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Influence of Differentiation Strategy on Firm Performance in the Shipping Industry in Kenya

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ABSTRACT

The purpose of this Differentiation is the capability of a firm to produce some product lines or many variations in a line. Many firms operating in a globalized economy at one point need to have this strategy so that they can be able to grow and have a competitive edge study is to examine how differentiation strategy influences firm performance in the shipping industry. The study is based on theoretical review of Michael porter and Bowmans generic clock hose work in understanding differentiation is globally appreciated by many scholars. The researcher used mixed research design including qualitative research design and quantitative research. The total population of this study involves 76 shipping lines, shipping agencies and cargo consolidators. The target respondents under this study are the firms that have been operational for more than five years in the industry from the date of incorporation including shipping lines, shipping agencies, cargo consolidators and top management of Kenya Maritime Authority. the study used SPSS version 27 to do data analysis. The findings show that well differentiated companies are able to cope better and perform better in changing business environment. Shipping industry is largely influenced by external factors to the firm. The researcher concludes that differentiation strategy chosen can directly influence the performance of firms operating in the shipping industry.

Key terms: shipping lines, diffrentiation, focus diffrentiation, hybrid diffrentiation.

Background of the study

Strategic management analyses the major initiatives taken by a company's top management on behalf of owners, involving resources and performance within its internal and external environments. It entails specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, projects and programs, (Johnson & Scholes, 2010). A balanced scorecard is often used to evaluate the overall performance of the business and its progress towards objectives (Kaplan & Norton, 2008).

Yip, (2013) said that Merchant shipping is one of the most heavily regulated industries and was amongst the first to adopt widely implemented international safety standards. Regulations concerning shipping are developed at the global level. Because shipping is inherently international, it is vital that shipping is subject to uniform regulations on matters such as construction standards, navigational rules and standards of crew competence. The alternative would be a plethora of conflicting national regulations resulting in commercial distortion and administrative confusion which would compromise the efficiency of world trade. The shipping industry is principally regulated by the International Maritime Organization (IMO), which is the London based United Nations agency responsible for the safety of life at sea and the protection of the marine environment. The International Labour Organisation (ILO) is also responsible for the development of labour standards applicable to seafarers worldwide (Rodrigue & Notteboom, 2012).

Firm performance will be measured by marketshare and profitability. Many firms use market share and profitability to set marketing goals and monitor performance. Recent meta-analytic research reveals the average economic impact of market share performance and identifies some factors affecting its value.

However, empirical understanding of why any market share–profit relationship exists and varies is limited. different authors examine the three primary theoretical mechanisms linking firm market share with profit. On average, they find that most of the variance in market share's positive effect on firm profit is explained by market power and quality signalling, with little support for operating efficiency as a mechanism.

Specific objective

To find out how diffrentiation strategy influences firm performance in the shipping industry in Kenya.

LITERATURE REVIEW

One scholar, Doh, (2011), said that Competitive strategy is a company's unique skills and resources working to implement strategies that competitors cannot implement effectively. Understanding your competitive advantage is critical. It is the reason you are in business. It is what you do best that draws customers to buy your product/service instead of your competitor's. Hamel, & Prahalad, (1994) said that extremely successful companies deliberately make choices to be unique and different in activities that they are really good at and they focus all of their energy in these areas. It is not enough just to have an advantage over your competitors. For your business to be great, it needs to weather competitive and environmental storms. You have to be able to combat today's fierce market forces and uncertainty. In other words, your competitive advantage needs to be sustainable and able to endure the test of time for your company to be great because most advantages can be duplicated within a period of time (Wit & Meyer, 2008).

Differentiated business strategies are among the two basic types of competitive strategies companies can use to distinguish themselves in the market. The other general category of competitive strategies is the low-cost strategy. In essence, companies can either compete to become the low-cost provider in an industry or take advantage of one of the many possible ways to differentiate themselves from competitors to drive business. In general, much more room exists in most industries for differentiated business strategies than for low-cost strategies Hamel, & Prahalad, (1994). Ultimately, only one company can survive as the true low-cost provider in an industry. Being the second-lowest or third-lowest provider does not typically work well as a marketing strategy. In some industries, several companies compete as low- cost providers, but most often, one company wins out or limited profits are spread around. Thus, any companies not wanting to engage in a high-risk battle as a low-cost provider must opt for a differentiated approach.

Well-known management expert and author Porter, (2002) followed up on his famous five forces of competition model by noting four basic competitive-advantage strategies. They include cost focus and cost leadership, along with differentiation and differentiation focus. Cost focus and cost leadership are both approaches to become the low-cost leader. Differentiation and differentiation focus are two similar but distinct differentiation strategies to establish a strong marketplace position Hamel, & Prahalad, (1994). Differentiation essentially means making your business or brand stand out by offering unique features, benefits, services or other elements of your solution (Bowman, 1997).

Differentiation means identifying the most important criteria used by buyers in your market and then designing product, service or other offerings in a way that best meets those criteria. Offering the highest-quality product, the best solution, an exclusive feature or tool or organic materials are examples of ways to differentiate on certain criteria (Bowman, 1997). Differentiation strategies coincide with higher price points than low-cost providers because it costs more money to provide a better overall solution. Emphasizing the value-added elements above the low-cost options is key (Wit & Meyer, 2008). Differentiation focus has basic similarities to differentiation, but the focus is on one or a small number of target market segments. In some industries, very distinct market segments want very different things from a product or service. With a differentiation focus, your business center on a given segment or two with which your strengths best align. This more-focused approach allows you to maximize efforts in marketing to the selected segments and invest your ad resources to convince the segments of your brand's superior benefits Porter, (2002), states that it is incredibly arrogant for a company to believe that it can deliver the same sort of product/service that its rivals do and actually do better for very long. It is extremely dangerous to bet on the incompetence of your competitors. First, assess what your company does best by looking at what you are good at and what you are not good at. Turn it into a competitive advantage by focusing your energy on these activities. Lastly, make it something that will endure by continually developing and working at it (Wit & Meyer, 2008). A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus (Bowman, 1997).

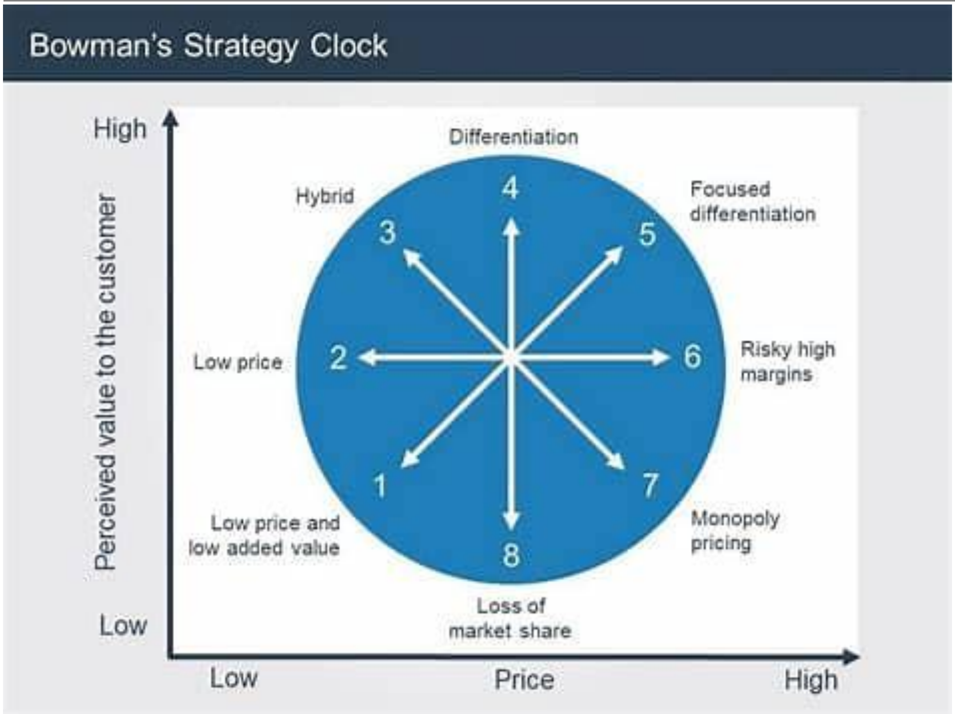
Porter (2008), highlights that in cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average. Porter, (2008) further explains that in a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price. The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. The focus strategy has two variants. In cost focus a firm seeks a cost advantage in its target segment, while in Differentiation focus a firm seeks differentiation in its target segment (Doh, 2011).

Creation of a differentiation competitive advantage, a company must produce unique products which will be rewarded by premium prices or higher market shares or both. There are several ways to differentiate, including quality, design, credibility, efficiency, innovation, customer service and good reputation (Barney, 2000). In order to achieve a differentiation advantage, a company must optimize its: Product features and performance, by improving among others the quality of inputs and design, Complementary services like delivery and repair, Marketing activities, Technology embodied in design and manufacture, Design of processes, Experience and skills of employees and Location.

Firms that are successful in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow geographic market segment, or to a particular buyer group or segment (Porter, 2002). They also target market segments that are less vulnerable to substitutes or where a competition is weakest in order to earn above-average return on investment Whereas low cost and differentiation strategies are aimed at achieving their objective industry wide, focus is build around serving a particular target or niche extremely well. The strategy is based on the assertion that the firm can serve its narrow strategic target more effectively or efficiently than more broadly based competitors (Bowman, 1997).

The firm may achieve differentiation from better meeting the needs of the particular target or lower costs in serving the target, and may even achieve both (Hofer & Schendel, 1975). Even though the focus strategy does not achieve low cost or differentiation from the perspective of the market as a whole, it does achieve one or both in its narrow market target. Often the focus strategy of filling a limited need or offering a product that only a few will purchase, allows for products to be priced at a premium since the firm is satisfying a small group of consumers. Hofer & Schendel, (1975), said that most successful midsize growth companies are leaders in market niches, often in markets they have created through innovation. Such niche strategies are often born of necessity, since these firms lack the resources to fight openly, they succeed by seeking out niches that are too small to be of interest to larger competitors. Alternatively, some firms select niches that can be sustained and protected by serving customers extremely well (Porter, 2002).

In strategic differentiation, positioning of products is important. Bowman’s Strategic Clock is a model that explores the options for strategic positioning – that is how a product should be positioned to give it the most competitive position in the market. The purpose of the clock is to illustrate that a business will have a variety of options of how to position a product based on 'two dimensions – price and perceived value (Barney, 2000).



Low Price and Low Value Added (Position 1) is not a very competitive position for a business. The product is not differentiated and the customer perceives very little value, despite a low price. This is a bargain basement strategy. The only way to remain competitive is to be as "cheap as chips" and hope that no-one else is able to undercut you. Low Price (Position 2) is the case where Businesses position themselves look to be the low-cost leaders in a market (Porter, 2002). A strategy of cost minimization is required for this to be successful, often associated with economies of scale. Profit margins on each product are low, but the high volume of output can still generate high overall profits. Competition amongst businesses with a low price position is usually intense – often involving price wars.

In Hybrid (Position 3) as the name implies, a hybrid position involves some element of low price (relative to the competition), but also some product differentiation. The aim is to persuade consumers that there is good added value through the combination of a reasonable price and acceptable product differentiation (Buss, & Kuyvenhofen, 2011). This can be a very effective positioning strategy, particularly if the added value involved is offered consistently (Bowman & Ambrosini, 1997). Differentiation (Position 4) aim is to offer customers the highest level of perceived added value. Branding plays a key role in this strategy, as does product quality. A high quality product with strong brand awareness and loyalty is perhaps best-placed to achieve the relatively prices and added-value that a differentiation strategy requires (Hofer & Schendel, 1975). Focused Differentiation (Position 5) strategy aims to position a product at the highest price levels, where customers buy the product because of the high perceived value. This the positioning strategy adopted by luxury brands, who aim to achieve premium prices by highly targeted segmentation, promotion and distribution. Done successfully, this strategy can lead to very high profit margins, but only the very best products and brands can sustain the strategy in the long-term (Bowman & Ambrosini, 1997).

Risky High Margins (Position 6) is a high risk positioning strategy that you might argue is doomed to failure – eventually (Bowman & Ambrosini, 1997). With this strategy, the business sets high prices without offering anything extra in terms of perceived value. If customers continue to buy at these high prices, the profits can be high. But, eventually customers will find a better-positioned product that offers more perceived value for the same or lower price. Other than in the short-term, this is an uncompetitive strategy. Being able to sell for a price premium without justification is tough in any normal competitive market. Monopoly Pricing (Position 7) is where there is a monopoly in a market, there is only one business offering the product (Hofer & Schendel, 1975). The monopolist doesn't need to be too concerned about what value the customer perceives in the product – the only choice they have is to buy or not. There are no alternatives. In theory the monopolist can set whatever price they wish. Fortunately, in most countries, monopolies are tightly regulated to prevent them from setting prices as they wish. Loss of Market Share (Position 8) position is a recipe for disaster in any competitive market. Setting a middle-range or standard price for a product with low perceived value is unlikely to win over many consumers who will have much better options (e.g. higher value for the same price from other competitors). Looking at the Strategy Clock in overview, you should be able to see that three of the positions (6, 7 and 8) are uncompetitive. These are the ones where price is greater than perceived value. Provided that the market is operating competitively, there will always be competitors that offer a higher perceived value for the same price, or the same perceived value for a lower price (Bowman & Ambrosini, 1997).

Differentiation Strategy

The researcher sought to find out the different strategies shipping companies are applying in their companies with the view to find out how unique their products are. Differentiation strategy calls for development of a product or service that offers unique attributes that are valued by the customers and that customers perceives to be better than or different from the products of the competitor. It is an approach under which a firm aims to develop and market unique products for different customer segments. Differentiation strategy is an integrated set of action designed to produce or deliver goods or services that customers perceive as being different in ways that are important to them. It calls for one to sell non standardized products to customers with unique needs. The differentiation approaches being examined by the researcher are focused and hybrid.

a) Focused differentiation strategy

Focused differentiation strategy combines elements of two of the three generic business strategies identified by Porter 2009, which he said apply to companies in all markets and industries are cost leadership, differentiation and focus. A focused differentiation strategy means targeting a small group of customers with differentiated products. At the heart of a focused strategy is the ability to generate strong customer loyalty by tailoring your business to the needs of a small group. When one provides products with attributes most valued by this niche market segment, you establish a reputation of quality, service and excellence based on the needs of that group. This is in line with the findings whereby the researcher established that 40% of the companies regularly introducing new products to a small market segment. Another 40% of the companies interviewed by the researcher said that they focused on specific niche or segment in the market. This was prevalent in shipping companies. Only 20% of the respondents indicated that they failed to place their products and services in specific niches. All these findings are in tandem with what porter (2003) had established of companies who concentrate on small market segments do exemplarily well. Porter found out that when companies target their market segments and devote resources to them, they did quite well and succeeded in all they did.

Also, the respondents added that when one succeeds in providing products and services with a strong reputation to a niche market, one can charge premium prices, resulting in high profit margins for your business. Producing or acquiring products that are bigger and better than the competition often means a higher cost basis. However, customers are usually willing to pay prices that more than cover the added costs because of the extra value they perceive with your brand and products. This thus guarantees limited competition. This according to the respondents explains why shipping lines are quite minimal hence enabling high profit margins. Inherent in a successful focused differentiation strategy is the ability to serve the needs of a specific customer group better than competitors that go after a broader market. Once a company is entrenched as a leader in providing to a niche market, you cause other competitors to look elsewhere for other niche markets or to the broader market. A successful case in point is mearsk sea line shipping company. Further the respondents added that because of the emphasis on meetings needs of a more narrow segment, focused differentiators can more quickly adapt to changing product demands and expectations (Ansoff & Donnell,1994). Customer focus groups, customer interaction and other research tools are used to find out what customers like and don't like about current products. It is much easier for a focused company to address small-market needs efficiently than for a company targeting a larger market to learn and react to needs of each customer segment (Porter, 2004).

b) Hybrid strategy

The postulate of the incompatibility of cost and differentiation advantages is considered disproved from a current viewpoint (Ansoff & Donnell, 1994). Thanks to modern production technologies and organizational structures, it is now possible to achieve both high quality and productivity at the same time. More importantly, pursuing singular generic strategies is considered to be no longer sufficient in today's competitive environment. Increased competition and cost pressures as side effects of globalization as well as changing customer expectations require companies to adopt a multidimensional strategic approach (Ansoff & Donnell, 1994). These days, most customers expect to get everything at once: differentiated, high-quality products combined with excellent service at a low price. Hybrid strategies that integrate cost and differentiation advantages represent a way for companies to respond to these changes in the competitive environment more flexibly and effectively and stay competitive (Piller & Schoder, 1999).

Gilbert & Strebel, (1987) said that first concentrate on one of the two strategic options, and then the other. For instance, Zajac & Bazerman, (1991) said that an innovative company may first undergo a phase of differentiation in which it markets a new product that offers high value to customers and can be sold at a premium price. Next it needs to push back any competitors that will inevitably appear on the scene by making a strategic shift to gaining cost leadership. Through product and process standardization, the innovative company lowers the prices enabling it to sustain its competitive advantage. With the development of new products, the cycle repeats.

Also Zajac & Bazerman, 1991) said that the other form of hybrid is simultaneous strategies that aim to generate cost and differentiation advantages at the same time. One way to achieve that is mass customization that is by producing customized products at a price similar to those of mass-produced products. Customization is often achieved through design or mixing-and-matching of components. Some key success factors for the implementation of hybrid strategies are innovative strength, close orientation towards customer needs, and organizational learning. In addition, just like generic strategies, hybrid strategies require companies to make consistent strategic decisions how to pursue competitive advantages and align resources and capabilities accordingly. Otherwise, they may indeed fall into the "stuck in the middle" trap

METHODOLOGY

The research used descriptive research design that lets a researcher gather information by interviewing or administering a questionnaire to a representative sample drawn from the target population without manipulating the variables (Orodho, 2012). The design was appropriate because the data was collected and analyzed as it exists in the field. A sample of 223 was obtained. Primary data was collected using questionnaires while company websites and publications were used to obtain secondary data. The main method of data analysis is multiple linear regression models based on the fact that the study has several strategy choices and regression models are best placed to do the analysis.

Research findings

This strategy describes how a company pursues competitive advantage across its chosen market scope trough differentiation. It integrates cost and differentiation advantages. Companies that implement both strategies are better prepared to adapt to environmental changes, learning new skills and adopt new technologies. When a company implements a hybrid strategy creates more sources of competitive advantages than those created with a single competitive strategy. The researcher found out that emerging new internet capabilities and application have to a large extent affected the companies. Another 54.96% of the respondents show hybrid strategy with internet affects business performance to a large extent while 38.17% of the respondents indicated that emerging new internet capabilities and applications affect their business performance. Only 6.8% of the respondents indicated that these new trends affect their performance. A whole 54.96% of the respondents indicated that containerization technology has adopted by their companies to a large effect. In addition, 32.06% of the respondents indicated that their companies have adopted the containerization technology to some extent while 12.98% of the respondents said that the companies have adopted containerization technology to a very large extent. Shipping is virtually global operation hence global market operation is a key attribute of enhancing hybrid strategy. A total of 43.51% of the respondents indicated that companies that easily adopt global market innovation do better than others to some extent; another 38.17% of the respondents indicated that to a great extent, companies that adopt global market innovation do better than others and venture into new markets.

A total of 18.32% of the respondents indicated that to some little extent global market innovations affect operations of the shipping industry. Another key variable tested in hybrid strategy is shift from using conventional ships to purpose-built ships. This variable generated different views as analyzed by the researcher. Also, 43.51% of the respondents indicated that to some extent purpose-built ships have affected conventional ships. This requires the companies to adapt to purpose-built ships. Forty eight percent of the respondents indicated that to a large extent the shape of a ship affects the performance of shipping companies. Only 4.5% of the respondents indicated that to a small extent; shape affects their performance. Additional information from the Cargo consolidations was sought through interviews to establish why shape is important. Also shipping agencies indicated that by 3.8% purpose-built ships affect business performance to a very large extent.

Growing clients' preference of differentiated products and services is an important factor that can make hybrid strategy better. Only 63% respondents responded to this question with 79.37% of them indicating that there is a growing need for differentiated products and services to a large extent. Also, 19.05% of the respondents indicated that to a small extent customer's demand differentiated products. Through interview, the researchers sought more information regarding this scenario and established that customers largely want efficiency and effectiveness. Most companies in the maritime operations require scheduled ships that they can entrust with their businesses. For the Cargo consolidations, there is efficiency derives their customer demands. By the virtue of shipping operations being global several respondents said regulatory influence of international maritime organization and United Nations affects their operations by 42.75% to a small extent. Another 44.27% of the respondents said to a large extent, regulation of IMO and United Nation affects the shipping industry 17.55% of the respondents were differentiated. When the interviewer interviewed respondents on how companies describe their competitive advantage several answers were obtained some of them revolved around innovation, uniqueness, quality and value.

The researcher wanted to find out other variables that affect competitive advantage of a company and the respondents identifies several of them. Key to the companies as far as the respondents are concerned is location. Many companies choose their current location (place strategy) based on the activities they do. Along the Indian Ocean and Kenya ports authority most of the activities identified earlier thrive. This information was clearly confirmed by Kenya maritime authority where a list of companies operating in the shipping industry was obtained. This confirmed the view that a company's location is important while addressing competitive advantage. Ninety two percent of the companies showed that their head offices are in Mombasa with 5.34% of the companies have their head office in Nairobi and only 3.05% of shipping companies have their head office in Kisumu and other towns.

Also, well-tailored services for a variety of ships are a factor that was identified by 35.88% of the interviewed companies. This is close to differentiation. Only those firms that are well differentiated satisfy their customer requirements. Pricing is a factor identified by over 67.94% of the respondents. This was identified through interviews. Seeking well established companies and network with them is a common factor identified by 77.86% of the respondents. This is particularly important because of the risks involved in the business. Networks that are reliable enhance business success. Networking is a socioeconomic business activity by which businesspeople and entrepreneurs meet to form business relationships and to recognize, create, or act upon business opportunities, share information and seek potential partners for ventures.

Three percent of the cargo consolidators and agencies indicated that success of their business depends on marketing and pricing. This is important consideration for them because they are agents of a main company somewhere hence marketing and pricing are important varieties that place their companies above others. Other factors correctly obtained through interview were creating specific niche of cheap. Establishing a wide range of charitable base and quality customer service. All these factors affect business directly and each company should strategize on building its own competitive advantage.

Linear Regression Models for Differentiation Strategy

The coefficient of determination (R2) and correlation coefficient (R) shows the degree of association between strategy choices made and firm performance in the shipping industry in Kenya. The average results of the linear regression indicate that R2=.789 and R= .888 this is an indication that there is a strong linear relationship between differentiation strategy and firm performance. This implies that any positive change in differentiation, there is always a positive change in the firm's profitability. Small bone and Welter (2001) and Hisrich & Drnovsek (2002), found that firm performance as measured by profitability, market share and growth have a positive impact on the performance of firms operating in the shipping industry in Kenya. It can be inferred that firm performance is directly dependent on differentiation strategy, global business strategy and corporate governance as these are the key determinants that the researcher sort to study.

Table 1 ANOVA test for differentiation strategy

Model of relationship established

Model Summary	
R	**R Square**
0.888	0.786

Results of ANOVA test reveal that competitive advantage of firm performance is proportionate to its differentiation strategy. Since the P value is actual 0.045 which is less than 5% level of significance. This is depicted by linear regression model Y=B0+B1X1+E where X1 is the differentiation and the P value was 0.045 implying that the model Y=B0+B1X1+Ewas significant. The table below shows that there is a positive relationship between differentiation strategy and its performance in the shipping industry.

Table 4. 7 ANOVAa

Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Regression	6.131	1	6.131	4.063	.045[b]
Residual	285.199	131	1.509	—	—
Total	291.33	132	—	—	—

a. Dependent Variable: firm performance

b. Predictors: differentiation strategy

The results shown in table 4.22 above indicate that differentiation strategies have a significant positive influence on firm performance. This is shown by the regression analysis value of f – Calculated which is greater than 2 (i.e. 6.855) and P Value is 0.018 at 95% level of significance that is less than 5% confidence level. Therefore any company that practices some form of differentiation, whether is focused or hybrid, tends to realize higher profits, higher market share and a strong customer base. Several scholars whose work was reviewed under this objective show that differentiation is key to any type of business. As put by porter, (2002) In an industry where differentiation has been absent, or at best difficult to achieve, there exists a growing belief amongst industry leaders that competitive advantage can be secured through providing a higher level intermodal service with a global network. This research identified these and other important strategic management issues relating to container shipping. It compares strategies adopted by industry leaders like mearsk Sealine service Inc, Evergreen, Mediterranean shipping company among others. All these companies are in the same business and yet the firms are appearing to exhibit different modes of operation.

Profitability

On profitability, most respondents said that profits are stable, steady and growing. However, in the environment where the currencies are weakening against the dollars, and clients demanding much lower freight levels, profits fluctuate. Decline in global container shipping freight rates is anticipated to have been as great as 9% last year and Drewry is forecasting that carrier unit revenues will decline further in 2016, albeit at a slightly slower pace. Excluding 2009, the past 12 months has seen the lowest spot rates in most major trade lanes and all at the same time. This is not solely due to fundamental supply/demand imbalances caused by weak volumes and over supply. Many stakeholders point to the fact that bunker prices of for example $140 per tonne in Rotterdam (IFO380) are clearly contributing to lower overall container freight rates, but Drewry believes that a new and worrying trend has become apparent for ocean carriers. Our most recent data suggests that they are no longer able to cut costs faster than the prevailing declines seen in the freight rate market. Drewry believes that oil prices have probably hit the market bottom right now and costs for the positioning of empty containers and vessel lay ups will increase this year. Our latest calculation is that a 10,000 the vessel would incur a minimum of $450,000 in reactivation costs if laid up in Asia for three months or more. It should also not be forgotten that many lines no longer even quote a BAF on some trade lanes. The consequence of this is that Drewry expects industry losses to widen to over $5bn in 2016.

Market share

Market companies, said that they are flexible in handling various clients both in public and private section. On average most companies interviewed have on average 11% global presence. Some that are targeting local market have good relations commendable market share and comfortable. Market share is the percentage of a market (defined in terms of either units or revenue) accounted for by a specific entity. "Marketers need to be able to translate and incorporate sales targets into market share because this will demonstrate whether forecasts are to be attained by growing with the market or by capturing share from competitors. The latter will almost always be more difficult to achieve. Market share is closely monitored for signs of change in the competitive landscape, and it frequently drives strategic or tactical action. Increasing market share is one of the most important objectives of business. The main advantage of using market share as a measure of firm performance is that it is less dependent upon macro environmental variables such as the state of the economy or changes in tax policy. However, increasing market share may be dangerous for makers of fungible hazardous products, particularly products sold into the Kenyan market, where they may be subject to market share liability.

SUMMARY OF FINDINGS

The researcher established that there are different differentiation strategies applied in the shipping industry. The key differentiation strategies that the researcher identified and studied them and data collection was done were focused and hybrid. It was established that many firms operating in the shipping industry are focused on specific market segments and niche. The researcher also found out that there are a few companies that do not place their products in market segments. Specifically in this research, these were found to be cargo consolidators. Also, the researcher found out that there are several emerging technologies that are forcing companies to remain innovative and that globalization challenges are real. So for them to cope in the present market and probably venture into new markets and countries, there is need for them to adopt hybrid differentiation strategy and have different ways of doing business being influenced by different factors as they emerge. It is interesting to note that very many firms in the shipping industry have no specific strategy approach. Rather, they are always adopting a strategy that is going to work under the prevailing circumstances. Therefore, the researcher can clearly say that differentiation strategy chosen can directly influence the performance of firms operating in the shipping industry

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Questionnaire

Competitive strategies

1. The table below represents various aspects regarding to what extent firms adopt strategies to remain competent in the market. Kindly indicate your rating of 1-5 where 5 is great extent, 4 is moderate extent, 3 is neutral, 2 is low extent and 1 is no extent

a) Hybrid strategy

Statement	**1**	**2**	**3**	**4**	**5**
Introduced unique features to a product or service					
Introduced new unique products or services					
Marketing channels through which products and services are delivered					
Improved service network that supports those products and services					

b) Focus Strategy

Statement	**1**	**2**	**3**	**4**	**5**
Focused on a specific niche / segment in the market					
Offering specialized products or services to that niche/ market					
Expanded branch network to isolated geographical areas					
Tailored products and services to the demand of small and medium sized customers					

2. What is your firm's competitive advantage? --

And if you do, are you focusing on it? --------------------------------------

3. In a scale of 1-5, rate how a clear understanding of the following enhances competitiveness where 5 indicates great extent, 4 indicated good extent, 3 indicates average, 2 indicates some extent and 1 indicates not at all

Statement	**1**	**2**	**3**	**4**	**5**
Types of ship available					
The size of the ship					
The sea route					
Market of the cargo					
Type of cargo					
Trend of containerization					