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ABSTRACT

The transport industry in Kenya has undergone drastic changes. This has compelled the government of Kenya to modernize railway services in the country to attain competitive advantage. Indeed, Kenya Railways Corporation (KRC) has been revamping transport in the rail sector to maximize service efficiency, reliability and safety. Despite this, Nairobi-Kisumu Meter Gauge Railway Services has not performed well as anticipated due to several challenges. KRC has now resorted to night travel only due to low demand. This has rendered the services uncompetitive. This study sought to evaluate the relationship between differentiation strategy and performance of the Nairobi- Kisumu Meter Railway Services in Kenya. This study adopted a mixed research approach. The research design was descriptive in nature. The target population comprised of all 20-management staff working under this rail services. The study used census method to incorporate the whole management team in the research. Primary data was gathered by use of semi structured questionnaires. Data collected was analyzed by use of both descriptive and inferential statistics. The hypotheses were tested at a significance level of 0.05. Findings reveal that differentiation strategy has a statistically significant relationship with the performance of the railway service. The study concluded that management enhances the application of differentiation strategy to boost performance to great heights. The findings of this study will enable stakeholders at KRC and the industry players to formulate and implement strategies that would help them attain competitive advantage in the market.

Keywords: *Differentiation, Meter Gauge Railway, Strategy, performance*

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INTRODUCTION

Globalization has compelled organizations in the transport industry to adopt market driven strategies to survive in their endeavors. Railway transport is key in the development of the economy in many nations. However, this industry experiences fierce competition from rival industries in the transport sector (Briginshaw, 2017). The railway system in Ukraine is one of the most advanced in Europe; it leads the continent in terms of volume of transportation and is crucial for transit in Europe. The basic goal of differentiation in the railway sector is to focus on passengers through improving on transportation services where demand is minimal, allowing them to avoid price competition with more potent rivals. The railway company is continually looking for fresh, new ways to separate its primary and supplementary services and offer a wide range of transportation options to the transport services. A service to rent train salons has been developed by the railway management. This service is provided to a certain group of people and is a customized variation of the standard transportation service (Lomotko, Prymachenko, & Hryhorova, 2019). In Europe, air-rail collaboration is more frequent than in other parts of the world. This is because there are more airports and railway stations which is a necessary prerequisite for air-rail integration. The goal of European transportation policy is to increase competition in the rail freight market in order to revitalize the rail transportation sector. The degree of cost pressure and customer expectations differ. Therefore, differentiation strategies are created to compete with the new entrants in light of various client needs. Customer segmentation is a tool used by rail transportation service providers in the deregulation process to efficiently apply customized marketing to specific target groups (Zeybek, 2018).

According to the World Bank (2020) report, a majority of railway lines in Africa are still in their initial state of construction, with little or no improvements after. Consequently, a majority of them have low capacity with low axle load, slow in speed, are poorly maintained and financed. This sorry state has subsisted for a long period of time. Morocco's rail network is among the most extensive and most robust in Africa. The major challenges facing rail transport in Morocco are constrained infrastructure and low freight volume (Rensma & Haamoumi, 2018). The demand for rail transport in Nigeria is approximated to be between 250 million tons of freight and 5 billion passengers annually. The railroad is unprofitable and has no impact on either demand or competition. Given that it only accounts for 1% of the transportation business, its strategic significance is still minimal. To compete against the common transport which is road transport, the operators in railway sector developed differentiation strategies which included offering lower prices, better products while on transit, and better services to attract customers (Ataguba, 2023).

Ogweno (2022) states that the Nairobi-Kisumu Meter Gauge Railway was started in 1927, in response to growing passenger traffic between Nairobi and Kisumu over the years. Owing to a multiplicity of problems, operations stopped in the year 2007. After substantial renovations of the old meter gauge line, the rail services were restored later in December 2021, after a 14-year break (Otieno,2021). The train has been making only one return journey per week, leaving Nairobi on Friday with a return journey on Sunday, which has been attributed to the relatively low number of passengers on the route. In Kenya, the Nairobi-Kisumu Meter Gauge Railway has implemented differentiation approaches to gain competitive advantage in the sub sector. Maina and Lewa (2020) concluded that the standard gauge railways adopt competitive strategies. Differentiation strategy ensured that the e standard gauge railways' products are clearly identifiable, which also fosters customer loyalty and draws in new customers.

Statement of the Problem

The Kenya government has injected substantial capital in the railway transport industry for a long time. Baraza (2021) reported that the Kenya government had planned to invest Ksh.32 billion to rehabilitate rail network in the financial year 2021-

2022. Previously Kenya Engineer (2020) had reported that the government had set aside Sh.3.7 billion in the 2020-2021 financial year for revamping of Nairobi-Nakuru rail route so as to act as supportive infrastructure for Kisumu port. This has been done solely to ease transport and provide revenue to the government. Differentiation of services has been intended to meet varied consumers tastes and preferences through the economic and first-class types of services (Kyrylenko, Petrovs'ka, Razumova & Novak, 2018). Restaurant services and electronic ticketing have been enhanced to make railway transport enjoyable (Kenya News Agency, 2022). Within Nairobi, Bus Rapid Transport System (BRTS) has been introduced to enable commuters access their places of work and destinations conveniently (Okenye,2022). Despite these changes, performance of the Nairobi-Kisumu Meter Gauge Railway continues to perform lowly than expected. Kenya Railway Corporation still faces a weak financial base, rivalry from faster road and pipeline transport, besides insecurity manifested by vandalism and encroachment on railway corridors (Masinde, 2016). He adds that high fuel prices and a bloated work force continue to hit this industry. The Nairobi-Kisumu route further encounters low freight and passenger volumes which threatens economic sustainability, slow speed on meter gauge line- an average of 12 hours from Nairobi to Kisumu as opposed to 7 hours by road (Maringa, 2021). If this current state continues, then the government of Kenya will lose millions of shillings and fail to revolutionize railway services in the country. More revenue will be lost as well as loss of jobs. The purpose of this investigation therefore was to evaluate the competitive approaches employed by KRC to improve the performance of Nairobi-Kisumu Meter Gauge Railway Services in Kenya.

Objective of the Study

This study's objective was to assess the relationship between differentiation strategy and the performance of Nairobi-Kisumu Meter Gauge Railway Services in Kenya.

The study was based on null hypothesis:

- **H_0**: There is no statistically significant relationship between differentiation strategy and the performance of Nairobi-Kisumu Meter Gauge Railway Services in Kenya

LITERATURE REVIEW

Underpinning Theory

This study was based on the resource-based view theory

Resource Based View Theory

The ultimate objective of any business is to achieve competitive advantage. The Resource Based View (RBV) was initially developed by Wernerfelt (1984). The main proposition of this theory is that the amount of resources owned and utilized by a firm impacts on its ability to acquire competitiveness. According to this theory therefore, an organization's source of competitiveness emanates from inside rather than outside the firm. The theory therefore holds that a firm can perform more than others by achieving a superior combination of its resources-physical, human and other resources (Newman ,2007). Physical resources include plant and equipment. It also includes financial resources and access to raw materials. Human resources include management capability, experience and know-how. Other authors have divided resources into tangible and intangible (Itami & Roehl,1987). Four tangible resources have been identified. Financial resources include its ability to generate internal funds and its borrowing power. Physical resources include plant and equipment and access to inputs. Organization resources refer to the capability of its formal reporting structure. Lastly, technology related resources refer to amount of patents, copyrights and trademarks owned by the firm. As for intangible resources, three classifications have emerged. Human resources include staff skills and experience. Innovation resources include new product development potential. Lastly, reputation resources are those that improve the image of the firm in the eyes of stake

holders such as customer care and after sale services.

Barney (1999) contends that for a resource to grant competitive advantage to the enterprise, it must satisfy four principles. Firstly, it must be valuable. This means that it allows the enterprise to exploit its opportunities and neutralize threats. Secondly, it must be rare, meaning that it should not be easily available, otherwise competitors can acquire it and utilize it bas well. Thirdly, it should be inimitable, meaning that it should be difficult to replicate. A resource that can easily be replicated by rival firms loses the potential to afford long term competitiveness. The fourth criteria identified by Barney is that of organization. He opines that other than the resources themselves, the way the enterprise is organized and structured will have a bearing on its ability to deploy and exploit resources at its disposal. He especially cites effectiveness of the organization structure, control systems and compensation schemes. In conclusion, the Resource Based View provides a path that firms can use to acquire sustained competitive advantage. Organizations are therefore advised to perform an analysis of their internal resources before strategy formulation.

Differentiation Strategy and Organizational Performance

Githumbi (2017) specifically sought to determine whether the three aspects of differentiation -physical, product and service had impacted on the performance of these factories. Findings showed that product and service differentiation had a significant relationship with firm performance. However, physical differentiation had no significant impact on performance. Msinga, Ndinya, Ogada and Omido (2018) conducted a study to determine how differentiation strategy has influenced performance of insurance companies in Nairobi, Kenya. It was established that service differentiation had a moderate impact on performance of insurance companies. However, it was established that insurance firms applied differentiation strategy by offering unique product/service and in terms of unique image in the mind of customers.

Adegbite, Osinowo and Ayinde (2019) conducted a study to ascertain whether service differentiation had contributed to competitive advantage at the Nigeria Railway Corporation. It was concluded that service differentiation compared positively with performance, with a coefficient of determination of 0.48. It was established that passengers were especially persuaded by differentiated service in the form of interconnectivity with other forms of transport, more train stations and friendly staff. However, it was revealed that consumers were also swayed by a high standard of the underlying business itself, rather than differentiation alone. Critical attention would therefore have to be paid to the key aspects of availability, reliability and safety. It was also established that differentiation strategy appealed more to the up-market customers compared to those at the tail end. Korir (2017) did an inquiry to determine how differentiation strategies affected the performance of business entities ranging from Small to Medium in size (SMEs), and which were listed on the Nairobi Securities Exchange (NSE). The conclusion was that SMEs relied heavily on differentiation strategy to appeal to their customers bases. It was identified that differentiation was manifested in the form of product features, their physical appearance, performance and technical specifications.

METHODOLOGY

The study used a descriptive research design. Target population was (20) staff of the Kenya Railways which included the route manager in Nairobi, station manager at Kisumu and eighteen supervisors in Nairobi and all the five manned stations along the route. This research utilized census method, to incorporate the whole of the management team (twenty) in the survey. The study utilized primary data collected using questionnaires. The questionnaires were dropped and picked up later. Qualitative data was analyzed through content analysis, in which concepts and themes were

deduced from responses, whereas descriptive and inferential statistics were employed to evaluate quantitative data, such as mean, correlation and regression by the aid of SPSS version 24. Correlation analysis was used to establish the degree to which the generic strategies influenced firm performance. Regression analysis was used to determine the linear relationship between the dependent and independent variables. Analysis of Variance (ANOVA) was used to assess the significance of the model. The hypothesis was tested by use of suitable statistics at a confidence level of 0.05. The results were presented by use of appropriate tables and figures based on APA format.

FINDINGS

Descriptive Analysis on the Relationship between Differentiation Strategy and Performance of Meter gauge Rail Services

Table 1: Descriptive Analysis of Differentiation Strategy

Statements	Strongly disagree		Disagree		Not Sure		Agree		Strongly Agree		mean
	F	%	F	%	F	%	F	%	F	%	
The adoption of different categories of train seats has improved customer satisfaction.	0	0	3	18.8	0	0	10	62.5	3	18.8	3.81
The introduction of restaurant services inside the trains has led to customer satisfaction.	1	6.3	1	6.3	3	18.7	6	37.5	5	31.3	3.94
The adoption of wi-fi internet services has attracted customer to the railway line.	5	31.3	7	43.8	2	12.5	1	6.3	1	6.3	2.44
The introduction of electronic ticketing has improved service delivery.	0	0	2	12.5	0	0	11	68.8	3	18.8	3.94
The speed of the trains meets customer satisfaction.	5	31.3	6	37.5	2	12.5	1	6.3	2	1.5	2.31

N=16

Source: Researcher (2023)

Findings show that the staff agreed that; the introduction of restaurant services inside the trains has led to customer satisfaction (m=3.94), introduction of electronic ticketing has improved service delivery (m=3.94), and the adoption of different categories of train seats has improved customer satisfaction (m=3.81). The staff however disagreed that the adoption of Wi-fi internet services has attracted customer to the railway line (m=2.44), and speed of the trains meets customer satisfaction (m=2.31). Findings imply that the railways management is making efforts to improve customer service to enhance customer satisfaction. This is achieved through providing extra services such as catering, comfortable services, and security. The management staff however feel that the speed of the train is not satisfactory. The stations and the trains also do not have reliable internet that would help to entertain clients was they wait to board or in transit. Findings were in agreement with Adegbite, Osinowo and Ayinde (2019) that passengers are enticed with different services offered while on transit. Customer satisfaction result to customer loyalty, more sales and eventually improved organization performance

Content Analysis on Differentiation Strategy on Performance of Meter Gauge Rail Services

Table 2: Strategies to Improve Services and Attract More Customers

Theme	Sub-theme
Train schedules	• Increase the weekly train schedules from one to at least thrice and maybe daily if possible • Observe timely departure of the trains
Hospitality	• Review foods and beverages prices • Avail variety of foods and drinks
System upgrade	• Upgrade systems to enhance ticketing efficiency • Installation of wi-fi in the trains • Improve on the booking system to improve on booking, ticket transfers, and cancellation
Staff training	• Customer service training to enhance customers care • Train controllers to be vigilant and give more attention to passenger train
Railway line upgrade	• Upgrade railway line from Nairobi to Kisumu to improve on speed

Source: Field Data, 2023

Content analysis results show that there are various strategies that can be taken to improve services and attract more customers to Nairobi-Kisumu Railway Services. The strategies include; strict adherence to set departure and arrival timeliness, improving hospitality services, upgrading ticketing and checking in systems, staff training, and railway line upgrade.

Table 3: Performance of Railway Services

Statements	Strongly disagree		Disagree		Not Sure		Agree		Strongly Agree		mean
	F	%	F	%	F	%	F	%	F	%	
The operations of the railway services have freights and passengers service	1	6.3	2	12.5	1	6.3	7	43.8	5	31.3	3.81
There is customer satisfaction on the railway services	0	0	2	12.5	1	6.3	13	81.3	0	0	3.69
The security of railway services is satisfactory	0	0	1	6.3	4	25.0	6	37.5	5	31.3	3.94
The railway services offered have increased competitive advantage	0	0	0	0	1	6.3	10	62.5	5	31.3	4.25
The railway services have earned the corporation adequate profits	7	43.8	5	31.3	0	0	4	25.0	0	0	2.25

N=16

Source: Researcher (2023)

Findings show that the management staff strongly agreed that the e railway services offered have increased competitive advantage of the corporation in the transport industry (m=4.25). The respondents further agreed that; the e security of railway services is satisfactory (m=3.94), the operations of the railway services have freights and passengers service (m=3.81), and there is customer satisfaction on the railway services (m=3.69). The staff however disagreed that railway services have earned the corporation adequate profits (m=2.25). Findings imply that although the customers are satisfied with the services and security, railway corporation is yet to achieve adequate profits. Findings are in support of Masinde (2016) that performance of the Nairobi-Kisumu Meter Gauge

Railway continues to perform lowly than expected. The rail service has however increased competition in the transport sector in Kenya.

Correlation Analysis of Differentiation Strategy on Performance of Meter Gauge Rail Services

Table 4: Correlation Analysis

Variables		Performance	Differentiation
Performance	Pearson Correlation	1	
	Sig. (2-tailed)	16	
	N		
Differentiation	Pearson Correlation	.523**	1
	Sig. (2-tailed)	.038	
	N	16	

Source: Researcher (2023)

Results show that there is a strong significant relationship between differentiation management and performance of railway services (r=0.523, r=0.038).

Regression Analysis of Differentiation Strategy on Performance of Meter Gauge Rail Services

Table 4: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	**Std. Error**	**Beta**		
Constant/Y Intercept	7.255	2.485		2.919	.013
Differentiation	.497	.281	.347	1.766	.013

Source: Researcher (2023)

Findings show that holding all other factors at constant zero, performance of Nairobi-Kisumu Meter Gauge Railway Services in Kenya would be 7.255. Findings also show that a unit increase in differentiation strategy would cause a unit change in performance by a factor of 0.497. The change is also significant as shown by a p value if 0.013.

Hypothesis Testing

In order to establish the effect of cost leadership, differentiation and focus on performance of the Nairobi-Kisumu meter gauge railway services, the null hypotheses were tested.

Decision rule: The null hypothesis is rejected if the computed p-value is less than the significance level 0.05

The null hypothesis stated that ''there is no statistically significant effect of differentiation strategy on the performance of Nairobi-Kisumu Meter Gauge Railway Services in Kenya'' Correlation findings however show that there is a significant relationship between differentiation strategy and the performance of Nairobi-Kisumu Meter Gauge Railway Services in Kenya (r=0.523, r=0.038). Similarly, regression findings show that a unit change in differentiation strategy causes a significant change in differentiation strategy (sig.=0.013). The researcher hence rejects the null hypothesis and accepts the alternative hypotheses since there is statistical evidence to support the claim that there is a significant relationship between differentiation strategy and the performance of Nairobi-Kisumu Meter Gauge Railway Services in Kenya.

Discussion of Findings

Findings are inn agreement with Msinga Ndinya, Ogada and Omido (2018) that differentiation

strategy had a positive impact on performance with a coefficient of correlation r=0.427.Findings are also in agreement with Adhiambo (2018) who recommended that firms leverage differentiation in respect to value addition, promotional strategies and distribution channels Findings also agree with Githumbi (2017) that product and service differentiation had a significant effect on performance. In respect to differentiation, the results closely agree with Adimo (2018) who established a beta factor of 0.534 in respect of the effect of differentiation strategy on performance. The findings are also in agreement with Mbugua (2019) that there is a strong significant relationship between differentiation and organization performance.

CONCLUSION

The findings of this study established a significant positive relationship between differentiation strategy and performance of Nairobi-Kisumu Meter Gauge Railway Services in Kenya. Electronic ticked also enables the customers to book their trip from any location hence it considered a more convenient way of booking a trip to preferred destination. The customers are also at liberty to choose where to board in the seat; this includes the first and economy class. The customers can also choose a seat location that makes travel comfortably. These attributes differentiate the railway services from other transportation means and the uniqueness gives them a certain type of customer base which enables them to compete effectively and out-perform their competitors in a changing environment. The application of differentiation strategy leads to improvement in performance of the Nairobi-Kisumu meter gauge Railway Services.

RECOMMENDATIONS

The researcher recommends that restaurant services should be enhanced with a variety of foods and drinks to attract more passengers. Electronic ticketing should be sustained and the ticketing system itself upgraded to improve service delivery. The speed of trains should be improved to enhance customer satisfaction. The weekly train trips should be increased to at least three. Management should improve on booking system to address ticket transfers and cancellations. Staff should be trained to improve efficiency of service.

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