige and status, varying tastes, packaging design as well as performance can be considered as the various approaches to differentiation of products. Differences in product quality which is normally associated with differences in price, functional characteristics or design, reputation and availability of products are other factors.

Rahman (2010) carried out a case study at Kenya Seed Company (KSC) looking at organizational results as affected by product-difference tactics. The study set out to determine how product differentiation affected the strategic management practices of the company. The study's sampling method was random chance to select customers and employees at the organization whereas purposive sampling was utilized in selection of agents of the organization. Findings established that as a result of product differentiation, the organization experienced tremendously growth in customer's trend over the past few years. This was also seen caused by a larger pool of agents. According to the findings, the institution has achieved SCA and subsequent market domination thanks to differentiated products.

Kipkosgei and Njeru (2014) examined the influence of new products on attraction of customers by Saccos in Baringo County. Five registered and licensed Saccos were used as study population. The researcher applied descriptive research design and collected data through the usage of questionnaires. It was established that product development policies and marketing strategies used by the Saccos were poor. Therefore, the researcher suggested that those charged with managing the saccos need to conduct customer demographic survey in a bid to understand the unique needs of such customers so that they can come up with products that meet those particular needs. The saccos should also carry out market survey to determine what their rivals are offering.

2.4 Empirical Review and Knowledge Gaps

Achievement of successful product differentiation calls for demanding a premium price for a product, increased sales due to additional customers acquired as a result of differentiating characteristics as well as gaining buyer loyalty. Shafiwu and Mohammed (2013) examined the influence of product differentiation on profitability of petroleum companies in Ghana. The researchers made use of correlation research design and targeted 15 government managed and 14 privately managed petroleum firms. Cluster sampling approach was utilized in selection of one firm out of the population. Findings established that in spite of the fact that Ghana's petroleum sector has not differentiated its products compared to other sectors, it does not imply that differentiation strategy is not profitable and applicable to the sector. Less adoption of production can be credited to a host of other reasons rather than profitability aspect. This research however did not look at the Saccos but instead focused on the petroleum industry. The study also was not done in the country.

Fossum (2015) investigated the role of product differentiation on attainment of competitive advantage: a case study of a printing paper firm in Finland. The researcher anchored the study on RBV and made use of descriptive survey design. A total of 37 in-depth personal interviews conducted between 1999 – 2000 were used to collect empirical data. The sample size was made up of four Finnish firms, their customers, suppliers and consultancy organizations. Qualitative research methods were applied with results indicating that product differentiation of the company is both complex and poorly managed process. The link between differentiated products and customer's process was found to be weak due to the fact that customers have a tendency to shift to better quality products during downturns. The study was empirical in nature and therefore did not dwell on primary data like the current study.

Nolega et al., (2015) studied the effects of product differentiation on a company's bottom line: a case of KSC. Descriptive research design was utilized by the researchers. A total of 140 agents selling the firm's products were selected using purposive sampling while customers using the firm's products were selected using simple random sampling. Results showed how product differentiation affects market dominance via use of descriptive analysis. It was suggested that the organization need to enhance the variety of their seeds depending on soil and climatic variations of different regions that they serve. This study looked at the various respondents and used a questionnaire to collect data.

Dirisu, Oluwule and Ibidunni (2013) studied how differentiations of products affected business effectiveness. The research was a case study of Unilever Nigeria and aimed to look at how the firm can achieve competitive advantages via the Effects of Product

Differentiation Strategies on Organizational Performance . The researchers made use of survey research due to the nature of targeted respondents. Questionnaires were administered to a chosen sample of customers. Study population comprised of all customers of Unilever Nigeria. Findings showed existence of positive considerable link between product differentiation and sales growth of the firm. The researchers suggested that executive team should give more focus and investment towards product differentiation due to the crucial role it plays in enabling firms to achieve competitive advantages against rivals which can guarantee long-term success of the company. The study looked at the case study of Unilever and was in Nigeria, as opposed to the current research which will be undertaken in Kenya.

Tuva (2015) investigated the role of differentiations approaches on performance of water bottling companies located in Mombasa, Kenya. The aim of the research was to establish the impact of differentiation strategies on performance of water bottling firms in Mombasa. The researcher used cross-sectional explanatory design and targeted all registered water bottling firms in Mombasa as participants. The research gathered information from primary and secondary sources. Questionnaire with some structure and an interview guide were utilized in collection of primary data whereas records and document reviews were utilized to collect secondary data. Researcher conducted content analysis for qualitative data and used Pearson's correlation and logistic regression analysis to derive inferential statistics. Percentages, tables, and graphs were used to display the study's results. Researchers discovered a favorable correlation between differentiation initiatives and company success. More to a company's bottom line may be expected from product differentiation tactics than

from service differentiation ones. This research was analyzed via Pearson's correlation and logistic regression analysis while the current study is qualitative in nature.

Kinyuira (2013) examined the influence impact of Porter's generic competitive tactics on the success of Saccos in Murang'a, Kenya. The researcher made use of explanatory research design and targeted 384 individuals employed by all Saccos in Murang'a which are licensed by the Ministry of Cooperative Development. The simple random approach sampled 116 employees and the questionnaire employed to solicit data. Both descriptive and inference analyses were performed statistics. Correlational and regression analysis were the key inferential tools used in data analysis. Findings revealed existence of considerable positive impacts of differentiation strategies on financial performance of saccos in Murang'a. However, the investigations an in-depth analysis of unique product differentiation but generally on other competitive studies.

Teeratansirikool et al. (2013) investigated the mediating influence Thai companies' competitive strategy and their financial results: the impact of measuring performance. The researchers used mail-survey to collect data which was analyzed using path-analytical model. A total of 101 executives from listed firms participated in the study. Research findings revealed that all competitive strategies employed positively and considerably boosted performance of the companies via performance measurements. It was further established that differentiation strategies bring about both direct and indirect considerable influence on organizational effectiveness via financial parameters. The study looked at the mediating role of performance measurements of which was not included in the current study.

Arasa and Gathinji (2010) investigated implications of competitive tactics for the efficiency of Kenyan mobile telecommunications companies. To accomplish their goals, the researchers used a descriptive survey methodology, and managed to collect data from 63 interviewees sampled from 72 interviewees who were purposively selected. Results revealed existence of high levels of competition among the players in the industry. It was further revealed that the most commonly used competitive strategies were differentiation of products as well as low cost leadership. Differentiation strategy considerably impacted performance of the firms studied revealed by sales and market share, retention of customers, profit margins in addition to development of novel products. The researchers recommended that application of product differentiation strategies need consistent focus on a firm's effort to provide novel products if customer loyalty is to be achieved. The research focused on all competitive strategies as compared to this current study which focused on product differentiation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, we will examine the research technique, breaking it down into its component parts: study design, evidence gathering, and report writing.

3.2 Research Design

Researcher adopted a cross-sectional research design. Because this is a survey collecting data at a single moment in time, a cross-sectional research strategy is used. As an added bonus, the design is ideal since they allow for the assessment of correlations between factors and the identification of moderators between variables (Harrison, Birks, Franklin & Mills, 2017). According to Yin (2017), a descriptive cross-sectional survey may be defined as a complete design that allows for the collection of vast and varied quantities of data in a short period of time, followed by quantitative analysis and a believable presentation of findings. Therefore, this method is appropriate for this study since the researchers want to gather all relevant data through detailed descriptions, which proved useful in establishing the existence of independent variables.

3.3 Population of the Study

The population-frame characterizes the whole community of personalities, units and elements that the research is conducted. The study focused on the 84 tier 3 Deposit Taking SACCOs in Kenya (Appendix II).

3.4 Sample Design

Since the population is not large, the study was a survey where data was collected from all tier 3 Deposit Taking SACCOs in Kenya.

3.5 Data Collection

The gathering of first-hand data was actualized using the self-administered, structured questionnaires. The questionnaire only included a list of questions where the respondents were to choose from a predetermined list of answers. The questionnaire was subdivided into three sections covering the personal details, product differentiation and performance of Deposit Taking SACCOs. According to Hagan (2014), Rating a perception statement is less difficult using a set of predetermined questions. The surveys were utilized since they were immediately usable, which cut down on preparation time and helped spread the word about the research. Secondary data was also collected to augment the primary data. The secondary data was collected from the SASRA reports, the SACCOs website and from other annual reports of the SACCOs.

3.6 Data Analysis

The researcher analyzed the quantitative data using descriptive statistics by applying the statistical Package for Social Science (SPSS V.25.0) and presented the results through percentages, means, standard deviations and frequencies. The qualitative data was coded thematically and then analyzed statistically. Content analysis was used for data that was qualitative nature.

Multiple regression was used for inferential statistics. The correlation between the two sets of data was calculated using a multiple regression analysis. Due to the almost equal contribution of independent factors to the dependent variable, multiple regression was chosen.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

In this chapter, we discuss the results obtained using the main research tool. Examines the history of respondents and their thoughts on the link between Deposit Taking SACCOs and differentiated products and services. A review of the chapter's response rate, dependability, context, and goals precedes the presentation of the findings as discussed in subsequent sections.

4.1.1 Response Rate

The total number of questionnaires administered by the researcher was 84, and only 62 were successful completed, translating to a response rate of 73.4%, which was above the 50% threshold set by Lewis (2015).

Table 4. 1: Response Rate

	No. of Respondents	Response Rate
Response	62	73.4
Non-response	22	26.6
Total	84	100.0

4.1.2 Reliability Analysis

Using Cronbach's Alpha, the study took a reliability analysis, which determines whether or not different items on a scale assess the same concept, by comparing their mean scores.

The findings are tabled below.

Table 4. 2: Reliability Analysis

	Cronbach's Alpha	Decision
Product differentiation	0.817	Reliable
Performance of Deposit Taking SACCOs	0.766	Reliable

From the results, product differentiation had a coefficient of 0.817, and performance of DTS had a coefficient of 0.766. The results indicated that the associated Cronbach Alpha was above the 0.70 threshold as recommended by Onabanjo (2010) who indicated that Cronbach Alpha's should exceed 0.70 for the measurement intervals. All variables have been considered reliable.

4.2 Background Information

Participants were given the option to provide details about their biographies in the areas of gender, highest level of academic qualifications and their experience with DTS. The results of the distribution of gender is tabled below.

Table 4. 3: Gender of the Respondents

	Frequency	Percent
Male	37	59.7
Female	25	40.3
Total	62	100.0

According to the results, men made up 59.7 percent of the sample while women made up 40.3 percent. This indicated that the researcher was not prejudiced towards female participants. To top it all off, the researcher gathered honest answers from everyone surveyed.

The survey participants were asked to disclose their greatest degree of education attained are results tabulated in table 4.4.

Table 4.4: Highest Level of Academic Qualifications of Respondents

	Frequency	Percent
Diploma	32	51.6
Degree	24	38.7
Masters	6	9.7
Total	62	100.0

The results revealed that 51.6% of those polled had completed just up to the Associate's degree level, 38% had completed a Bachelor's degree, and 10% had completed a Master's degree. The results suggest that all respondents were well-educated and capable of understanding the material delivered.

Participants were also asked about their previous interactions with Deposit Taking SACCOs and results displayed in Table 4.5.

Table 4. 5: Working Experience in Tier 3 Deposit Taking SACCOs

	Frequency	Percent
2-3 years	5	8.1
4-5 years	19	30.6
Over 5 years	38	61.3
Total	62	100

The analysis show that 61.3% of the respondents indicated that they had worked in Deposit Taking SACCOs for more than 5 years, 30.6% indicated period between 4-5 years and 8.1% indicated a period between 2-3 years. This implies the vast majority of responders have sufficient experience working in Deposit Taking SACCOs to provide insightful commentary on this topic and give credible information.

4.3 Role of Product Differentiation on Performance of Tier 3 Deposit Taking SACCOs

The goal of this research was to explore whether or not Tier 3 Deposit Taking SACCOs benefit from product diversification. The following section presents the findings.

4.3.1 Product Differentiation

The purpose of the survey was to determine how much participants agreed or disagreed with a number of assertions discussing how research and development affects the efficiency of products in Tier 3 Deposit Taking SACCOs. The results are displayed on Table 4.6.

Table 4. 6: Role of Product Differentiation on Performance of Tier 3 Deposit Taking SACCOs

	Mean	Std. Dev.
The Sacco has produced distinctive new items that competitors don't match	3.812	0.989
Our R&D team delivers real - time product development information.	4.087	0.722
We increased our product' characteristics, which gained membership.	2.638	0.593
Our items are priced at a premium owing to their superior quality.	4.362	0.766
The Sacco members choose our items because to their excellent quality.	4.377	0.644
We design our products to capture the needs of our members.	4.203	0.632
Our members are not sensitive to our product premium pricing.	2.870	0.873
SACCO offers a variety of loan products aimed at various classes of members, including development loans, school fees loans, emergency loans, and asset financing loans.	3.870	0.938
The goods of a sacco are distinct from those supplied by other SACCOs or financial organizations.	3.797	0.901
SACCO differentiates their customer service based on consumer criteria such as ability, etc.	2.884	0.323
The goods of the corporation have significant brand recognition.	3.986	0.866
We have added new product features during the last year.	3.551	0.501
The company strives to distinguish its goods from those of its rivals.	3.696	0.464
The items have distinguishing traits and qualities (quality)	2.188	0.394

The company has used modern technologies to cut operational expenses.	4.087	0.722
Variety provided by the business has raised the industrial dependability of our items.	4.333	0.634
Quality is the organization's business reputation.	3.362	0.747

Sacco members like their items because of the quality, as evidenced by a mean score of 4.377, and variety, products have premium price owing to excellent quality, as shown by a score of 4.362. However, a mean score of 3.362 indicates that respondents are ambivalent about the organization's corporate reputation on quality, and a mean score of 2.870 indicates that members are insensitive to the premium price of the product. The respondents, with a mean score of 2.188, were not convinced that their items were unique in any way.

Regarding horizontal differentiation, respondents found that the SACCO's range of loans for business expansion and individual consumers increased the reliability of the company's products in the industry (mean = 4.333), that the SACCO's items were developed to meet the specific requirements of their target market (mean = 4.203), that the company's products had strong brand identification (mean = 3.986). The respondents' mean score of 2.638 indicates that they are ambivalent about whether or not they have enhanced the characteristics of the items that have attracted new members to society.

The respondents agreed, as shown by a mean of 4.087, that their organization has adopted new technology to reduce operating costs, that Sacco goods are distinct from those offered by competitors, that the organization makes effort to set itself apart from rivals in the

marketplace, and to boast an in-house R&D department capable of delivering timely data for the creation of innovative new goods. With a mean score of 2.884 out of 5.0, respondents were ambivalent about the claim that SACCO provides individualized customer service based on factors including the abilities of its members.

4.3.2 Performance of Tier 3 Deposit Taking SACCOs

Research participants were asked how much they agreed with statements on SACCO performance measures. Table 4.7 shows their responses.

Table 4. 7: SACCO performance

	Mean	Std. Dev.
The staff turnover rate at our SACCO has decreased owing to motivation	2.029	0.822
Member loyalty has improved as a result of the quality of our goods.	3.696	0.810
Member satisfaction has grown with increasing education"	2.667	0.580
Due to the quality of our goods and services, our members have provided us with additional referrals.	2.101	0.789
Our brand awareness in the SACCO market has increased.	3.913	0.853
The SACCO's competence has increased as a result of staff training.	4.232	0.667
There is personnel expansion as a result of career and educational development.	3.754	0.630
The SACCO has improved its internal procedures, which has boosted their capacity.	2.130	0.839

Based on the data collected, it was determined that there has been an increase in professionalism at the SACCO as a result of staff training (mean score of 4.232), a rise in brand recognition in the SACCO market (mean score of 3.913), an uptick in employee growth (mean score of 3.754), an increase in member loyalty (mean score of 3.696), and a boost in product satisfaction (mean score of 3.754). Indicative of the respondents' apathy, the mean score of 2.667 indicates that they were asked if they thought that educating members more effectively would lead to higher levels of satisfaction. Respondents were divided on whether or not their SACCO's internal procedures have improved, leading to greater efficiency (2.130), whether or not members have referred new business (2.101), and whether or not staff turnover has decreased owing to motivation (2.029). The study also sought secondary data for the performance indicators for Deposit Taking SACCOs for the years between 2016 and 2020. The findings are as shown on Table 4.8.

Table 4. 8: Descriptive Statistics for Sacco performance

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Total income (kshs. Billions)	62	20.5420	4.36285	.321	.913	1.941	2.000
Total assets (kshs. Billions)	62	159.4160	26.19611	.203	.913	1.192	2.000
Total deposits (kshs. Billions)	62	143.2460	13.00899	.220	.913	2.559	2.000
Gross loans (kshs. Billions)	62	176.2600	2.44241	1.772	.913	3.428	2.000

The survey results showed that overall assets had a mean score of 159.4160, total deposits had a mean score of 143.2460, gross loans had a mean of 176.2600, and total income had a mean score of 20.5420. On skewness, the results showed that total assets, total deposits, gross loans, and total income are skewed to the right of the center. Kurtosis-Related Discussions indicate that all the variables exhibited positive kurtosis.

4.4 Multiple Regression

In statistical modeling, regression analysis is a statistical process for estimating the relationships among variables. The study used a regression model to test the hypothesis between product differentiation and performance of Deposit Taking SACCOs. Results are displayed in Tables 4.9, 4.10, and 4.11.

Table 4. 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.896	0.802	0.799	0.969

The R-Square value of 0.799, as shown in Table 4.9, implies that the independent variable (product differentiation) accounts for 79.9% of the variance in the response variable (performance of Tier 3 Deposit Taking SACCOs).

Table 4. 10: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	228.81	3	76.270	78.545	2.07E-20
	Residual	56.32	58	0.971		
	Total	285.13	61			

According to Table 4.10, the model was both substantial and reliable. The reason for this was because the computed F value (78.545) was far higher than the essential F value (0.5), and the p-value (2.07E-20) was less than 5%. (4.0011).

Standardized and unstandardized coefficients are provided by the model to shed light on the trend of the regression model and quantify the importance of the independent variables.

Table 4.11 summarizes the findings.

Table 4. 11: Regression Coefficients

Model	Unstandardized		Standardize d	t	Sig.
	Coefficients				
	B	Std. Error	Beta		
(Constant)	1.123	0.217		5.175	.000
Vertical differentiation	0.783	0.249	0.760	3.145	.003
Horizontal differentiation	0.817	0.281	0.792	2.907	.006
Mixed differentiation	0.661	0.196	0.641	3.372	.002

As per the SPSS generated Table above, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$) becomes:

$$Y = 1.123 + 0.783X_1 + 0.817X_2 + 0.661X_3$$

The results indicated that the performance of Deposit Taking SACCOs would be 1.123 if all parameters (vertical differentiation, horizontal differentiation, and mixed differentiation) were maintained constant at zero. The results also demonstrate that an increment of one unit in vertical differentiation leads to a 0.783 improvement in the performance scores of Deposit Taking SACCOs when the predictors are held constant. Since $0.0030 < 0.05$, this factor was statistically significant.

Results also demonstrate that an improvement of 0.817 in the performance scores of Tier Deposit Taking SACCOs would result from a 1% rise in horizontal differentiation scores. Since $0.006 > 0.05$, there was a discernible pattern in this variable. Values also reveal that the performance scores of tier 3 Deposit Taking SACCOs would improve by 0.661 points for every unit rise in the scores of mixed differentiation. As $0.0020 > 0.05$, this variable was statistically significant.

Based on the results, all parameters were significant at the 95% level of confidence, with p-values lower than 0.05. The study infers that horizontal differentiation had the greatest effect on the performance of tier 3 Deposit Taking SACCOs, followed by vertical differentiation, while mixed differentiation had the least effect on the performance of tier 3 Deposit Taking SACCOs.

4.5 Discussion of Findings

The next sections explain the chapter's conclusions in light of the aforementioned literature.

4.5.1 Vertical differentiation

According to the results of the study, the Sacco members have a preference for the company's products due to their high quality, the company's product variety has increased the reliability of its products in the industry, the premium prices reflect the excellent quality of the goods, and they are tailored to meet the requirements of the members. These results are consistent with Bucci and Matveenko, (2017) who stated that the primary objective of a differentiation strategy as a management tool is important to the performance of a firm as well as achievement of performance advantages via strategic initiatives is increasingly crucial.

The study also found that the SACCOs products have no distinctive features/characteristics (quality). The findings are disagreement with Dirisu et al. (2013) who stated that the key step in coming up with a differentiation strategy is to establish the factors which make an organization different from other players in the market. Such factors as market sector, quality of products, firm size and age, image of the firm, involvement in client organizations, ownership structure, delivery systems as well as marketing approach can differentiate an organization. Products offered by firms can be distinguished in several ways.

4.5.2 Horizontal Differentiation

According to the research, the SACCO's product reliability has increased thanks to the breadth of the company's offerings, the SACCO's products reflect the members orientations, the company's products enjoy high levels of brand recognition, and the SACCO offers a wide range of loan products for different types of members, such as those for development, school fees, emergency expenses, and asset financing.

The results correlate with those of Sashi and Stern (1995) who argued that different organizations use different strategies which they hope can create a lasting perception in the minds of buyers that the products they offer have superior features and are unique from competitors in terms of quality, durability, reliability, design features and availability.

However, the research found that some organizations have a corporate reputation on quality, the customer care service is differentiated in some SACCOs, guided by customers' characteristics such as ability etc., Certain SACCO members are unconcerned with the higher prices of premium items, and the efforts of some SACCOs to enhance their offerings

in order to attract new customers have paid off. The results differ with Liu (2010) who differed that application of differentiation strategies demands that a firm comes up with products which offer outstanding characteristics that are appreciated by buyers and which they perceive as better or different from what is offered by other players. The value that comes from such unique features of a product may make an organization to charge a higher price for it in the hope that such premium prices will cover additional expenses incurred when offering such products to customers.

4.5.3 Mixed Differentiation

In addition, the study found that SACCOs having a R&D division that is timely in rendering relevant data for new product creation, and the organization has adopted new technology to reduce cost of operation the company products have strong brand identification,. The findings are supported by Van Schendel (2009) who noted that performance of organizations can also be enhanced through a combination of other factors which may include adoption of novel technologies, ability to offer quality products as well as strategic types among others. Over the years, the direct impact of business strategies on competitiveness and performance of firms have been acknowledged by scholars and policy makers

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The research results, discussions, findings and recommendations on the association amongst product differentiation and financial success at Kenya's tier-3 deposit-taking Saccos are summarized in this chapter as demonstrated in the succeeding subsections.

5.2 Summary

The study sought to examine the role of vertical differentiation on performance of Deposit Taking SACCOs. The study established that Sacco members choose these goods for many reasons, including their great quality and wide selection. The research did find that certain groups have a corporate reputation for quality, and that some of its members were not price-sensitive. The research found that their products have no distinctive features/characteristics (quality).

This research set out to determine whether and how horizontal differentiation affects the success of Deposit Taking SACCOs. The research established that the variety offered by the company has increased reliability of their products in the industry. When developing a new product, SACCOs prioritize the interests of its members foremost. The company products have strong brand identification, the Different types of SACCO members may take use of the cooperative's many lending options, which include but are not limited to: expansion loans, student loan refinancing, short-term cash advances, and loans for purchasing fixed assets. According to the findings, several SACCOs have enhanced the

characteristics of their goods, which has resulted in the influx of new members into the organization.

This study aimed to determine the impact of mixed differentiation on the productivity of Deposit Taking SACCOs. The investigation discovered that SACCOs have R&D teams that design new products based on current market demands; to have adopted new technology to reduce operating costs; to have introduced new product features in the last year; to differentiate their products from those of other SACCOs or financial institutions; and to have made an effort to differentiate their products from those of competitors. The research also shows that SACCOs tailor their customer service offerings to each individual's needs, preferences, and preferences based on factors including age, income, education level, and occupation.

The research found that the SACCO has become more professional as a result of educating its employees, that its brand has become more well-known in the SACCO market, that its workforce has grown as a result of the opportunities for professional and educational development it provides, and that member loyalty has risen as a result of their happiness with the goods offered. According to the data, there is an association between member education and improved satisfaction. However, the research found that the SACCO's internal procedures have improved, leading to greater efficiency; members have referred new business to the organization as a result of their happiness with the goods and services; and the SACCO's staff turnover has decreased as a result of enhanced motivation.

5.3 Conclusion

The study concluded that product differentiation had positive and significant role on the performance of tier 3 Deposit Taking SACCOs. The study deduced that Deposit Taking SACCOs can use product differentiation in order to survive competition and ensure sustainability through offering services that are unique and are valued by the customer.

5.4 Recommendations

This study recommended that Deposit Taking SACCOs should use a diversified approach in order to improve their results. The government should also make it easy for Deposit Taking SACCOs to branch out into other areas of business. To achieve this goal, the authorities should provide complementary laws, such as lowering the criteria for entering other sectors by Deposit Taking SACCOs.

Investment in new product development and market research is a must for deposit-taking SACCOs looking to expand their income streams. It was suggested in the research that DTSS' management think about implementing competitive strategies that are technology focused and up to current in order to improve product differentiation, as well as scaling up the quality of goods and services. Management, meanwhile, must be proactive when it comes to strategy creation and execution, and look outside their own kind when developing competitive tactics.

5.5 Limitations

Some barriers were encountered that made it difficult to get the necessary data for the inquiry. Some of the people polled were hesitant to answer questions because of victimisation. Some respondents did not return their surveys at all, while others took

longer. A letter of introduction from the university was carried by the researcher assuring the participants that their answers would be kept private and used only for study. Moreover, the study's findings were constrained by the amount to which respondents were willing to submit truthful, impartial, and dependable data. The acquired data was verified by the researcher for consistency and accuracy.

5.6 Recommendations for Further Research

The impact of product differentiation on the efficiency of Tier 3 Deposit Taking SACCOs was the primary focus of the research. It was suggested in the report that more research be conducted on the SACCO industry as a whole in Kenya. It was also suggested that similar future research be conducted on other crucial economic areas, such as the manufacturing sector, which the World Bank has highlighted as essential to the revitalization of the Kenyan economy and the progress of Vision 2030. The authors of this paper call for more studies on the effects of different techniques used by Deposit Taking SACCOs on long-term success. In addition, further differentiation tactics may be tested to see how they affect business outcomes..

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APPENDICES

Appendix I: Research Questionnaire

The purpose of this study is to investigate the role of product differentiation on performance of Deposit Taking SACCOs. Please answer truthfully following instructions for each question.

Section A: Personal Details

1. What is the name of your SACCO?

2. Gender Male [] Female []

3. Highest Academic Qualification.

Masters () Degree () Diploma () Secondary ()

4. Working experience

a) Below 1 year () b) 2-3 years ()

c) 4-5 years () d) Over 5 years ()

Section B: Product Differentiation

5. Please indicate the extent to which you agree with the following statements relating to product development and its effects on performance of Deposit Taking SACCOs where; 1 is strongly disagree, 2 is disagree, 3 is Neutral, 4 is agree and 5 is strongly agree

	1	2	3	4	5
Vertical differentiation					
The organization has a corporate reputation on quality					
Our products have premium pricing due to their high quality					
The Sacco members prefer our products because of their quality.					
Our products have distinctive features/characteristics (quality)					
Our members are not sensitive to our product premium pricing.					
Horizontal differentiation					
The Sacco has developed unique new products that set it above its competitors					
We have improved the features of our products that have brought new members to the society.					
Our goods are designed to meet the requirements of our members.					
The company products have strong brand identification.					
The variety offered by the company has increased reliability of our products in the industry					
SACCO has various loan products targeting different classes of members ranging from development loans, school fees loans, emergency loans and asset finance loans					
Mixed differentiation					
Sacco products are differentiated from those of other SACCOs or financial institutions					

The customer care service is differentiated in SACCO, guided by customers' characteristics such as ability etc.					
We have a research and development team that provides timely information for new product development.					
We have introduced new product features in the last one year					
Our organization makes effort to differentiate its products from those of its competitors.					
The organization has adopted new technology to reduce cost of operation					

Section C: Performance of Deposit Taking SACCOs

6. How much do you agree with the following assertions about your SACCO's key metrics? Please refer the attached scale: 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = highly agree.

	1	2	3	4	5
Our SACCO employee turnover has reduced due to motivation					
Member loyalty has improved as a result of the quality of our goods					
Member satisfaction has grown with increasing education					
Due to the quality of our goods and services, our members have provided us with fresh referrals.					
Our brand awareness in the SACCO market has increased.					

Our SACCO's professionalism has increased as a result of staff training.					
Employees develop as a result of professional and educational progress					
The enhancement of our SACCO's internal procedures has boosted their efficacy.					

Thank you for your time

Appendix II: List of Tier 3 Deposit Taking SACCOs in Kenya

1. WEVARSITY
2. WASHA
3. WAKULIMA COMMERCIAL
4. VISION POINT
5. VISION AFRIKA
6. VIKTAS
7. VIHIGA COUNTY FARMERS
8. UNI-COUNTY
9. UFANISI
10. UCHONGAJI
11. TRANS COUNTIES
12. TIMES U
13. THE APPLE
14. THAMANI
15. TENHOS
16. TARAJI
17. TABASURI DT
18. TABASAMU
19. SUPA
20. SULUHU
21. STAWISHA
22. STAKE KENYA
23. SOTICO
24. SMART CHAMPIONS
25. SIRAJI
26. SHOPPERS
27. RACHUONYO TEACHERS
28. PUAN
29. PRIME-TIME
30. PATNAS
31. ORIENT
32. NYAMIRA TEA FARMERS
33. NYAMBENE ARIMI
34. NYALA VISION
35. NUFAIKA
36. NRS
37. NEXUS
38. NDOSHA
39. NANYUKI EQUATOR
40. NANDI FARMERS
41. NAFKA
42. MWIETHERI
43. MUKI

- | | |
|--------------------------------|--------------------|
| 44. MUDETE FACTORY TEA GROWERS | 64. GOODWAY |
| 45. MMH | 65. GOOD HOPE |
| 46. MAGADI | 66. GOOD FAITH |
| 47. MAFANIKIO | 67. GOLDEN PILLAR |
| 48. LENGO | 68. FORTITUDE |
| 49. LAMU | 69. FARIJI |
| 50. LAINISHA | 70. ENEA |
| 51. K-PILLAR | 71. DUMISHA |
| 52. KORU | 72. DHABITI |
| 53. KOLENGE | 73. COUNTY |
| 54. KIPSIGIS EDIS | 74. COMOCO |
| 55. KIMBILIO DAIMA | 75. BI-HIGH |
| 56. KENYA MIDLAND | 76. BIASHARA TOSHA |
| 57. KENYA ACHIEVAS | 77. BARATON |
| 58. KENCREAM | 78. BARAKA |
| 59. JUMUIKA | 79. AMMAR |
| 60. JOINAS | 80. AIRPORTS |
| 61. JITEGEMEE | 81. AINABKOI |
| 62. JACARANDA | 82. AGROCHEM |
| 63. ILKISONKO | 83. ACUMEN |
| | 84. 2NK |

Appendix III: Secondary Data (2016-2020)

	2016	2017	2018	2019	2020
TOTAL ASSETS (KSHS. BILLIONS)	175.97	142.90	193.82	156.71	127.68
TOTAL DEPOSITS (KSHS. BILLIONS)	159.04	153.81	141.91	130.01	131.46
GROSS LOANS (KSHS. BILLIONS)	175.78	176.02	174.29	180.44	174.77
TOTAL INCOME (KSHS. BILLIONS)	18.78	24.06	15.48	18.35	26.04