



East African Journal of Business and Economics

ejbe.eanso.org

Volume 5, Issue 1, 2022

Print ISSN: 2707-4250 | Online ISSN: 2707-4269

Title DOI: <https://doi.org/10.37284/2707-4269>

ENSO

EAST AFRICAN
NATURE &
SCIENCE
ORGANIZATION

Original Article

Assessing the Influence of Product Quality Differentiation Strategies on Performance of Car Hire Businesses in Kisii Town, Kenya

Daisy Abwanda Kombo^{1*} & Prof. Richard Nyangosi, PhD²

¹ Mount Kenya University, P. O. Box 4441-40200, Kisii, Kenya.

² Rongo University, P.O. Box 103-40404, Rongo, Kenya.

*Correspondence email: dabwanda@yahoo.com

Article DOI: <https://doi.org/10.37284/eajbe.5.1.713>

Date Published: ABSTRACT

17 Jun 2022

Keywords:

*Product Quality,
Product Differentiation,
Car Hire.*

The necessity to remain competitive as a result of changes in clients' needs has been a key preserve of most car hire businesses whereas in the service industry, launching and enhancing new products and services is a clear way of retaining and attracting new customers. Thus, the purpose of the study was to assess the influence of differentiation strategies on the performance of car hire businesses in Kisii town. The information that was to be provided by this research is likely to be of benefit to policymakers, community members, and academicians. It adopted a descriptive survey research design with a target population of 38 employees of car hire businesses in Kisii town. The researcher collected data using questionnaires, interviews, observation, and document analysis. Piloting was done in Kenyanya Sub-County, the instruments were validated by the supervisors and reliability was determined through the test rest method; thereafter Cronbach alpha coefficients were determined using 0.7 reliability. Quantitative data was analysed using descriptive statistics and presented in tables. The study established that Care hire organisations should strive to enhance product differentiation by coming up with unique product features that would suit the consumer needs, car hire firms should seek to ensure that their products are trustworthy and dependable to their client base. This way, clients will begin to depend on your services, thus creating customer loyalty. The study recommends that organisations should invest in research and development to ensure before a new product is rolled out, adequate research is carried out so that the end product is able to sustain the emerging client needs.

APA CITATION

Kombo, D. A., & Nyangosi, R. (2022). Assessing the Influence of Product Quality Differentiation Strategies on Performance of Car Hire Businesses in Kisii Town, Kenya. *East African Journal of Business and Economics*, 5(1), 211-219. <https://doi.org/10.37284/eajbe.5.1.713>

CHICAGO CITATION

Kombo, Daisy Abwanda and Richard Nyangosi. 2022. "Assessing the Influence of Product Quality Differentiation Strategies on Performance of Car Hire Businesses in Kisii Town, Kenya". *East African Journal of Business and Economics* 5 (1), 211-219. <https://doi.org/10.37284/eajbe.5.1.713>.

HARVARD CITATION

Kombo, D. A., & Nyangosi, R. (2022) "Assessing the Influence of Product Quality Differentiation Strategies on Performance of Car Hire Businesses in Kisii Town, Kenya", *East African Journal of Business and Economics*, 5(1), pp. 211-219. doi: 10.37284/eajbe.5.1.713.

IEEE CITATION

D. A. Kombo, & R. Nyangosi, "Assessing the Influence of Product Quality Differentiation Strategies on Performance of Car Hire Businesses in Kisii Town, Kenya", *EAJBE*, vol. 5, no. 1, pp. 211-219, Jun. 2022.

MLA CITATION

Kombo, Daisy Abwanda & Richard Nyangosi. "Assessing the Influence of Product Quality Differentiation Strategies on Performance of Car Hire Businesses in Kisii Town, Kenya". *East African Journal of Business and Economics*, Vol. 5, no. 1, Jun. 2022, pp. 211-219, doi:10.37284/eajbe.5.1.713.

INTRODUCTION

Performance is an outcome whereas performance measurement entails the quantifying effectiveness and efficiency of an action (Kaplan & Norton, 2001). An organisation chooses to measure performance to determine if its current system in place is working. After conducting performance measurements, an organisation can decide to establish a baseline upon which improvement can be made. This helps in making decisions based on solid evidence, demonstrates changes that changes lead to improvement, allows performance comparisons, and ensures improvements are sustained over time.

Besides, in Nigeria and Africa, firms face domestic and international competition, hence, many firms have come to realise that to remain sustainable a strategy of product differentiation may be the best option over strategies based on efficiency and price (Dirisu et al., 2013). Over the last 10 years, commercial banks and other service providers in Kenya have continued to grow and this has mainly been attributed to fostering loyal customers. The necessity to remain competitive as a result of changes in clients' needs has been a key preserve of most banks, whereas in the service industry, launching and enhancing new products and services is a clear way of retaining and attracting new customers (Mugambi & Kagiri, 2016).

Car hire companies in Kenya are faced with a rapidly changing competitive landscape that is putting pressure on their relevance and customer retention. Faced with this new environment, it is imperative that competitive strategies are found which will ensure profitability. Therefore, differentiation strategy is possibly an effective tool that car hire companies can use to gain a strategic advantage and survive in today's ever-increasing competitive environment, hence the need for this study

LITERATURE REVIEW

Differentiation strategy entails the use of unique services and or product by a company (Ghadge, Dani, Ojha, & Caldwell, 2017). Differentiation in service, advertising, and personnel affected the performance of public universities to a greater extent (Sifuna, 2014). Differentiation strategy significantly improved performance in Telecommunication companies in Kenya. Among the differentiation strategies adopted by the Telecommunication companies included the use of innovation, product, pricing, and market (Kyengo et al., 2016). A study conducted in Kajiado, Kenya found that price differentiation strategy increased customer base, which enhanced performance (Muraya, 2016). Quality of service or product is perceived to be instrumental in differentiation strategy (Stock, 2009).

The positioning of a brand, making it unique from that which is being offered by the competitor, best describes the differentiation strategy (Davidow & Uttal, 2005). Ogbonna and Harris (2003) viewed differentiation strategy as a way of minimising competition, improving performance, and enhancing competitive pressure in the industry. The uniqueness of service or product by a company enables it to alter the price with ease due to value addition (Baum & Oliver, 2011). Customer loyalty due to product or service brands cushions companies from the threats of five sources in the industry (Grant, 2013).

Innovation, quality and customer service are considered valuable features that the differentiation strategy aims at using to achieve competitive advantage to improve performance (Reece & Pisano, 2009). To realise differentiation strategy, buyers' prerequisites and behaviours need to be understood as vital and valuable (Barney & Hesterly, 2008). Companies can use sheer size, training of their employees, offering innovative products, reengineering the existing products and embracing modern technology to attain a differentiation strategy, which will eventually influence performance. One of Porter's important business strategies is the adoption of differentiation in products and or service to consumers (O'Reilly, 2012). A differentiator as a competitive advantage should be the product and/or service whose characteristics differ from that being offered by competitors in the same industry (Phadtare, 2010).

RESEARCH METHODOLOGY

The study focused on car hire services in Kisii town. It covered five registered companies. The study applied the use of a descriptive survey design. This design helped to gather data at a particular point in time with the intention of describing the nature of existing conditions and standards against which they were compared and determined (Saunders et al., 2007). The target population used all the 38 employees of the five-car hire companies in Kisii

town. The researcher employed Questionnaires for car hire drivers and marketers, Interviews for car hire managers and Document Analysis. To analyse the four objectives, both descriptive and inferential statistics were adopted. For the descriptive statistics, the study employed frequencies and percentages, while in inferential statistics, a correlation test of significance was used. Further, the quantitative data analysed was presented by the use of tables.

RESEARCH FINDINGS AND DISCUSSIONS

The study had a sample size of 38 respondents. All were given the questionnaire and which they filled and the researcher picked it after one week. At the end of the week, only 30 respondents had filled in the questionnaire giving a response rate of 79%. The researcher made efforts to call other respondents to fill the questionnaires but was not successful. Due to the constraint of time, the researcher continued with the analysis since according to Best and Khan (2006), a response rate of 50% is considered adequate, 60% good and above 70% very good. Therefore, in view of this, the response rate was considered very good and exceeded the threshold postulated by Best and Khan.

Product Quality Differentiation Strategies on Performance of Car Hire

The objective aimed to establish the influence of product quality differentiation strategies on the performance of car hire businesses in Kisii town. The data gathered on this objective is presented in the section below. Quantitative analysis was done on the data gathered about this objective.

Maintenance of Unique Product Features

From *Table 1*, 26.7% of the respondents disagreed (6.7% strongly disagreed, 20% disagreed) that there were unique product features maintained by car hire companies. 56.7% of the respondents agreed (46.7% agreed, 10% strongly agreed) that there were unique product features maintained by car hire companies. 16.7% of the respondents were

undecided on whether there were unique product features maintained by car hire companies. The majority of the respondents agreed that there were unique product features maintained by car hire companies. According to Sumutka and Neve (2011), the choice of what product to purchase is not

majorly determined by the lowest price; a product's unique quality could be a determining factor too. Car hire organisations should strive to enhance product differentiation by coming up with unique product features that will suit the consumer's needs.

Table 1: Unique product features maintained enhance clients' sustenance

	Frequency	Percent
Strongly Disagree	2	6.7
Disagree	6	20.0
Undecided	5	16.7
Agree	14	46.7
Strongly Agree	3	10.0
Total	30	100.0

Source: The Researcher, 2022

Maintenance of the Reliability of the Products

From *Table 2*, 60% of the respondents disagreed (10% strongly disagreed, 50% disagreed) that the reliability of products maintained by car hire companies improved clients' sustenance. 40% of the respondents agreed (33.3% agreed, 6.7% strongly agreed) that the reliability of products maintained by car hire companies improved clients' sustenance. The majority of the respondents

disagreed that the reliability of products maintained by car hire companies improved clients' sustenance. Morgan et al. (2004) asserted that product competency, which is formally known as differentiation advantage is determined by product reliability and product quality. Car hire firms should seek to ensure that their products are trustworthy and dependable to their client base. That way, clients will begin to depend on your services thus creating customer loyalty.

Table 2: Reliability of products maintained improved clients' sustenance

	Frequency	Percent
Strongly Disagree	3	10.0
Disagree	15	50.0
Agree	10	33.3
Strongly Agree	2	6.7
Total	30	100.0

Source: The Researcher, 2022

Existence of Strict Product Quality Control Procedures Through TQM

From *Table 3*, 40% of the respondents disagreed (6.7% strongly disagreed, 33.3% disagreed) that there is strict product quality control enforcement through TQM to enhance clients' sustenance. 60% of the respondents agreed (50% agreed, 10% strongly agreed) that there is strict product quality

control enforcement through TQM to enhance clients' sustenance. The majority of the respondents agreed that there is strict product quality control enforcement through TQM to enhance clients' sustenance. Neve (2011) asserted that quality is viewed as a key market differentiator, resulting in many organisations defining and improving processes, adopting and implementing TQM

systems and attaining quality standard accreditation. The respondents agreed that TQM positively and significantly impacts the product quality

differentiation strategy. This enables efficiency, effectiveness, and economy in the drive towards customer satisfaction.

Table 3: There is strict product quality control enforcement through TQM thus enhancing clients' sustenance

	Frequency	Percent
Strongly Disagree	2	6.7
Disagree	10	33.3
Agree	15	50.0
Strongly Agree	3	10.0
Total	30	100.0

Source: The Researcher, 2022

Maintenance of the Unique Serviceability

From *Table 4*, 43.4% of the respondents disagreed (6.7% strongly disagreed, 36.7% disagreed) that the unique serviceability maintained by car hire companies enhanced clients' sustenance. 36.7% of the respondents agreed (26.7% agreed, 10% strongly agreed) that the unique serviceability maintained by car hire companies enhanced clients' sustenance. 20% of the respondents were undecided on whether the unique serviceability maintained by car hires companies enhanced clients' sustenance.

The majority of the respondents disagreed that the unique serviceability maintained by car hire companies enhanced clients' sustenance. Prajogo (2007) stated that the features and characteristics that convince a customer to purchase or consume a product or service express the idea of product quality. The ability of a product to be able to provide good service is what draws customers to purchase and eventually consume it. Care-hire businesses should aim at providing good service to their customers and the quality of service offered should differentiate them from their competitors.

Table 4: Unique serviceability maintained by car hire firms enhanced clients' sustenance

	Frequency	Percent
Strongly Disagree	2	6.7
Disagree	11	36.7
Undecided	6	20.0
Agree	8	26.7
Strongly Agree	3	10.0
Total	30	100.0

Source: The Researcher, 2022

Inferential Statistics

Further descriptive statistics were conducted on the data collected. The techniques used were correlation

and linear regression. The findings obtained are presented in the section below.

Table 5: Correctional Analysis

		1	2	3	3
1. Product features offered enhance clients' sustenance	Pearson Correlation	1	-.443*	.543**	-.282
	Sig. (2-tailed)		.002	.002	.131
	N	30	30	30	30
2. Reliability of products enhances clients' sustenance	Pearson Correlation	-.443*	1	-1.000**	.733**
	Sig. (2-tailed)	.002		.000	.000
	N	30	30	30	30
3. Quality control enforcement through TQM enhances clients' sustenance	Pearson Correlation	.543**	-1.000**	1	-.773**
	Sig. (2-tailed)	.002	.000		.000
	N	30	30	30	30
4. Unique serviceability maintained enhance clients' sustenance	Pearson Correlation	-.282	.733**	-.773**	1
	Sig. (2-tailed)	.131	.000	.000	
	N	30	30	30	30

***. Correlation is significant at the 0.01 level (2-tailed).*

Source: The Researcher, 2022

The following correlations had significance at the 0.01 level, meaning there is at least a 99% chance of increasing the performance of car hire businesses if the two variables were implemented concurrently. They are arranged in descending order based on their highest determinants of increasing performance of car hire businesses:

There was a perfect negative correlation between using strict product quality control procedures through TQM to enhance clients' sustenance and having unique products maintained by car hire businesses; the correlation coefficient was -1.000. Unique serviceability maintained by car hire companies and using strict product quality control procedures through TQM to enhance clients'

sustenance shows a strong negative and significant correlation; the correlation coefficient was -.773. Unique serviceability maintained by car hire companies and reliability of products offered by car hire businesses showed a strong positive and significant correlation; the correlation coefficient was .733. Using strict product quality control procedures through TQM to enhance clients' sustenance and having unique product features maintained by car hire businesses also showed a significant positive correlation; the correlation coefficient was .543.

The findings obtained are presented in the table below.

Table 6: Linear regression

Model	Unstandardised Coefficients		Standardised Coefficients Beta	t	Sig.
	B	Std. Err			
1 (Constant)	2.226	1.568		1.419	.168
Product features offered enhance clients' sustenance	.167	.221	.168	.757	.456
Quality control enforcement through TQM enhances clients' sustenance	-.223	.307	-.244	-.727	.474
Unique serviceability maintained enhance clients' sustenance	.215	.284	.223	.759	.455

Model	Unstandardised Coefficients		Standardised Coefficients Beta	t	Sig.
	B	Std. Err			
Reliability of services offered enhanced clients' sustenance	.153	.056	.377	5.813	.000

a. Dependent Variable: Business performance

Source: The Researcher, 2022

From the above table, the only variable that was a significant predictor of increasing performance of car hire businesses was the reliability of services offered to enhance clients' sustenance. It had a significance level of less than 0.05 meaning a 95% confidence level that this variable was a significant predictor of increasing performance of car hires businesses in Kisii town.

Mixing and Interpretation of Data

The respondents agreed that technological innovation positive impacted customer sustenance thus it has reaped fruitful benefits in the car hire industry. Understanding client needs can only be achieved by conducting research on their preference for services, tastes and purchase patterns. This can be put in line with the car hire industry to leverage customers' needs by understanding them and satisfying hence promoting customer loyalty. Based on the respondents' data, its apparent that car hire companies have invested in the development of new products and services. Services like mobile and web-based applications could greatly benefit clients since they can request service delivery in the comfort of their homes.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary of the Findings

Care hire organisations should strive to enhance product differentiation by coming up with unique product features that will suit the consumer's needs. Car hire firms should seek to ensure that their products are trustworthy and dependable to their client base. That way, the client will begin to depend on your services thus creating customer loyalty. The

respondents agreed that TQM positively and significantly impacts the product quality differentiation strategy. This enables efficiency, effectiveness, and economy in the drive towards customer satisfaction. The ability of a product to be able to provide good service is what draws customers to purchase and eventually consume it. Care-hire businesses should aim at providing good service to their customers and the quality of service offered should differentiate them from their competitors.

Conclusions

On the influence of product quality differentiation strategies on the performance of car hire businesses in Kisii town, car hire organisations should strive to enhance product differentiation by coming up with unique product features that will suit the consumer needs. Car hire firms should seek to ensure that their products are trustworthy and dependable to their client base. That way, the client will begin to depend on your services thus creating customer loyalty. The respondents agreed that TQM positively and significantly impacts the product quality differentiation strategy. This enables efficiency, effectiveness, and economy in the drive towards customer satisfaction. The ability of a product to be able to provide good service is what draws customers to purchase and eventually consume it. Care-hire businesses should aim at providing good service to their customers and the quality of service offered should differentiate them from their competitors.

Recommendations

Organisations should seek to invest in technological innovations in order to leverage the booming ICT industry. Organisations should invest in research and development to ensure before a new product is rolled out, adequate research is carried out so that the end product is able to sustain the emerging client needs.

REFERENCES

- Barney, J. B. & Hesterly, W. S. (2008). *Strategic Management and Competitive advantage-Concepts* (2nd Ed.). New Dehli: Prentice-Hall.
- Baum, O., Lurman, G., & Mueller, M. (2011). Molecular mechanisms of muscle plasticity with exercise. *Comprehensive Physiology*, 1(3), 1383-1412.
- Best, R. L., & Khan, T. A. (2006). Scale development research: A content analysis and recommendations for best practices. *The counselling psychologist*, 34(6), 806-838.
- Davidow, S., & Uttal, M. (2005). Strategy and restructure at the United Church of Christ. *Journal of Macro marketing*, 466-492.
- Dirisu, J. I., Iyiola, O., & Ibidunni, O. S. (2013). Product differentiation: A tool of competitive advantage and optimal organisational performance (A study of Unilever Nigeria PLC). *European Scientific Journal*, 9(34).
- Gant, O. (2013). Developing a scale to measure customer loyalty. *Procedia Economics and Finance*, 3, 623-628.
- Ghadge, A., Dani, S., Ojha, R., & Caldwell, N. (2017). Using risk sharing contracts for supply chain risk mitigation: A buyer-supplier power and dependence perspective. *Computers & Industrial Engineering*, 103, 262-270.
- Kaplan, R. S., & Norton, D. P. (2001). Transforming the balanced scorecard from performance measurement to strategic management: Part 1. *Accounting Horizons*, 15(1), 87-104.
- Kyengo, M. A., Ombui, J. W., & Iravo, K. (2016). Determinants of customer relationship management strategies on the performance of small and medium enterprises in Westlands Nairobi City. *Int. Acad. Journals*, 2(1), 17-28.
- Morgan, E. J., Avermaete, T., Viaene, J., Pitts, E., Crawford, N., & Mahon, D. (2004). Determinants of product and process innovation in small food manufacturing firms. *Trends in food science & technology*, 15(10), 474-483.
- Mugambi, C. & Kagiri, A. (2016). Effect of access to capital on the growth of youth-owned micro and small enterprises in Kenya. *International Journal of Advanced Research in Management and Social Sciences*, 5(4), 252-271.
- Muraya, D. N., & Fry, D. (2016). Aftercare services for child victims of sex trafficking: A systematic review of policy and practice. *Trauma, Violence, & Abuse*, 17(2), 204-220.
- Neve, A., Corrado, A., & Cantatore, F. P. (2011). Osteoblast physiology in normal and pathological conditions. *Cell and tissue research*, 343(2), 289-302.
- Ogbonna, E., & Harris, L. C. (2003). Innovative organisational structures and performance: A case study of structural transformation to "groovy community centers". *Journal of Organizational Change Management*.
- O'reilly, K. (2012). *Ethnographic methods*. Routledge.
- Porter, M. E. (1980). *Competitive strategy*, The Free Press.

- Prajogo, D. I. (2007). The relationship between competitive strategies and product. *Quality Industrial Management and Data Systems*, 107.
- Phadtare, M. T. (2010). *Strategic management: Concepts and cases*. PHI Learning Pvt. Ltd.
- Reece, K., & Pisano, R. L. (2009). Organisation Theory & Design. *Tehran Institute for Humanities & Cultural Studies*.
- Sumutka, A., & Neve, B. (2011). Quality as a Competitive Advantage.
- Sifuna, I. N. (2014). Effect of competitive strategies on performance of public universities in Kenya. *Unpublished MBA Thesis*, 57.
- Stock, J. R., & Boyer, S. L. (2009). Developing a consensus definition of supply chain management: a qualitative study. *International Journal of Physical Distribution & Logistics Management*.