

ISSN 2312-9492 (Online), ISSN 2414-8970 (Print)



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Vol. 11, Iss.1, pp 213 – 231, February 6, 2024. www.strategicjournals.com, © Strategic Journals

## DIFFERENTIATION STRATEGY EFFECTS ON PERFORMANCE OF MILK PROCESSING FIRMS IN KIAMBU COUNTY, KENYA

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Accepted: January 15, 2024

DOI: http://dx.doi.org/10.61426/sjbcm.v11i1.2850

### **ABSTRACT**

This study determined the differentiation strategy effects on performance of milk processing firms in Kiambu County, Kenya. This study was anchored by Strategic Balance Theory, Knowledge-Based Theory and Resource-Based View Theory. This survey used a descriptive research design. The population consisted of 11 milk processing firms in Kiambu County. The target population was derived from 11 milk processing plants in Kiambu County. The questionnaire was utilized to gather primary information. The self-administered questionnaire approach was utilized in this survey. With the aid of SPSS V. 26 software, the data gathered for this survey were analyzed inferentially and descriptively. The link between the variables under inquiry was examined using inferential statistics. In this research, regression analysis and correlation were employed to evaluate the degree and direction of linear relationship between variables using Pearson R correlation. The results were exhibited through tables. The results of the research indicated a strong correlation between the differentiation strategies employed and the performance of the milk processing firms, with a P-value of <0.05. Also, the results uncovered that coefficient of adjusted R<sup>2</sup> was 0.745 which translates to 74.5% of performance in milk processing firms can be explained the following variables; product differentiation, service differentiation, market differentiation and content differentiation. The study concluded that differentiation strategies studied positively impacted the performance of milk processing firms. Differentiation involves offering unique features, benefits, or characteristics that distinguish a firms' products or services from those offered by rivals. The research recommended that administration of the company should conduct thorough market research to understand customer needs, preferences, and unmet demands in the milk processing industry. Utilize consumer insights to identify areas where differentiation can be most impactful.

Key Words: Product Differentiation, Service Differentiation, Market Differentiation, Content Differentiation

**CITATION**: Modi, B. O., & Wambua, P. (2024). Differentiation strategy effects on performance of milk processing firms in Kiambu County, Kenya. *The Strategic Journal of Business & Change Management,* 11 (1), 213 – 231. http://dx.doi.org/10.61426/sjbcm.v11i1.2850

### INTRODUCTION

As per the Herr and Nettekokoven (2019), the worldwide dairy industry is made up of large, medium-sized, and small-scale businesses and has a significant impact on the economies of the various countries. Due to reasons including middle-class consumer purchasing, population growth, urbanization, and dietary shifts toward processed dairy products, there is currently a rising demand for dairy products (Vitaliano, 2019). However, due to factors including a decline in market share, a decline in earnings, a decline in customer satisfaction, fierce rivalry, and a lack of effective management methods, the performance of the dairy business globally has been falling (US-Department of Agriculture, 2019).

Because of exchange progression and regional uneven characters on the worldwide milk market, the dairy industry has been encountering a period of fast internationalization (Guillouzo & Ruffio, 2020). Accordingly, exchange streams between net shippers like Center East, China, and Africa and net exporters like US, New Zealand and the European Union have been developing. This pattern has prompted an expansion in send out movement with respect to dairy undertakings in net commodity areas like the US and the European Union at the hierarchical level (Vitaliano, 2019). This situation can be brought to light by looking at the German dairy industry, which has seen steady growth in milk production over the past ten years. Domestic demand has essentially been at a standstill at this time, which has resulted in an increasing milk surplus. German dairy producers were increasingly compelled to hunt for market prospects overseas in order to sell this surplus.

According to Slijper (2017), the multiple cost issues milk processors encountered resulted in subpar performance because of low efficiency and small scale operations. Koppenberg and Hirsch, (2022), established that intense competition among corporate milk processors in Central Europe was due to inadequate operating efficiency, which led to high expenses, was blamed for the processors' poor

performance.

Kenya is one of the most intensive milk-using countries in the world, with the dairy sector being a major contributor to the country's agricultural economy, accounting for approximately 4% of the country's total gross domestic product (GDP) and approximately 14% of its agricultural GDP. It is also noteworthy that Kenya is mostly self-sufficient, with a high concentration of small and medium-sized processors and a major dairy industry, and that it is Sub-Saharan Africa's second largest consumer and producer of dairy products (Njuguna, 2019).

The Ministry of Agriculture, Livestock, and Fisheries in Kenya oversees milk processing through the Kenya Dairy Board (KDB), a state company created by Act of Parliament, CAP 336 of the Laws of Kenya. In its sixty years of operation, KDB's role has continued to change in accordance with shifting government goals and policies that have been driving industrial development. In Kenya, the dairy sector is a significant source of income, employment, food, and wealth.

The milk industry in Kenya has 47 cooling plants, 189 operators of milk dispensers, 74 mini dairies 334 milk coolers and 23 milk processors. Milk production increased from 4,550,558,000 liters in 2015 to 5,275,345,000 liters in 2016, but reduced to 4,759,526,000 liters in 2017. Milk intake increased from 591,382,369 liters in 2017 to 634,294,096 liters in 2018 and 685,872,188 liters in 2019 (Kenya Dairy Board, 2020).

According to Thompson, Strickland and Gamble (2018), a product or service with characteristics that are distinct from those offered by competitors in the same industry should serve as a differentiator and provide a competitive advantage. Kenya commercial bank applied item separation and separation concentration to a huge level contrasted with cost initiative to upgrade their exhibition (Awuor, 2017). In another research, commercial bank benefit level expanded decidedly when it embraced separation methodology rather than separation center system (Oyiela, 2017). Customers

received one-on-one services as part of the differentiation strategy to boost performance (Achoki, 2017).

It is seen that various differentiation strategies have been effective in improving performance of various sectors. This study thus seeks to determine how product differentiation, service differentiation, market differentiation and content differentiation affects performance of milk processing firms in Kiambu County, Kenya.

Performance is the efficient use of resources to produce quality outcomes. Ceglinski (2017) asserts that a company's potential to attain performance that is above average depends on the innovative and distinctive approach it picks. The Balanced Score Card (BSC) is one performance indicator that combines operational and financial metrics (Ceglinski, 2017). Four views are used to evaluate a company's performance: the customer perspective, the financial perspective, the targeted operational metrics perspective, and the innovation and learning viewpoint.

The dairy industry contributes to the global economy in terms of food security and GDP commitment. The dairy industry in Kenya accounts for 4% of the country's GDP. Kenya was the leading dairy producer in Sub-Saharan Africa, but milk processing has been slowly reducing recently. Kenya's milk processors receive barely 12 percent of the milk sold. Every year, more than 54% of imported processing capacity is underused. The firms' performance will be evaluated according to client satisfaction, market share, and profitability in this study.

Kenya Dairy Board is the controller of the dairy industry and has enlisted and authorized 17 dairy firms in Kiambu County. For roughly 650,000 small-scale farmers in Kenya, dairy farming is a significant source of income (Perline, 2019). Smallholder dairy farmers tend to have herds of one to three cows on less than two hectares of land. The agricultural MSEs in Kenya's six counties include smallholder dairy farming, and the program's incentives have

not been waived for this industry (Moran, 2019). According Kenya Dairy Board (2019) milk processing industry is one of the most thriving in the country, processing millions of liters of milk annually. Approximately 65% of the nation's raw milk is sold unprocessed directly to the market, according to (Saidi, 2020). The products from the remaining 35% of processing are primarily used locally. The milk processors' company offers a variety of products, such as Ultra Heat Treated Electronic (UHT), pasteurized milk. low-fat and full-cream homogenized fermented milk, full-cream powder, yoghurt, milk, cheese, flavor- butter oil, enhanced yoghurt, ice cream, and long-life milk etc. Infant formulas and therapeutic spreads are a couple more.

Farmers in Kiambu County have been the top producer of milk in the country for the last five years. The majority of the milk produced in Kiambu County is marketed through hawking cooperative groups. Hawking has extensive expertise in the region, particularly in Nairobi region because the two counties are geographically adjacent and have a large number of small-scale dairy farmers. The majority of these small farmers sell their produce straight to independent dairies. While others prefer milk hawking and daily revenue, this is favoured by small-scale farmers because payment is made in a flat sum every month. However, despite the expansion of dairy farming in Kiambu County, there are still many issues that farmers must deal with (Karanja et al., 2017).

### **Statement of the Problem**

Notwithstanding the fact that dairy product demand is growing, some processors have collapsed due to poor performance, while others have stunted growth (Kyengo et al., 2019). Additionally, it was noted that the GDP contribution of the sector of food processing, to which milk processors belong, has been dropping over time. In the last five years, the dairy industry has not done well (Kenya Agribusiness & Agroindustry Alliance, 2018). According to Bongesho (2017), while milk

processing companies' annual turnover climbed by 10.83%, their profitability fell by 7%. Additionally, there have been inefficiencies in the industry that raise processing costs and distribution expenses above what is necessary (Kenya Dairy Board, 2020). Kenya's milk sector is characterized by expensive milk processing and production costs. Dairy producers have expressed worries about the high cost of production, which is a particularly significant difficulty (Azizah & Norshuhada, 2017).

Numerous researches have been done in Kenya on the effects of differentiation strategies on the performance of milk processing companies. A study on the correlational between cost leadership and the implementation of milk processing strategies was done Kimiti and Muathe, Murigi (2020). The study found that organizations embraced scope in efficiency economies, in operational, economical scale to varied degrees as drivers of cost leadership strategy. The results provide a foundation for companies to minimize costs by expanding into related industries, growing their scale of operations, and optimizing their operational procedures. Chege and Oloko did a survey in 2017 on the impact of differentiation strategies on the execution of large dairy firms in Kenya. The survey uncovered that information technology and employee competence affected performance. A study should be conducted using different differentiation strategies like product and service differentiation. Waema (2018) investigated on impact of differentiation strategies on performance of dairy farms in Kenya using organizational culture and packaging policy as measures of differentiation.

Previous studies in milk processing industry however have not addressed an in-depth on differentiation strategies making it difficult to give empirical evidence on how it affects performance in milk firms. However, the existing survey aims to add to existing information by focusing on product, service, market, and content difference. This survey aimed to explore the effect of differentiation strategy (product differentiation, service

differentiation, market differentiation, and content differentiation) on the performance of milk processing enterprises in Kenya in order to fill the gaps identified.

## **Objectives of the Study**

This research aimed to explore the differentiation strategy effects on performance of milk processing firms in Kiambu County, Kenya. The study was guided by the following specific objectives;

- To establish the influence of product differentiation on performance of milk processing firms in Kiambu County, Kenya
- To assess the effect of service differentiation on performance of milk processing firms in Kiambu County, Kenya
- To determine the influence of market differentiation on performance of milk processing firms in Kiambu County, Kenya
- To establish the effect of content differentiation on the performance of milk processing firms in Kiambu County, Kenya

## LITERATURE REVIEW

### **Theoretical Review**

### **Strategic Balance Theory**

David Deephouse first proposed the Strategic Balance Theory in 1999. According to the hypothesis, organizations will perform better at intermediate degrees of difference when they weigh the advantages of less rivalry against the drawbacks of less legitimacy. Deephouse recognized the institutional reality of resemblance as unavoidable (isomorphism) and important for organizational existence (legitimacy). He is also familiar with the point of view of strategists like Porter (strategic positioning) and Barney (imperfect imitability), both of whom hold the belief that resemblance is incompatible with competitive advantage. He is aware of both of these points of view. Adimo (2018) noted that an organization's performance depends on how it manages inevitable institutional pressures and inevitable competitive

contexts, and that organizations can benefit from both similarity and difference

Being unique reduces competition and boosts competitive advantage, but going too far from the norm raises problems with legitimacy and has the opposite effect (Kamau, 2016). According to the hypothesis, the distribution and accessibility of resources will directly affect how fiercely companies compete with one another. With few resources, there will be more competition, particularly for scarce resources. Because firms must increase resources to fight more ferociously, higher rivalry typically results in lower performance (Shafiwu & Mohammed, 2018). Costlier acquisition of scarce resources will eventually result in logical differentiation, which will lessen rivalry between resources of a similar nature to the extent of their realized strategic value.

### **Resource -Based View Theory**

This theory was proposed by Penrose 1959 but later developed by Wernerfelt (1984). According to the theory, a corporation can only gain a sustained competitive edge when it possesses a pool of human resources that cannot be replaced by its competitors. According to the hypothesis, firms function differently as a result of their distinctive internal and external resources, which cannot be copied or transferred. Resources, such as money, individual employees' abilities, equipment, patents, funding, and talented managers, are inputs into an organization production process. Resources might either be physical or abstract. The range of resources at the disposal of the company tends to expand as effectiveness rises. Resources may not all contribute to a competitive advantage. Competitive advantages are created by the synergistic blending and integrating of several sets of resources. According to Killen et al. (2012), it looks at how resources might lead to competitive advantage. Day (1994) asserts that intangible assets, like knowledge management, market orientation, and organizational learning, give businesses the opportunity to start developing capabilities that

enhance competitive advantage which enhance performance in marketing.

The RBV suggests that firm specific resources and competencies affect firm performance, according to Baker and Sinkula (2005). As per the Resource-Based View (RBV), a company could gain a competitive edge by creatively providing higher value to customers. The theory's relevance to the current investigation is asserted by the notion that resources form the foundation of competitive advantage. It's crucial to reiterate that the study is specifically interested in figuring out how intense marketing techniques used by dairy processing companies affect performance. Resources are at the very foundational level for organizations' capacity to create and maintain winning strategies, and this fact underscores the theory's relevance to the current study. Utilizing corporate resources will be shown to enhance the performance of the dairy processing businesses. However, the organization is well-positioned to create winning goods, fuel their success in the market, and maintain the momentum if there are enough resources available at the company level.

## **Knowledge-Based Theory**

Penrose (1959) first proposed by Knowledge-Based Theory (KBV), which was further developed by others (Barney 1991, Conner 1991). According to knowledge-based business theories, a firm's knowledge is its most important strategic asset. Its allies fight that associations' different information bases and limits are the vital variables in supporting outstanding corporate execution since information based assets are as often as possible hard to emulate and socially convoluted. The corporate culture and personality, rules, rehearses, records, frameworks, and staff are only a couple of the numerous things that convey this data and have them implanted in them. This perspective, which gets from the writing on essential administration, grows and creates upon the asset based perspective on the firm.

The knowledge-based view battles that the asset based perspective misses the mark notwithstanding

the way that the asset based perspective on the firm recognizes the basic job that information plays in organizations that gain an upper hand. Specifically, the RBV sees information as an overall asset instead of one with interesting properties. Therefore, it doesn't separate between different information based limits. Data frameworks can be utilized to union, improve, and facilitate broad intra and between firm information the board, which can be a critical part of the information based perspective on the firm (Alavi & Leidner, 2001). There has been much discussion about whether the Knowledge-based view of the company genuinely qualifies as a theory.

### **Empirical Review**

Shafiwu and Mohammed (2018) looked into how product differentiation affected Ghana's petroleum industry's profitability. The goal of the survey was to explore the relationship between differentiation, productivity, and customer preference for Effimax products in the petroleum industry. The technique used in the review was correlation research. It was directed towards 14 exclusive and 15 governmentclaimed Ghanaian oil advertising enterprises. Using the group testing approach, the population was limited to one organization. The study's findings showed that, despite the petroleum industry's apparent lack of distinct products in compared to other industries, differentiation is still a viable business strategy for the sector. The drop in adoption, on the other hand, could be due to other considerations.

Kamau (2016) has analyzed the impacts of differentiation strategy on sales execution in supermarkets in Nakuru town focal business area. The review's goal was to determine what the differentiation method meant for how supermarkets in the Nakuru CBD conducted business. The incorrect assumption made in the review was that there is no meaningful connection between the ability of retail supermarkets to generate sales and how they use item distinction. Purposive and simple random sampling were utilized in the study's non-experimental survey methodology to determine the sample size of participants. The survey outcomes demonstrated that supermarket annual sales performance is significantly influenced by physical and product differentiation. If supermarkets want to compete in the expanding market, the study advised them to scale up on the physical differentiating methods and product features.

A survey by Akingbade (2020) on the correlational between service differentiation strategy (SDS) and performance of organization. The survey was done in Lagos State, Nigeria concentrating on SMEs. A total of 249 SMEs was conducted across the state's six small-scale industrial zones, and a sample size of 152 was determined using both Sekaran's (2003) population-to-sample size table and Yamani's (1967) scientific sample size formula. Meanwhile, using a structured questionnaire, the study utilized a survey methodology. Two executives; the manager and owner from each of the 152 SMEs that were chosen were given questionnaires, bringing the total number of distributed questionnaires to 304. For this scale, the Cronbach alpha was 0.83. The answers were coded and transformed into data, which was then analyzed using SPSS version 22. The performance and service differentiation have a very strong positive link, according to the Pearson's correlation coefficient (0.704). This correlation test is significant since the p-value (0.030) is lower than the threshold of 5% (0.05). The study's findings indicate that SMEs that adopted SDS made significant progress; SMEs should use SDS to increase productivity and customer satisfaction.

A study on the service differentiation strategy and effectiveness of Kenyan cement manufacturing enterprises was undertaken by Mungasia and Rugami in 2017. The resource-based theory served as the study's direction, and a descriptive survey design was utilized. A total of 375 cement company employees made up the target population. A total of 112 employees, or 30% of the population, were used to create the respondents' sample size. The tool for gathering data was a questionnaire. The

correlation analysis and descriptive statistics were utilized to arrive at the data analysis. Results uncovered that service distinctiveness impacted the cement company performance (r=0.682, p=0.000). The survey came to the conclusion that service uniqueness boosts both firm efficiency and customer loyalty.

A survey on the correlational between market differentiation strategy, performance assessment and organizational execution in Australia was undertaken by Spencer, Joiner, and Salmon in 2019. The findings of their review recommend that, first, organizations that seek after separation systems, (for example, item adaptability or client administration focus) utilize non-monetary and financial execution measures; second, these presentation measures are related with higher administrative execution; what's more, third, there is a positive connection between a company's essential accentuation on differentiation and differentiation. In Nigeria, Lawrence and Bagshaw (2017) analysis of mobile network operations in Rivers State with a focus on 7(7) active mobile network providers, competitive advantage plays a vital part in the development of value. The survey uncovered that a strong relationship between differentiation strategy and value creation, with a coefficient correlation (r) of 0.9995 suggesting that differentiation method has an impact on value creation for telecom network operators in Rivers State, Nigeria.

A survey on the impact of market difference on organizational execution was undertaken by Aliqah (2017) using data from 33 industrial enterprises that had been listed on the Amman stock exchange by early 2010. The aftereffects of the numerous relapse investigation exhibit that the differentiation strategy has no obvious effect on the hierarchical execution of such associations. Rahman, Hague, and Ahmad (2016)investigated variables influencing the choice of mobile phone service providers. Three mobile providers' customers in Malaysia's largest municipalities provided the information. The conclusion is that pricing or call

rate is the most important consideration, followed by service quality, accessibility, and promotion.

A study on the effects of interwoven integration strategies on supply chain value addition and company execution was undertaken by Tavana and Singh in 2019. Because there is contradicting information in the present SC integration literature, the findings of this analysis are interesting to both SC academics and practitioners. The framework is tested in this research using a sample of 366 big manufacturing enterprises with headquarters in India and a structural equation modeling technique. The findings are consistent with all five research hypotheses and show that higher levels of value addition and tighter external and internal integration are necessary for optimal performance. Production network members probably coordinated internal business processes for tight external integration, regardless of the way that outer not entirely set in stone to be more compelling than internal integration.

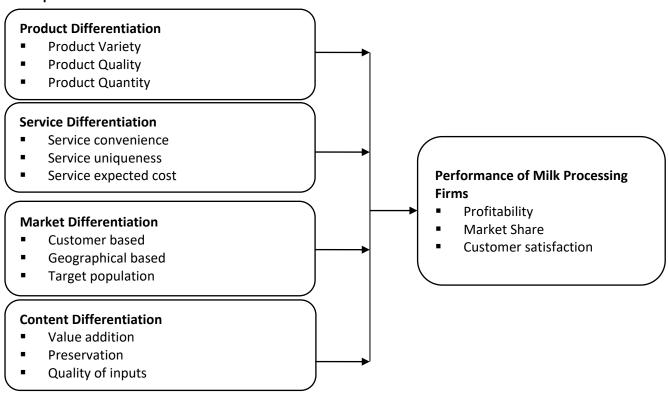
Using certified international organizations for standards organizations in Kenya, Otulia et al. (2017) studied on effect of values systems on the link between association resources organizational execution. The positivist school of thought served as the survey's foundation. On a sample size of 282 ISO certified firms, a crosssectional study strategy was used. Questionnaires were utilized in gathering primary data while secondary data were gathered from the financial reports of the 27 organizations that were the subject of the survey. Descriptive and inferential statistic were utilized to explore the information. The control impact of the qualities framework on the connection between organizational assets and organizational execution was assessed utilizing a various relapse model. The outcomes exhibit that the connection between organizational assets and execution is decidedly affected by the qualities framework.

The interceding capability of both non-monetary and monetary execution measurements in the connection between a differentiation strategy and organization achievement is examined by Suzanne Salmonc (2020). A total of 200 manufacturing enterprises that were chosen from the Business Weekly list of Australia's largest Review corporations were given a survey to complete. Data from questionnaires distributed to Australian manufacturing companies were used to adopt a path-analytical model. The discoveries showed that organizations seeking after а separation methodology, (for example, item adaptability or a client centered approach) utilize non-monetary as well as monetary execution measures; Higher organizational performance was also linked to these performance measures; thirdly, the mediating role of non-financial and financial execution showed a positive correlation between a company's strategic focus on differentiation and organizational performance.

In Nigeria, Haim Hilman (2019) did a study on determining whether environmental generosity

predicts the correlation between performance and differentiation approach in Lagos. The survey utilized a quantitative research methodology. Crosssectional study with a self-administering temporal horizon was conducted in an unstructured environment. There were a total of 83 hotel managers in the state of Kano who took part. To accumulate information on socio-socioeconomics, separation methodology, ecological liberality, and execution, a poll was given out. The outcomes uncovered that presentation was decidedly connected with separation approach and natural liberality. Environmental generosity completely modifies the connections between performance and differentiation strategy. This work had significant implications for managers and decisionmakers in addition to its contribution to the field of corporate strategy research, and future research paths are taken into consideration.

## **Conceptual Framework**



Independent Variables

**Figure 1: Conceptual Framework** 

Dependent Variable

### **METHODOLOGY**

A descriptive research design was adopted. The target population was obtained from 11 milk processing plants in Kiambu County. The Kiambu county was chosen because it is home to several of Kenya's biggest dairy processing companies, including Fresha and Brookside Dairies. The study selected one top manager from each of the five departments (Marketing, Finance, Operations management, Human Resource, and IT) thus forming a target population of 55 respondents. This survey adopted a census approach since the target population wass small. The managers of the 11 milk processing companies were chosen as a sample using the purposeful sampling technique.

Both primary and secondary data sources were utilized. Primary data was gathered through a systematic questionnaire. The structured questionnaire included open-ended questions as well as closed-ended questions.

The analysis of data involves the packaging, organization, and structuring of the gathered data (Creswell, 2014). This was done to make the results easy to understand and share. Quantitative data were analyzed descriptively and inferentially with help of SPSS V.22. In the descriptive statistics, frequency tables, mean, standard deviation, and percentages were utilized. Tables and graphs were utilized to display the data. In-depth explanations of measurement distribution, as well as explanations,

organization, and reviews of data were all made possible by descriptive statistics (Bryman, 2013). Furthermore, correlation analysis was performed to ascertain the connection between the independent and dependent variables. The multiple regression equation model is presented below;

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

### Where:

Y= Performance of milk processing firms),  $\beta_0$  is the constant (Co-efficient of intercept)  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$ , and  $\beta_4$  are beta coefficients,

X<sub>1</sub> is product differentiation,
X<sub>2</sub> is service differentiation,
X<sub>3</sub> is market differentiation,
X<sub>4</sub> is content differentiation while
e is an error term

### **FINDINGS AND DISCUSSIONS**

### **Descriptive Statistics**

In this section, the researcher utilized standard deviation and mean to present the quantitative data derived from the questionnaires.

# Product Differentiation and Performance of Milk Processing Firms

The research aimed to explore how product differentiation impacted the performance of milk processing firms using 5-likert scale from 5-strongly agree to 1-strongly disagree. The results were displayed in Table 1.

Table 1: Descriptive Statistics for product differentiation

			Freque	ency			
Statements	SA	Α	U	D	SD	Mean	Std
The company creates value for its customers by providing	23	21	8	-	-	3.59	0.63
high-quality products backed by high-quality services at							
reasonable prices.							
The milk firm sells its products to a wide range of	18	29	3	2	-	3.67	0.51
customers.							
The company has created value for its services by	12	32	4	3	1	3.63	0.67
providing quality attributes at reasonable prices.							
Effective product differentiation allows milk processing	17	25	6	4	-	3.71	0.54
firms to command higher prices for their products.							
Product differentiation enhance product value addition.	11	30	7	3	1	3.53	0.56

The results exhibited in Table 1 uncovered that most participants agreed that the company creates value for its customers by providing high-quality products backed by high-quality services at reasonable prices (mean = 3.59). The participants agreed that the milk firm sells its products to a wide range of customers (mean = 3.67). The participants agreed that the company has created value for its services by providing quality attributes at reasonable prices (mean = 3.63). The outcomes were supported with those of a study by Job and Nyongesa (2016), who found that New KCC uses branding, labeling, packaging, product quality, and a complete modification in product attributes as product differentiation techniques. The competitive pressures experienced by both the manufacturer and the customer are reflected in product differentiation. A milk producer is more receptive to signals originating from customers, which might indirectly increase customer focus and expose new market opportunities. A producer's ability to differentiate their products is increased by the customer focus that compels them to understand the business logic of their target market.

Also, respondents agreed that effective product differentiation allows milk processing firms to command higher prices for their products (mean =

3.71). The participants agreed that product differentiation enhance product value addition (mean = 3.53; standard deviation = 0.56). The results are upheld by Kaara, Amuhaya, Oloko and Waititu (2021) who uncovered that product differentiation strategy in any product firm involves offering unique characteristics or features in their milk products that distinguish them from competitors and appeal to specific target markets. This strategy encompasses various aspects such as taste, packaging, quality, nutritional value, sourcing methods, branding, and even environmental sustainability. The product differentiation strategy in milk processing firms is contingent on how well it meets consumer demands, adds value, and contributes to the firm's overall growth and profitability. Differentiated products may require specialized supply chain and distribution channels. Efficient management of these channels can ensure the availability of products to target markets.

# Service Differentiation and performance of milk processing firms

The research aimed to explore how service differentiation impacted the milk processing firms' performance using 5-likert scale from 5-strongly agree to 1-strongly disagree. The results were displayed in Table 2.

**Table 2: Descriptive Statistics for service differentiation** 

	Frequency						
Statements	SA	Α	U	D	SD	Mean	Std
The milk processing firm offers a wide variety of milk and dairy products compared to competitors	16	29	5	2	-	3.65	0.62
Our milk processing firm provides unique and specialized dairy products not easily found elsewhere in the market	14	26	6	4	2	3.57	0.54
Our milk processing firm excels in tailoring dairy product offerings to meet diverse consumer preferences.	10	28	8	6	-	3.67	0.63
Our milk processing firm offers superior customer service compared to other competitors.	15	26	5	4	2	3.71	0.66
Our milk processing firm effectively communicates the unique value of its dairy products to consumers.	13	31	3	3	2	3.59	0.60
Our milk processing firm effectively adapts to changing market trends and consumer preferences	17	27	4	2	2	3.53	0.55

The results exhibited in Table 2 established that most participants agreed that milk processing firm offers a wide variety of milk and dairy products compared to competitors (mean = 3.65). The participants agreed that milk processing firm provides unique and specialized dairy products not easily found elsewhere in the market (mean = 3.57). The participants agreed that their milk processing firm excels in tailoring dairy product offerings to meet diverse consumer preferences (mean = 3.67). The outcomes are upheld by the outcomes of Mathinji and Waithaka (2019) who established that service differentiation in the context of milk processing firms involves providing unique and superior customer service experiences compared to competitors. It involved various aspects such as customer support, delivery services and after-sales service. Effective service differentiation not only enhances customer satisfaction and loyalty but also contributes to a positive brand image, competitive advantage, and overall growth and profitability of milk processing firms.

Also, most participants agreed that their milk processing firm offers superior customer service compared to other competitors (mean = 3.71). The participants agreed that their milk processing firm effectively communicates the unique value of its dairy products to consumers (mean = 3.59). Additionally, the respondents agreed that their milk

processing firm effectively adapts to changing market trends and consumer preferences (mean = 3.53). The findings of a study by Mungasia and Rugami (2017), which found that service distinctiveness had an impact on the performance of the cement company (r=0.682, p=0.000), support the findings. According to the survey's findings, providing distinctive services increases both client loyalty and business productivity. The beneficial connection between customer centricity and business performance is strengthened by service differentiation. According to Mbugua and Kinyua (2020) service differentiation enhanced that staff members consistently provides members with highquality service, offered referral bonuses to members who brought in new customers, offered financial services on a variety of mobile platforms, provided members with a distinctive customer experience, responded quickly to customer complaints, and ensured that members were satisfied with the services.

## Market Differentiation and performance of milk processing firms

The research aimed to explore how market differentiation impacted the performance of milk processing firms using 5-likert scale from 5-strongly agree to 1-strongly disagree. The results were displayed in Table 3.

**Table 3: Descriptive Statistics for market differentiation** 

	Frequency						
Statements	SA	Α	U	D	SD	Mean	Std
The adoption of market differentiation strategies positively	12	32	3	2	3	3.65	0.61
impacts the overall performance of the firm.							
Effective market differentiation adoption enhance better revenue gain and market share.	16	29	4	2	1	3.62	0.58
Market differentiation allows milk processing firms to better consumer preference and demand.	13	26	9	2	2	3.55	0.52
There is positioning products as premium depending on target market.			6	5	3	3.57	0.54
The firms offer unique distribution channels to enhance product branding.	12	29	7	3	1	3.75	0.65
There is distinctive promotion and marketing campaigns emphasizing on unique qualities.	11	28	8	3	2	3.69	0.64

The outcomes displayed in Table 3 uncovered that most participants agreed that the adoption of market differentiation strategies positively impacts the overall performance of the firm (mean = 3.65). The participants agreed that effective market differentiation adoption enhance better revenue gain and market share (mean = 3.62). The participants agreed that market differentiation allows milk processing firms to better consumer preference and demand (mean = 3.55). The findings show that through offering distinct products, services, or experiences, milk processing firms targets specific market segments, enhanced brand value, and improve overall performance. These findings are in line with those of Semuel, Siagian and Octavia (2017) which established that market differentiation encourages milk processing firms to diversify their product portfolios to cater to various consumer preferences. This diversification led to increased market share and revenue streams.

Further, the research uncovered that most participants agreed that there is positioning products as premium depending on target market (mean = 3.57). The participants agreed that firms offer unique distribution channels to enhance product branding (mean = 3.75). Also, the

participants agreed that there is distinctive promotion and marketing campaigns emphasizing on unique qualities (mean = 3.69). The findings show that market differentiation is vital for milk processing firms to achieve a sustainable competitive advantage, enhance their brand's perception, drive customer loyalty, and ultimately improve financial performance and market share. A well-executed differentiation strategy aligns with consumer preferences and industry trends, fostering growth and success in the milk processing sector. This finding concurs with the findings by Lawrence and Bagshaw (2017), who established that differentiating in the market allows milk processing firms to tailor their marketing efforts to specific segments. This targeted approach increases the efficiency of marketing strategies, leading to better engagement and higher response rates.

# Content Differentiation and performance of milk processing firms

The study aimed to explore how content differentiation impacted the performance of milk processing firms using 5-likert scale from 5-strongly agree to 1-strongly disagree. The results were displayed in Table 4.

**Table 4: Descriptive Statistics for content differentiation** 

		F	reque	ncy			
Statements	SA	Α	U	D	SD	Mean	Std
Creating unique and compelling content is crucial for milk processing firms to gain a competitive advantage.	13	28	6	3	2	3.74	0.63
Effective content differentiation allows milk processing firms to communicate their brand values and product benefits more effectively.	16	24	8	4	-	3.61	0.68
Investing in content differentiation positively impacts overall performance of milk processing firms.	13	27	6	5	1	3.53	0.64
Milk processing firms that tailor their content to specific consumer segments tend to have higher customer engagement and loyalty.	11	26	9	4	2	3.36	0.59
Effective content differentiation allows milk processing firms to effectively communicate their product quality and brand identity.	15	29	7	1	-	3.67	0.62

The results exhibited in Table 4 uncovered that most participants agreed that creating unique and compelling content is crucial for milk processing firms to gain a competitive advantage (mean = 3.74). The participants agreed that effective content differentiation allows milk processing firms to

communicate their brand values and product benefits more effectively (mean = 3.61). The participants agreed that investing in content differentiation positively impacts overall performance of milk processing firms (mean = 3.53). Milk processing firms can differentiate themselves offering high-quality products through innovative processing methods, ensuring superior taste, nutritional value, or extended shelf life. Innovative products can attract a premium price and a loyal customer base. The results concur with the outcomes of a study by Adimo (2018) who uncovered that there is positive correlational between organizational performance differentiation strategy since the P-value was less than 0.05. According to the survey, content distinction and organizational performance were positively correlated.

Further, the participants agreed that milk processing firms that tailor their content to specific consumer segments tend to have higher customer engagement and loyalty (mean = 3.36). The participants agreed that effective content

differentiation allows milk processing firms to effectively communicate their product quality and brand identity (mean = 3.62). Providing consumers with information about the origin of the milk, farming practices, and processing methods through clear labeling or digital platforms can build trust and differentiate the product in the market. This corroborates with results of Gorondutse and Abdullah (2017) who uncovered that tailoring content to customer needs and preferences creates a positive customer experience. When customers find relevant and valuable content, they feel understood and supported, enhancing their perception of the brand and product.

### **Performance of Milk Processing Firms**

The milk processing firms' performance is influenced by various factors ranging from production efficiency to market demand, sustainability, quality, innovation, and customer satisfaction. The findings on indicators of milk processing firms' performance were exhibited in Table 5.

**Table 5: Descriptive Statistics for Performance of Milk Processing Firms** 

		Fre	equenc	у			
Statements	SA	Α	U	D	SD	Mean	Std
Milk processing firms that tailor their products and branding	11	25	7	6	3	3.45	0.88
to specific consumer segments tend to outperform their							
competitors.							
Milk processing firms that do not differentiate their	15	29	6	2	-	3.61	0.85
products and branding struggle to compete successfully.							
Effective differentiation strategies allow milk processing	13	24	8	4	3	3.32	0.68
firms to command premium prices for their products.							
Tailoring products, packaging, and marketing to highlight	14	27	7	2	2	3.47	0.76
unique attributes is essential for the success of milk							
processing firms.							

The outcomes in Table 5 showed that the most of the participants agreed that milk processing firms that tailor their products and branding to specific consumer segments tend to outperform their competitors (mean = 3.45). The participants also agreed that milk processing firms that do not differentiate their products and branding struggle to compete successfully (mean = 3.61). The respondents agreed that effective differentiation

strategies allow milk processing firms to command premium prices for their products (mean = 3.32). Further, the respondents agreed that tailoring products, packaging, and marketing to highlight unique attributes is essential for the success of milk processing firms (mean = 3.47). The results support those of a study by Chege and Oloko (2017), who found that a firm's success is highly impacted by its differentiation approach. The organizations are able

to create items that appeal to clients by utilizing brand image and enhancing product attributes, which increases market share, customer response rate, and efficiency. Advantages gained through differentiation are more likely to be sustained because distinctive services or goods appreciated by customers are difficult for competitors to duplicate.

### **Inferential Statistics**

Regression analysis was utilized by the researcher to determine how differentiation strategies affected the milk processing firms' performance in Kiambu, Kenya. The outcomes on ANOVA, model summary and regression coefficients were exhibited in the part below.

### **Model Summary**

In this section, correlation coefficient R and Adjust R<sup>2</sup> results were tabulated in Table 6.

**Table 6: Model Summary** 

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.867	0.752	0.745	0.126

- a. Predictors: (Constant), Product differentiation, Service differentiation, Market differentiation and Content differentiation
- b. Dependent Variable: Performance of Milk processing firms

## Source: Field Data (2023)

The outcomes uncovered that the coefficient of relationship R was a statistically significant 0.8867, indicating a robust relationship between the variables. Furthermore, the outcomes uncovered that the coefficient of adjustment R<sup>2</sup> was a statistic of 0.745, which equates to a percentage of 74.5%. This explains that 74.5% of performance in milk processing firms can be explained the following variables; product differentiation, service

differentiation, market differentiation and content differentiation. The residual of 25.5% can be explained by other factors beyond the scope of the current study.

### ANOVA

Table 7 shows the results of an ANOVA performed at 95% confidence intervals which include F Calculated analysis and the F Critical analysis.

**Table 7: ANOVA** 

Model	SS	df	MS	F	Significance
Regression	3.26	4	.237	4.19	0.003ª
Residual	73.15	48	2.454		
Total	76.41	52			

- a. Predictors: (Constant), Product differentiation, Service differentiation, Market differentiation and Content differentiation
- b. Dependent Variable: Performance of Milk processing firms

Source: Field Data (2023)

Table 7 illustrates the results of the study. F Calculated is 4.19, and F Critical is 2.25, indicating that Calculated is greater than F Critical. The overall regression model for the study was significant. The p value of the study was established at 0.00, which is lower than the p value of 0.05, indicating that the presence of at least one significant variable

considerably affected the performance of the milk processing firms.

## **Regression Coefficients**

The researcher then performed a regression analysis to explore the individual contribution of independent variables to the dependent variables. The results were presented in table 8.

**Table 8: Regression Coefficients** 

Variables	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	β	Std. Error	Beta		
(Constant)	5.474	0.132		1.211	.003
Product differentiation	0.351	0.0135	0.126	1.023	.004
Service differentiation	0.284	0.0148	0.231	1.124	.002
Market differentiation	0.347	0.0157	0.204	1.133	.002
Content differentiation	0.276	0.0159	0.212	1.117	.001

Source: Field Data (2023)

A multiple regression analysis was conducted by the researcher to identify the correlation between differentiation strategies and the performance of the milk processing firm in Kiambu county, Kenya. As shown in the table generated by the SPSS, ( $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$ )

### becomes

### Y= 5.474+0.351 +0.284 + 0.347+0.276

Where Y = Performance of milk processing firms

 $X_1$  = Product differentiation

 $X_2$  = Service differentiation

 $X_3$  = Market differentiation

 $X_4$  = Content differentiation

Table 8 demonstrates that product differentiation has a positive significant coefficient of 0.351 with a P-value of 0.004, indicating that product differentiation is positively associated with the performance of the milk processing firms. Additionally, service differentiation has a significant correlation of 0.284 and P-value is 0.002. Finally, market differentiation has a positive correlation of 0.347 and P-Value is 0.002, indicating that market differentiation is positive for the performance of the dairy processing firms. Finally, content differentiation has a positive significant correlation of 0.276 with a P-Value of 0.001, indicating that

content differentiation is positive for dairy processing firms. These outcomes were in line with the results of a survey conducted by Davcik et al. (2015) who uncovered that price is closely associated with brand equity, marketing investments, and product differentiation. In addition, premium pricing is closely linked to product difference based on innovation and company type. Implementing a differentiation strategy in the milk processing industry can significantly impact the performance of companies in various ways. Differentiation involves offering unique features, benefits, or attributes that distinguish a company's goods and services from those of its rivals. By offering differentiated, highquality products, milk processing companies can command premium prices (Maina & Kagiri, 2016). Customers may be willing to pay more for unique features or superior quality, leading to increased profit margins. Effective differentiation helps milk processing companies establish a strong market position and competitive advantage. Unique products attract customers and contribute to gaining a larger market share, potentially surpassing competitors.

### **CONCLUSION AND RECOMMENDATIONS**

The results were summarized according to study objectives. The objective on of the research was to determine the impact of product differentiation on the milk processing firms' performance in the Kiambu County, Kenya. The results of the study demonstrate that milk processing firms create customer value by providing high quality products, supported by high-quality services, at competitive prices. Furthermore, milk processing firms market their products to a wide range of customers. The results indicate that effective product differentiation enables milk processing companies to charge a higher price. Furthermore, the findings suggest that product differentiation enhances product value addition. Ultimately, the product differentiation strategy of a milk processing firm is contingent upon its ability to meet consumer demands, provide value, and contribute to the overall growth of the firm.

The objective two of the research was to explore the effect of service differentiation on milk processing firms' performance in Kiambu County, Kenya. The outcomes uncovered that most participants agreed that milk processing firm offers a wide variety of milk and dairy products compared to competitors. The milk processing firm provides unique and specialized dairy products not easily found elsewhere in the market. Through service differentiation, firms excel in tailoring dairy product offerings to meet diverse consumer preferences. Milk processing firm effectively communicates the unique value of its dairy products to consumers. Effective service differentiation not only enhances customer satisfaction and loyalty but also contributes to a positive brand image, competitive advantage, and overall growth and profitability of milk processing firms

The objective number three of the research was to explore the influence of market differentiation on milk processing firms' performance in Kiambu County, Kenya. The results showed that the most participants agreed that having market differentiation strategies in place has a positive

effect on a company's overall performance. The effective market differentiation adoption enhance better revenue gain and market share. The results also revealed that milk processing firms have distinctive promotion and marketing campaigns emphasizing on unique qualities. The findings show that through offering distinct products, services, or experiences, milk processing firms targets specific market segments, enhanced brand value, and improve overall performance. The market differentiation encourages milk processing firms to diversify their product portfolios to cater to various consumer preferences.

The objective number four of the research was to establish the effect of content differentiation on the milk processing firms' performance in Kiambu County, Kenya. The results uncovered that most participants agreed that creating unique and compelling content is crucial for milk processing firms to gain a competitive advantage. Moreover, effective content differentiation allows milk processing firms to communicate their brand values and product benefits more effectively. The findings also revealed that milk processing firms that tailor their content to specific consumer segments tend to have higher customer engagement and loyalty.

### **CONCLUSION**

research concludes that differentiation The strategies adopted by milking processing firms positively impacted the performance. This indicate that firms utilizes differentiation strategies that satisfied customers' needs hence improving the performance. The milk processing industry is highly competitive and dynamic, necessitating companies to employ effective strategies to distinguish themselves from competitors. Differentiation, a key involves offering unique products, services, or features that are valued by consumers. Differentiation strategy is all about creating products and services that are tailored to each customer's unique needs and have better quality than their competitors. Differentiation strategy encourages you to create something that gives your customers different benefits. The company thinks

that the extra cost of making the product or service unique is worth the extra premium price. If suppliers increase their prices, the company might be able to pass it on to customers who can't easily buy replacement items. Also, the study concludes that differentiation strategy are responsible for greater revenues, improved service quality, and a rise in customer numbers due to the availability of a diverse range of well-differentiated items.

### **RECOMMENDATION**

From the findings, the research recommends that;

- The milk processing firms should use technology to improve communication during transactions, promote customer-company relationships, and raise customer happiness, operational efficiency, operational costs, and transaction time.
- The management of the firms should conduct thorough market research to understand customer needs, preferences, and unmet

- demands in the milk processing industry. Utilize consumer insights to identify areas where differentiation can be most impactful.
- The management team of the firm should engage with customers to gather feedback and insights. Use this feedback to tailor your products and services to customer preferences, creating a personalized experience that sets you apart from competitors.
- Also, the research recommends that milk processing companies should invest more in training their staff so they can understand the differentiating tactics that work better in getting their products in front of the market.

### Suggestions for further Study

A similar study should be done in other food processing enterprises in Kenya to see if similar results can be obtained. Further research should also be conducted using different research design like longitudinal research design or correlative research design.

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