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THE EFFECT OF PRODUCT DIFFERENTIATION STRATEGIES ON THE PERFORMANCE OF COMMERCIAL BANKS IN ZIMBABWE

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ABSTRACT

This study investigated the effect of product differentiation techniques on the performance of commercial banks in Zimbabwe. The study followed a quantitative research approach and a purposive random sampling method to select respondents. A 5-point Likert scale questionnaire was used to collect data from 130 managers and supervisors of 13 commercial banks in the Bulawayo Metropolitan Province. Data analysis followed Partial Least Squares SEM (PLS-SEM) to test the hypothesis. The findings indicated that all five product differentiation techniques, namely quality, service, pricing, features, and reputation, had a positive effect on the performance of commercial banks in Zimbabwe. Therefore, Zimbabwean commercial banks should adopt product differentiation strategies to meet the demands of customers who, in the 21st century, expect quality products and services. These strategies, will help managers and supervisors make precise strategic business decisions to counter hyperinflationary pressures, allocate resources, mitigate risk, withstand intense competitive rivalry, and, above all, cope with the strict regulations of the Reserve Bank of Zimbabwe.

Keywords: Product differentiation techniques and strategies, commercial bank performance, Reserve Bank of Zimbabwe.

INTRODUCTION

The 21st century global economy requires companies to produce and supply quality products and services to compete effectively in competitive global markets. As a result, companies strive to outpace each other by providing their customers with quality products enhanced with unique tangible and

intangible features to attain competitive advantage (Thompson et al., 2020). Adimo (2018) points out that the best route to attaining competitive advantage is for a company to differentiate its products and services by increasing their perceived value. Porter (1985) argues that differentiated products and services form the basis for a company to attain superior performance when it occupies a position above its rivals in an industry. In his competitive strategies' typology, Porter (1985) has argued that a company can differentiate its products broadly or narrowly, concentrating on a particular niche market, in a bid to secure a competitive advantage. Chege et al. (2018), citing Pearce et al. (2009), concur, stating that differentiation strategies do not only result in the development of unique products or services, but also in strengthening a company's strategic position, leading to superior performance at the expense of its rivals.

Across all economies, a robust and sound banking sector is a key determinant of growth and development in line with the dictates of the 21st-century global economy (Maity & Sahu, 2019; Ali, 2020). Despite going through four phases marked by challenges from 1980–2014 (Abel & Le Roux, 2017; Abel et al., 2018), the Zimbabwe banking sector is still sound, and constitutes a major component of the Zimbabwean economy (Tsaurai, 2018). Chirima and Chikochi (2016) note that the rapid pace of development in technology is compelling the banking sector globally to shun traditional banking methods in favour of internet banking. Besides, the use of mobile devices and internet connectivity allows customers to make their banking transactions from the confines of their homes. Abel et al. (2018) point out that competition amongst mobile telephone service providers is driving commercial banks to revisit their value chains, pricing models, and strategies to survive the prevailing intense competition. This development requires commercial banks to provide their customers with differentiated products and services; in this regard, the Zimbabwean commercial banks are not an exception. In Zimbabwe, the perceptions of product differentiation strategies of commercial bank managers and supervisors directly drive their strategic business decision-making. This is because banking institutions operate under tight regulations in a highly volatile business environment.

However, as banking institutions start introducing new products and services in line with global trends, most of their products lack differentiation to compete in global markets. The purpose of this study is to encourage Zimbabwean commercial banks to embrace product differentiation strategies to navigate the turbulent 21st century global economy, which is highly competitive and technologically driven by digital tools, automation, and artificial intelligence. They should, therefore embrace product differentiation strategies to enhance their strategic business decision-making processes to attract loyal, repeat customers, resulting in improved performance.

LITERATURE REVIEW

Porter's Generic Strategies Model

Porter (1980, 1985) developed a theory built around the following three strategic typologies: cost leadership, differentiation, and focus. He argued that the strategies were suitable for a single business unit (SBU) and that an SBU could employ any of the three to attain a competitive advantage. However, he advised companies not to employ all three strategies at once, but one at a time. Employing all three strategies could be problematic, as a company risked being stuck in the middle (Tanwar, 2013). Dirisu et al. (2013) stated that of the three, product differentiation stood out as the most preferred strategy that companies viewed as a source of competitive advantage. Companies, therefore had to develop this strategy in a unique way to reduce price sensitivity, entice customers, and improve brand loyalty (Porter,

1985; Thompson et al., 2020). Porter (1985) claimed that differentiation worked well when buyers were less price-sensitive. He further argued that product quality and its uniqueness were the main drivers of a company's production system. The cost leadership strategy involved offering standardized products or services at low prices to attain a larger market share. However, researchers like Tanwar (2013) thought otherwise, arguing that companies employing this strategy might fail to deliver competitive advantage as envisaged. Datta (2010) concurred and further argued that attaining a high market share was actually the result of employing a differentiation strategy backed by the provision of quality products. Besides, Datta (2010) believed that the term "premium price" lacked clarity and was loosely used. This researcher argued that businesses charging so-called "premium prices" seldom gained a high market share due to the soaring prices they charged beyond the reach of their customers. The present study has considered Porter's Generic Strategies for a single business unit since it provided Strategic Business Units (SBUs) with the ability to analyse an industry's competitive landscape, identify opportunities, and choose a generic competitive approach to achieve a sustainable competitive advantage. Thus, the SBU can either differentiate itself from competitors, focus on a niche market, or reduce costs to appeal to a broader market.

Product Differentiation

Extant literature reveals that product differentiation is the bedrock for organisational growth and profitability. Several authors in the fields of strategic marketing management and strategic management speak of product differentiation as a necessary route an organisation must take to attain competitive advantage. Strategy gurus like Porter (1980, 1985) have argued that differentiation is an unavoidable approach for companies' success in the 21st century global economy. Companies are now operating in a global economy where buyers are well informed about the quality and prices of products and services, hence their strong bargaining power (Porter, 1985; Thompson et al., 2020). Product differentiation, therefore refers to the situation when a company opts to stand out among other players in an industry by delivering unique products and services that rivals fail to match or imitate (Soegoto, 2018; Amar, 2015; Dirisu et al., 2013). In other words, buyers must perceive the company's offerings as unique and different from those of rivals. Nolega et al. (2015, p.102) concur, "A product is differentiated if consumers perceive it to have properties that make it distinct from rival products or services and ideally unique in some particular way and difficult to emulate". According to Porter (1985), product differentiation does not only involve producing products with unique features, but also the way the products are priced, marketed, and delivered to the market. Besides, a company must carefully select the attributes with which to differentiate and appear unique to its customers. Kotler and Armstrong (2021) point out that product differentiation involves many variables or attributes, such as durability, reliability, style, and quality, among others, from which a company can choose to differentiate itself. While it is clear that product differentiation is a source for growth and profitability leading to competitive advantage, many authors, including Thompson et al. (2020), Johnson et al. (2008), Porter (1985), and Kotler and Armstrong (2021), argue that market leaders usually rely on differentiation strategies to block competition by offering products whose features are unique and difficult to imitate. It follows, therefore, that top managerial leaders as makers of strategic choices (Nleya & Chummun, 2021) must understand that without clear differentiation strategies, other companies can easily enter an industry, leading to intense competitive rivalry and possibly erosion of market leadership gains.

Product Differentiation Strategies

A company can differentiate its products in many ways, provided the strategic choices managers make put it in a superior position over rivals in an industry (Nolega et al., 2015). To this end, commercial banks in Zimbabwe can focus on differentiators such as features, quality, price, service, and the reputation of their products and services to attain a position of superior performance.

Product Features

Innovative and creative organizations develop products with unique features to attract customers and boost their image and reputation. Such organisations must develop products with unique features to delight customers and deliver satisfaction beyond their expectations (Hussain et al., 2019). A product with unique features attracts customers and receives their immediate attention. Gambo Kasauwar Kuka (2018), state that a product's tangible, intangible and associated features give potential customers a vivid picture and description of what they are buying at a particular moment. In today's modern global economy, customers are well informed and prefer products with unique features that entice them to make repeat purchases (Al-Kwafi & McNaughton, 2013). Additionally, unique product features prevent customers from switching to competitors' products. Organizations who occupy a superior position in an industry must have unique features in order to differentiate themselves from their competitors. According to Thompson et al. (2020) and Pearce et al. (2009), buyers easily switch from one organisation to another if the products and services they purchase lack unique features that attract their attention.

Product Quality

In order for an organization to be profitable, competitive, and satisfy its customers, it needs to offer high-quality products and services. Kotler and Keller (2012, p.131), define product quality as the "totality of features and characteristics of a product that bear on its ability to satisfy stated or implied needs". Cvjetkovic et al. (2021), advise organisations to produce quality products to meet customers' needs and expectations as they strive to attain high levels of business excellence. There is, therefore a close link between product quality, customer loyalty, customer satisfaction, and profitability. Essentially, maintaining high levels of product quality increases customer loyalty, which in turn increases profit levels. Moreover, consumers tend to make their final purchase decisions based on the quality of a product and its price (Al-Ekam, 2016). In light of the above, an organisation must deliver to its customers, quality products to meet their expectations as a basis for building customer loyalty and retention (Olise & Ojiaku, 2018). The consequences of not retaining customers can be devastating for an organization. Many authors (Cvjetkovic et al., 2021; Kotler & Armstrong, 2012; Kotler & Keller, 2012; Porter, 1985) state that it's expensive for an organisation to lose its customers to competitors. They argue that it costs five times more to gain a new customer than to keep an existing one. Moreover, as Kotler and Keller (2012, p.7), have noted, dissatisfied customers "often switch to competitors and disparage the product to others".

Customers evaluate product quality from two perspectives: expected product quality and what they perceive as product quality. They are more likely to accept a product as good quality if what they perceive to be quality matches their expectations (Khoironi et al., 2018; Razak et al., 2016). According to Khoironi et al. (2018) and Kotler and Armstrong (2021), product quality should include customers' expectations in multiple dimensions, including product performance, features, reliability, serviceability, and compliance.

Reputation

In the absence of positive brand and corporate reputation, well-priced quality products with enhanced features do not inherently give an organization a competitive advantage. Reputation according to Loureiro et al. (2017, p.4) is the “general emotional response an individual has toward an organisation as a consequence of its actions over a longer period of time”. A company's reputation is based on the flow of information among its stakeholders like suppliers, customers, employees, and the general public. Positive brand reputation for example, is the result of satisfied repeat customers who consistently spread the good word about the organisation and its products. As a result, more customers are recruited, which boosts the organization's image. Thus, a positive reputation (Fedorko et al., 2017) built over time is the basis for a good company image and name (Sihite et al., 2016). Such an organisation driven by reliability, credibility, and consistency is likely to succeed in business as it occupies a superior position in an industry (Sihite et al., 2016). It is essential for a company to develop its products and services consistently, as well as to be credible and reliable in its operations to gain customer loyalty and trust. Chierici et al. (2019) note that under such a scenario, a company can easily generate more sales, boost its image, and entice customers to make repeat purchases.

Pricing

Price in simple terms refers to the amount of money a company charges its customers for its product or service offerings. According to Al-Ekam (2016), pricing is one of the most crucial factors in customers' purchase decisions and determines their loyalty to the product. Broadly, Kotler and Armstrong (2012, p. 290) define price as “the sum of all the values that customers give up to gain the benefits of having or using a product or service”. Nevertheless, the power of technology in today's internet-driven global economy forces companies to cut prices in order to meet the relentless demands of customers who want to spend less on their purchases. Kotler and Keller (2012) warn companies not to unnecessarily cut prices because price cuts can result in losses and painful price wars. Low-cost leadership can be achieved when a company prices its products or services lowly when faced with price sensitive consumers, according to Porter (1985). Ideally, a company going this route needs to closely monitor and control its prices throughout the value chain, and if need be, cut its prices (Valipour et al., 2012). Additionally, a company can choose to charge premium prices to non-price sensitive customers. Porter (1985) asserts that the company's primary objective will be to distinguish its products from the competition by adding features that appeal to customers who are usually more concerned about the product and its features than with the price. Porter (1985) claims that this strategy propels a company to a superior position in an industry. The price differentiation strategy advocated by Porter communicates value delivered to consumers through unique packaging and product features that compel consumers to ignore the prices charged.

Service

A company offering unique products thrives on building its image by delivering unique services that set it apart from its competitors. This is so because global markets are now highly competitive (Kamau & Ibua, 2019) and organisations differentiate their product and service offerings to occupy a superior position in the market (Kotler & Armstrong, 2012). Therefore, service differentiation is delivering unique customer service that delights customers to make repeat purchases, allowing an organization to beat its competitors. According to Kotler and Armstrong (2021), good service differentiation keeps customers coming back for more. In order to differentiate services, an organization needs to value its customers, listen to their concerns, and establish their needs and expectations (Mung'asia & Rugami,

2022). This means that a company must not only focus on its unique services, but also on the extent to which customers view it as a quality service provider (Gebauer et al., 2011). Today, many companies consider service differentiation to be an important competitive strategy. Consequently, companies are moving away from the old tradition of focusing only on product quality. Service differentiation comes in different forms. It can be in the form of customer relationship and support services to keep customers satisfied, delivery and after sales service when a company makes regular follow-ups with its customers to check on product performance, integrated information services to keep customers informed about new and anticipated products.

Organisational Performance

Because the concept of organizational performance has been the most argued over the years, Demeke and Tao (2020) point out that to date, researchers and academics are still struggling to find a common ground on its definition and meaning. In concurrence, Al Khajeh (2018, p. 2) state that “organizational performance is a complex and multidimensional phenomenon in the business literature”. However, researchers like Doval (2020), Al Khajeh (2018) and Demeke and Tao (2020) agree that there is a link between organizational performance and objectives despite the concept being subjective in nature due to the several definitions attributed to it. To this end, Shafiu et al. (2019, p. 7574) define organizational performance as “an organization’s ability to attain its goals by using resources in an effective manner”. The definition by Contu (2020, p. 400) point to the same direction that organizational performance is “the degree to which an organization as a social system, with certain resources, and means, achieves its objectives”. Organizational performance can, therefore be viewed as the result of an organization’s ability to meet its set objectives. However, Doval (2020) is of the view that fulfilling set objectives entails the active involvement of all employees who must all have a clear understanding of what must be done. The implication is that managers and their subordinates, must be instrumental as a team in getting organizational strategies effectively implemented to drive performance (Long, 2022). Managers can measure performance through the following three dimensions: financial performance, i.e., looking at issues of profitability; strategic performance, i.e., looking at the need to have a clearly defined market share; and shareholder’s value, i.e., looking at the return on capital invested (Al Khajeh, 2018).

Empirical Review

To determine the effects of product quality on customer satisfaction, Olise and Ojiaku (2018) conducted a study in Nigeria involving 207 manufacturing companies from the state of Anambra. According to the findings, the quality of a product was positively correlated with customer satisfaction, leading to enhanced organisational performance. In Indonesia, Khoironi et al. (2018) conducted a study on product quality, brand image and pricing to improve customer satisfaction. The study involved 255 respondents from Banten Province. According to the results, product quality had a highly significant effect on customer satisfaction. In concurrence with the above studies, Jonga et al. (2018) conducted a study on the impact of product quality on the organisational performance of seed maize companies in Kenya. The results showed that organisational performance could be enhanced if managers had maintained product quality standards. Essentially, the results of these studies show that a quality differentiation strategy is a necessary requirement for organisations to enhance their performance, thus resulting in the attainment of a sustainable competitive advantage.

Famakinde et al. (2024) conducted a study in Nigeria on perceived product reputation, brand commitment, and corporate social responsibility as predictors of customer satisfaction. The study involved 274 respondents, and the results showed that product reputation influenced customer

satisfaction. This implies that organisations that focus on quality and reputable products are likely to gain the trust of their clients, resulting in repeat purchases and enhanced organisational performance. In India, Navaneethakrishnan and Sathish (2020) conducted a study on understanding the influence of brand reputation and trust on loyalty. The results showed that the reputation of a brand led to customer loyalty, leading to customer satisfaction and organisational performance. In Indonesia, the results of a study conducted by Sihite et al. (2016) concurred with the findings of the above two studies conducted in Nigeria and India. In a nutshell, both of these studies concur that product reputation is a recipe for improved organisational performance.

Mung'asia and Rugami (2022) conducted a study on the service differentiation strategy and performance of cement manufacturing companies in Kenya. The results of the study involving 375 respondents employed in Kenyan cement companies showed that the service differentiation strategy had a positive correlation with the performance of Kenyan cement companies. In Indonesia, Tintara and Respati (2020) conducted a study on the effect of product differentiation, service differentiation, and image differentiation on competitive advantage. The study involved 65 respondents who were customers of Starbucks. The results show that service differentiation has a significant effect on competitive advantage. The implication is that service differentiation enhances organisational performance, which leads to a sustainable competitive advantage. The results of a study conducted by Chikazhe et al. (2023) in Zimbabwe on promoting perceived service quality and organisational performance through customer retention strategies corroborated the findings in Mung'asia and Rugami (2022) and Tintara and Respati (2020). Their findings showed that the performance of an organisation depended on its superior service quality.

Hussain et al. (2019) conducted a study on the impact of perceived importance of software features on the perceived performance of the quality elements of the software products. The results of the study conducted at Universiti Utara Malaysia, involving a sample size of 50 participants showed that in order to enhance customer perceptions of the perceived quality of a product, its features must be visible and included in its design. Zhou and Nakamoto (2007) conducted a study on how enhanced and unique features affect customers' preference for a new product. The results showed that customers go for a product with enhanced features, if the product is new and unfamiliar. However, when customers know the product and are familiar with it, they demand unique features. Al-Kwafi and McNaughton (2013) in their study, entitled "The influence of product features on brand switching: the case of magnetic resonance imaging equipment," concur with the findings by Zhou and Nakamoto (2007). The results of their study showed that unique product features motivated consumers to switch from one product to the other. In essence, organisations that deliver products with unique features are likely to experience enhanced organisational performance. Cherono (2017) conducted a study on pricing differentiation strategy on customer satisfaction in large retail supermarkets in Kenya. The results of the study, which involved 336 customers and 31 branch managers, showed that pricing differentiation strategy positively influenced customer satisfaction.

Many studies have been conducted worldwide on the impact of individual product differentiation strategies on customer satisfaction, loyalty, or competitive advantage. Few studies have examined the collective impact of these strategies on the performance of an organization, let alone the banking sector. Thus, the present study aims to fill this gap by examining the collective effect of product differentiation strategies on the performance of commercial banks in Zimbabwe.

Hypotheses Development

Considering the literature and the theoretical framework outlined in the foregoing discussion, the following five hypotheses were formulated:

- H₁: Product Quality has a significant positive effect on Organisational Performance
- H₂: Product Features have a significant positive effect on Organisational Performance
- H₃: Price has a significant positive effect on Organisational Performance
- H₄: Service has a significant positive effect on Organisational Performance
- H₅: Reputation has a significant positive effect on Organisational Performance

METHODOLOGY

A 5-point Likert scale questionnaire was employed to collect data from 130 managers and supervisors of 13 commercial banks in the Bulawayo metropolitan province, Zimbabwe. The City of Bulawayo, being the second largest in Zimbabwe, is home to all the 13 commercial banks in the country. In this study, the unit of analysis was the commercial banks. Respondents were selected using the purposive random sampling method from all branches of the 13 commercial banks. In essence, 10 respondents were selected from the various branches of each commercial bank in the Bulawayo metropolitan province. The criteria for selecting the respondents were based on the following: experience, service, and knowledge of the banking sector. The authors considered 5-10 years of work experience to be appropriate. Besides, the managers and supervisors were all at managerial and supervisory levels, which put them in the limelight in terms of the strategic decision-making processes in their organisations. As such, data were gathered from bank branches, as the individuals responsible for marketing and promoting bank products, including branch managers, corporate banking managers, retail managers, and customer relationship managers, were all located at the branch level.

The Likert scale is an instrument that measures participants' responses in quantitative research with precision and a remarkable degree of accuracy (Joshi et al., 2015; Tanujaya et al., 2022). The respondents were requested to complete the questionnaire by showing their level of agreement with statements based on scale of 1 to 5, ranging from strongly disagree (1) to strongly agree (5). To collect data, the authors forwarded the study questionnaire via google forms.

This quantitative study used a purposive random sampling method to select respondents. There were six major constructs that had been considered for this study and these comprised five independent variables, namely Product Quality (PRQ), Product Features (PRF), Price (PRC), Service (SRV) and Reputation (REP), while the dependent variable was Organisational Performance (OP). Since a 5-point Likert scale was used for the evaluation of the perceptions of respondents for all the questions on these five constructs, the descriptive statistics in Table 6 were summarised using the Mean (M) as the measure of central tendency and Standard Deviation (SD) as the measure of dispersion (Field, 2018). The hypothesis tests were then carried out in the last section using Structural Equation Modelling (SEM). For this, the Partial Least Squares SEM (PLS-SEM) approach was preferred over the Covariance-Based SEM (CB-SEM) because of the limited sample size (Hair et al., 2022).

RESULTS

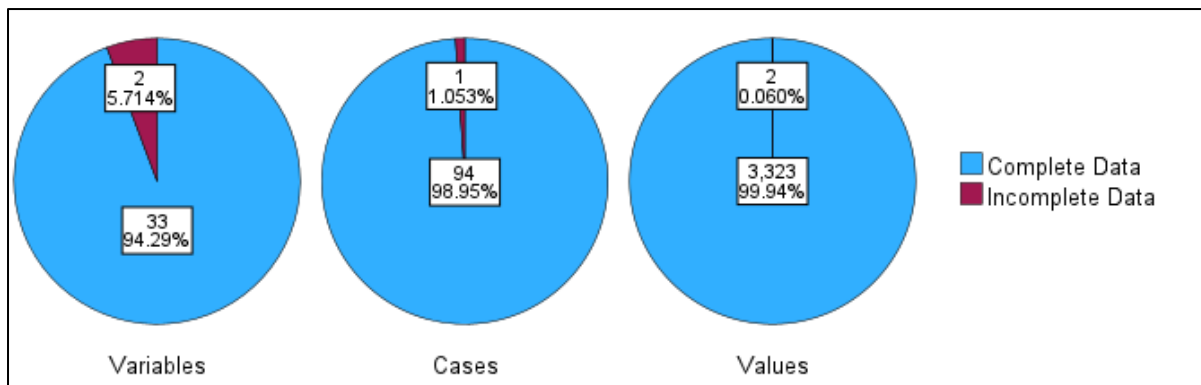
This section presents the key findings of the study. We first present the response rate and this is followed by the data cleaning and sampling adequacy. The third subsection presents the demographic attributes, which is then followed by the demographic statistics for the study constructs. We then tested hypotheses using Structural Equation Modelling.

Response Rate

The sample unit for this study were supervisors and managers of Commercial Banks in Bulawayo, Zimbabwe. Ten research participants were targeted from each of the 13 Commercial banks in Bulawayo, corresponding to a target sample size of 130. However, after the collection of data, only 95 responded and this meant that the response rate was 73.08%. Sarstedt and Mooi (2019) recommend a minimum response rate of 60% for surveys. Therefore, for this study, the response rate of 73.08% was acceptable. Data cleaning was carried out by considering missing data, as well as identifying outliers. The missing data analysis is as illustrated in Figure 1.

Figure 1

Missing Value Analysis



Only two of the 35 variables had missing data and this was observed on only one (1.053%) out of the 95 observations. The respondent had two missing data points. According to Baguley (2012), observations with less than 15% missing data points are considered as being negligible. The corresponding Little MCAR test confirmed that the data was Missing Completely at Random (MCAR); $\chi^2(33) = 36.715$, $p = 0.301 > 0.05$. Therefore, list-wise deletion was carried out only for the variables with missing observations. The study sample, therefore, remained at 95. Multivariate outlier analysis was then carried out to determine any extreme cases. This was achieved through the computation of the Mahalanobis' distance. The critical value for a study with 5 independent variables was of $\chi^2_{crit}(5) = 20.52$, but from the data, the computed maximum Mahalanobis distance was $MD_{max} = 14.36$. Since none of the distances computed exceeded the critical value, this confirmed that the data collected did not have any outliers (Kent, 2016; Field, 2018). In this respect, none of the observations was excluded on the basis of being an outlier and the study sample size was retained at 95.

Demographic Profiles

Five demographic attributes were investigated in this study and these were gender, education level, age, employment position and the number of years employed. Relative frequencies were carried out to determine the frequency distributions and the results are as presented below in Table 1.

Table 1

Frequency Distribution – Demographics

		N	%
Gender	Female	48	50.5%
	Male	46	48.4%
	Missing	1	1.1%
Education Level	High School	9	9.5%
	Graduate	37	38.9%
	Post-Graduate	49	51.6%
Employment position	Ordinary Employee	31	32.6%
	Supervisor	18	18.9%
	Middle Management	33	34.7%
	Top Management	12	12.6%
	Missing	1	1.1%
Number of years employed	1-5 Years	24	25.3%
	6-10 Years	33	34.7%
	11-15 Years	24	25.3%
	16+ Years	14	14.7%

With respect to gender, there was an almost even distribution, with females constituting the majority of the respondents (50.5%), while males were 48.4% and one of the respondents had not disclosed information about gender. The near-parity in the demographic distribution confirmed that there was no possibility of gender bias in the responses.

Regarding the education level of the respondents, the majority had a post-graduate degree (51.6%), while those with a graduate degree as the highest level of education were 38.9%, and the least number were those who had a high school qualification (9.5%). Overall, 90.5% of the respondents had a tertiary-level qualification. With respect to the employment position, those in the middle management were the majority (34.7%), followed by ordinary employees (32.6%), while the supervisors made up 18.9%, and the top management was 12.6%. Overall, the aggregate proportion of respondents who were in supervisory and management positions was 66.3%, which constituted the majority. This confirmed that the responses were more credible as the majority were in senior positions and had a greater understanding of their respective organisations.

Lastly, the researchers considered the number of years of respondent experience working in the banking sector. The modal category was those who had 6-10 years of experience (34.7%), followed by those who had 11-15 years of experience (25.3%) and 1-5 years (25.3%). On the other hand, the least had 16+ years of experience (14.7%). Overall, the majority of the respondents had more than 5 years of experience and the cumulative total experience was 74.7%. Based on the foregoing, it can be confirmed that for this study, the greatest proportion of the respondents with ample experience, was predominantly in senior leadership positions and had attained tertiary-level qualifications. These attributes enhanced the credibility and validity of the data collected.

Construct Validity and Reliability

To achieve the objectives of this study, there were six constructs that were measured, namely Product Quality, Product Features, Price, Service, Reputation; and the dependent variable Organisational Performance. These were all second-order constructs and were all measured reflectively by a total of 30 measurement items. Each of the constructs was measured by five measurement items. To determine the validity of the constructs, the researcher carried out both Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA), while for the reliability testing, the Cronbach's Alpha and the Composite Reliability tests were done. Prior to EFA, the adequacy of the sample was first determined using the KMO test and according to Baguley (2012), the KMO statistic must be greater than 0.50 to validate the sample size used. The results are as presented in Table 2.

Table 2

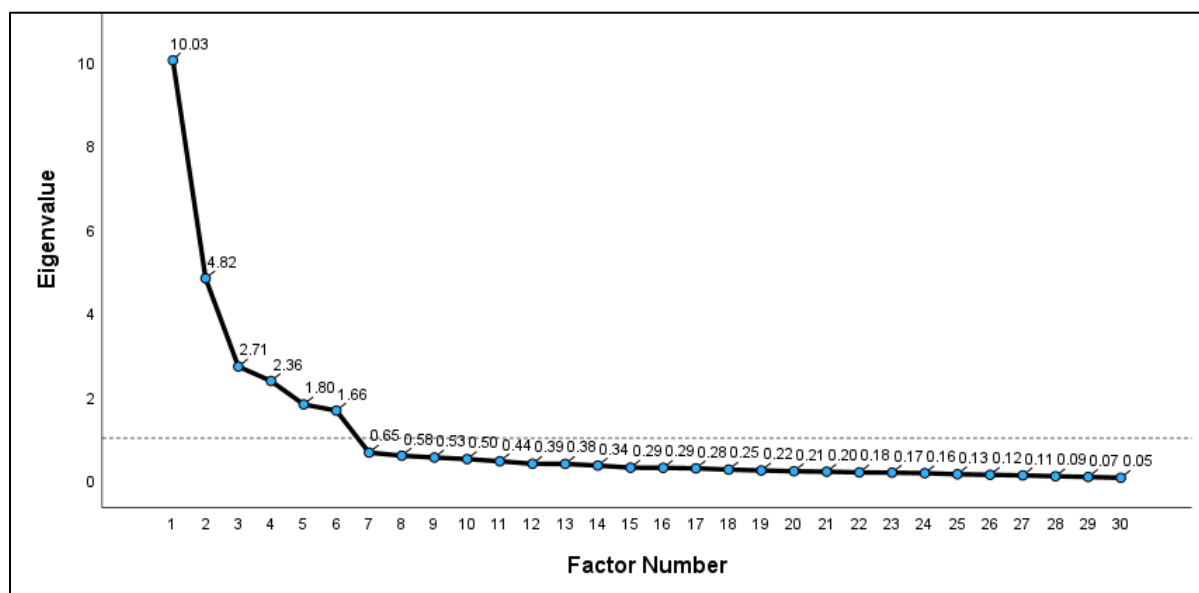
KMO Measure of Sampling Adequacy

	KMO	.863
	Chi-Square	2402.845
Bartlett's Test	df	435
	Sig.	<.001

The KMO statistic was 0.863, and being greater than 0.50, this confirmed that the sample used was adequate for EFA. The Bartlett's Test was $\chi^2(435) = 2402.845$, $p < 0.05$ and this confirmed that the sphericity assumption for EFA was not violated. EFA was subsequently done using the Principal Axis Factoring method of factor extraction to help in identifying the first-order constructs, and the varimax rotation method was selected. The corresponding scree plot for the extracted factors is as illustrated in Figure 2.

Figure 2

Scree Plot – EFA Extracted Factors



According to the Kaizer criterion (Braeken & van Assen, 2017), valid extracted factors will have eigenvalues that are greater than 1. The above result shows that there were six factors that were extracted from the EFA. The corresponding variance explained is as presented in Table 3. Factor 1 had an eigenvalue of $\lambda = 10.026$ and explained 13.431% of the variance. Factor 2 had an eigenvalue of $\lambda = 4.817$ and explained 12.402% of the factor variance. Factor 3 had an eigenvalue of $\lambda = 2.709$ and explained 12.307% of the variance. Factor 4 had an eigenvalue of $\lambda = 2.363$ and explained 12.035% of the variance. Furthermore, Factor 5 had an eigenvalue of $\lambda = 1.804$ and explained 11.531% of the variance. Lastly, Factor 6 had an eigenvalue of $\lambda = 1.655$ and explained 11.003% of the variance.

Table 3

Variance Explained

Factor	Initial eigenvalues			Rotation sums of squared loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.026	33.419	33.419	4.029	13.431	13.431
2	4.817	16.055	49.474	3.721	12.402	25.833
3	2.709	9.030	58.504	3.692	12.307	38.140
4	2.363	7.876	66.380	3.611	12.035	50.175
5	1.804	6.013	72.393	3.459	11.531	61.706
6	1.655	5.518	77.911	3.301	11.003	72.709

The overall total variance that was explained by the six factors was 72.709% and this was greater than the minimum recommended threshold of 50% (Hair et al., 2022). This finding confirms that the EFA extraction was valid and reliable. The corresponding rotated factor matrix showing the items extracted under each factor is as presented in Table 4.

Table 4

Varimax Rotated Factor Matrix

	Factor					
	REP	PRQ	PRC	SRV	OP	PRF
The reputation of our products has boosted our performance	.95	-.05	.07	-.14	.06	.01
Everywhere you go, people speak highly of our products	.94	-.06	.01	-.06	.04	.07
There are no competing products with a good reputation as ours	.85	-.02	.03	-.06	.07	.04
Our products are well known beyond our borders due to good reputation	.82	.00	-.06	-.13	.10	.08
The reputation of our products boosts the image of our organisation	.81	.06	-.02	-.02	.16	.08
Our customer base has increased due our highly perceived quality products	.02	.83	.07	.15	.15	.21
The quality of our products has been outstanding in the market	-.03	.83	.24	.17	.11	.13
The quality of our products has resulted in the introduction of more products	-.07	.80	.20	.27	.12	.24
Majority of our customers are happy with the quality of our products	.09	.75	.15	.18	-.03	.26
We have opened more branches to satisfy customers needing our products	-.10	.69	.10	.22	.14	.16
We believe in highly priced products backed by quality	-.01	.13	.87	.22	.13	.13

(continued)

	Factor					
	REP	PRQ	PRC	SRV	OP	PRF
We have never experienced customer complaints due to the prices we offer	.02	.14	.82	.19	.18	.13
Our customers are not worried about the prices we offer	-.10	.17	.76	.07	.09	.18
Even price sensitive customers are happy with the prices of our products	.09	.10	.74	.16	.05	.23
We are experiencing an increase in our customer base despite the prices	.04	.17	.69	.23	.09	.20
At most, customers wait for less than ten minutes before they are served	-.13	.15	.27	.87	.01	.22
The excellent service we offer; boosts the performance of our organisation	-.17	.33	.21	.76	.11	.11
Our company has increased its customer base due to excellent service	-.11	.12	.13	.76	.13	.16
Our company has been rated as one of the leading institutions	-.08	.27	.14	.74	.07	.15
We offer an excellent service beyond the expectations of our customers	-.04	.21	.21	.70	.11	.22
Our performance has been enhanced due to the good reputation	.07	.04	.12	.13	.89	.09
Our performance has improved due to our product features	.13	.08	.09	-.01	.87	.11
Our performance has improved due to the service offered	.08	.14	.02	.02	.80	-.03
Our performance has been enhanced due to the good quality of our products	.08	.16	.12	.10	.76	.17
Our performance has improved regardless of premium prices we charge	.10	.00	.16	.17	.60	.23
Competitors have failed to match our unique product features	.10	.24	.23	.18	.11	.83
We attained a high market share through the sale of attractive products	-.02	.21	.21	.12	.15	.77
Product features have played a significant role in stimulating performance	.07	.28	.19	.26	.09	.74
We are happy to offer products whose features attracted more customers	.15	.25	.14	.17	.10	.68
Our products are admired by customers due to their unique features	.10	.11	.31	.24	.26	.61
Mean	3.83	3.91	3.38	3.81	3.95	3.92
Standard Deviation	.62	.56	.68	.68	.64	.58
Cronbach's Alpha	.94	.92	.91	.92	.90	.91

All the six study constructs were extracted with Factor 1 being Reputation (REP), Factor 2 being Product Quality (PRQ), Factor 3 being Price (PRC), Factor 4 being Service (SRV), Factor 5 being Organisational Performance (OP) and Factor 6 being Product Features (PRF).

According to Carden et al. (2019), to test for the reliability of the constructs, the Cronbach's alpha s used and the threshold for acceptable alpha coefficients is 0.70. From the results above, all the construct extracted had an alpha that was greater than 0.70, with the least being for Organisational Performance ($\alpha_{OP} = 0.90$), followed by the Cronbach's alpha for Product Features ($\alpha_{PRF} = 0.91$). The highest alpha statistic was for the construct Reputation ($\alpha_{REP} = 0.94$), while the second highest alpha was for Product Quality ($\alpha_{PRQ} = 0.92$). Based on these findings, it is evident that none of the alpha coefficients was below the 0.70 threshold and this confirms that all the extracted factors were reliable.

After confirming the factor structure and its reliability, Confirmatory Factor Analysis (CFA) was done to determine whether the constructs were valid. To determine the construct validity, two validity tests were computed, that is, convergent validity and discriminant validity. In line with the prescriptions by Hair et al. (2022), convergent validity is best tested by establishing the Average Variance Extracted

(AVE), while the discriminant validity is tested by computing the covariates between constructs using the Fornell-Larcker criterion or Heterotrait-Monotrait (HTMT). For AVE, the researcher considered the minimum acceptable threshold to be 0.60 (Howitt & Cramer, 2011; Hair et al., 2022), and for the Fornell-Larcker criterion, a maximum threshold of 0.85 was considered. The AVE and other validity tests are as presented in Table 5.

Table 5

Model Validity Tests

	CR	AVE	MSV	MaxR(H)	REP	PRQ	PRC	SRV	OP	PRF
REP	0.95	0.78	0.04	0.96	-					
PRQ	0.93	0.72	0.33	0.94	0.06	-				
PRC	0.92	0.70	0.27	0.93	0.03	0.44***	-			
SRV	0.93	0.72	0.29	0.94	0.21†	0.54***	0.51***	-		
OP	0.91	0.66	0.11	0.92	0.18	0.27*	0.30**	0.22†	-	
PRF	0.91	0.68	0.33	0.93	0.12	0.57***	0.52***	0.51***	0.34**	-

Convergent Validity: With respect to the Average Variance Extracted, the minimum statistic was for Organisational Performance ($AVE_{OP} = 0.66$), followed by Product Features ($AVE_{PRF} = 0.68$), then Price ($AVE_{PRC} = 0.70$). On the other hand, the highest AVE was for Reputation ($AVE_{REP} = 0.78$), and the second highest was for Product Quality ($AVE_{PRQ} = 0.72$) and Service ($AVE_{SRV} = 0.72$). Since none of these AVEs was less than 0.60, this confirms that there was convergent validity among all the research constructs.

Discriminant Validity: Further, with respect to the discriminant validity, the highest covariance was between Product Features and Product Quality (0.570) and the second highest was between Service and Price (0.539). Again, none of these coefficients exceeded the maximum threshold of 0.85 and this confirms that the discriminant validity was not violated.

Based on the foregoing, it can be concluded that inferences can be admissibly made from the construct operationalizations in this study to the theoretical constructs where these operationalizations were based (Roemer et al., 2021).

Descriptive Statistics

The six constructs were measured using the 5-point Likert scale, and to evaluate the overall perceptions among the respondents, the scale mid-point of 3 was considered for the cut-off point. Using this threshold, the results above show that all the six extracted constructs had mean scores that were greater than the mid-point, which is reflective of the fact that the majority of the respondents generally agreed with the questions under each construct. Table 6 presents the comprehensive descriptive summaries for all the constructs and their items.

Table 6

Descriptive Statistics

	Mean	SD
The quality of our products has been outstanding in the market	4.02	.652
Majority of our customers are happy with the quality of our products	3.92	.679
Our customer base has increased due our highly perceived quality products	3.89	.736
The quality of our products has resulted in the introduction of more quality products	3.95	.830
We have opened more branches to satisfy customers in need of our quality products	3.77	1.015
Product Quality Overall (PRQ)	3.91	.558
Our products are admired by customers due to their unique features	4.03	.750
Competitors have failed to match our unique product features	3.33	.955
Product features have played a significant role in stimulating performance	3.99	.751
We are happy to offer products whose features attracted more customers	4.25	.618
We attained a high market share through the sale of attractive products	4.00	.758
Product Features Overall (PRF)	3.92	.576
We believe in highly priced products backed by quality	3.86	.906
Even price sensitive customers are happy with the prices of our products	3.40	.983
We are experiencing an increase in our customer base despite the prices	3.66	.870
We have never experienced customer complaints due to the prices we offer	2.94	1.128
Our customers are not worried about the prices we offer	3.03	.962
Price Overall (PRC)	3.38	.684
We offer an excellent service beyond the expectations of our customers	3.88	.874
At most, customers wait for less than ten minutes before they are served	3.43	1.007
Our company has been rated as one of the leading institutions	3.99	.844
Our company has increased its customer base due to excellent service	3.85	.850
The excellent service we offer; boosts the performance of our organisation	3.89	.973
Service Overall (SRV)	3.81	.681
The reputation of our products has boosted our performance	4.22	.655
Everywhere you go, people speak highly of our products	3.79	.849
The reputation of our products boosts the image of our organisation	4.16	.734
There are no competing products with a good reputation as ours	3.09	1.042
Our products are well known beyond our borders due to good reputation	3.86	.974
Reputation Overall (REP)	3.83	.616
Our performance has been enhanced due to the good quality of our products	4.11	.751
Our performance has improved due to our product features	3.94	.769
Our performance has improved regardless of premium prices we charge	3.63	.876
Our performance has improved due to the service offered	3.95	.790
Our performance has been enhanced due to the good reputation	4.11	.765
Organisational Performance Overall (OP)	3.95	.639

Notes. N = 95.

The highest mean score was for the construct Organisational Performance ($M_{OP} = 3.95$; $SD = 0.639$), and this was a relatively high score. The foregoing generally shows that by and large, the performance of the organisations under study had been enhanced due to their good reputation ($M = 4.11$; $SD = 0.765$), that their performance had improved due to their product features ($M = 3.94$; $SD = 0.769$), that their performance had improved due to the service offered ($M = 3.95$; $SD = 0.790$), that their performance has been enhanced due to the good quality products ($M = 4.11$; $SD = 0.751$) and that their performance had improved regardless of premium prices charged ($M = 3.63$; $SD = 0.876$).

The second highest mean score was for Product Features ($M_{PRF} = 3.92$; $SD = 0.576$), and this shows that for the majority of the respondents, the competitors had failed to match their unique product features ($M = 3.33$; $SD = 0.955$), that they had attained a high market share through the sale of attractive products ($M = 4.00$; $SD = 0.758$), that product features have played a significant role in stimulating performance ($M = 3.99$; $SD = 0.751$), that they were happy to offer products whose features attracted more customers ($M = 4.25$; $SD = 0.618$) and that their products were admired by customers due to their unique features ($M = 4.03$; $SD = 0.750$).

The third highest overall mean score was for the construct Product Quality ($M_{PRQ} = 3.91$; $SD = 0.558$). Again, this was a very high mean statistic, which generally shows that there was a positive consensus among the respondents that their customer base had increased due their highly perceived quality products ($M = 3.89$; $SD = 0.736$), that the quality of their products had been outstanding in the market ($M = 4.02$; $SD = 0.652$), that the quality of their products had resulted in the introduction of more products ($M = 3.95$; $SD = 0.830$), that the majority of their customers were happy with the quality of their products ($M = 3.89$; $SD = 0.736$), and that they had opened more branches to satisfy customers needing their products.

The fourth highest mean score was for the construct Reputation ($M_{REP} = 3.83$; $SD = 0.616$). By and large, this statistic shows that there was a positive consensus among the respondents regarding whether the reputation of their products had boosted their performance ($M = 4.22$; $SD = 0.655$), whether people speak highly of their products ($M = 3.79$; $SD = 0.849$), whether their products are well known beyond their borders due to good reputation ($M = 3.86$; $SD = 0.974$) and whether the reputation of their products boosts the image of their organisation ($M = 4.16$; $SD = 0.734$). The only measurement item with a poor rating was on whether there were competing products with a reputation as good as theirs ($M = 3.09$; $SD = 1.042$).

Second from the least score was Service ($M_{SRV} = 3.81$; $SD = 0.681$), and again, this statistic was relatively high. In this regard, it is evident that the respondents generally agreed that at most, their customers wait for less than ten minutes before they are served ($M = 3.43$; $SD = 1.007$), that the excellent service they offer boosts the performance of their organisations ($M = 3.89$; $SD = 0.973$), that their companies have increased their customer bases due to excellent service ($M = 3.85$, $SD = 0.850$), that their companies have been rated as leading institutions ($M = 3.99$; $SD = 0.844$), and that they offer an excellent service beyond the expectations of their customers ($M = 3.88$; $SD = 0.874$).

On the other hand, the least mean score was for the construct Price ($M_{PRC} = 3.38$; $SD = 0.684$). Despite being above the midpoint 3.0, this was a relatively low score that showed that the majority of the respondents were relatively indifferent, with the greatest consensus being on whether they believed in highly priced products backed by quality ($M = 3.86$; $SD = 0.906$), and whether they have never experienced customer complaints due to the prices they offer ($M = 3.66$; $SD = 0.870$). On the other hand, the respondents were somewhat indifferent regarding whether their customers were not worried about the prices they offered ($M = 3.03$; $SD = 0.962$), and whether price sensitive customers were happy with the prices of their products ($M = 3.40$; $SD = 0.983$). They were, however, mainly negative on whether they were experiencing an increase in their customer base despite the prices ($M = 2.94$; $SD = 1.128$).

Hypothesis Testing

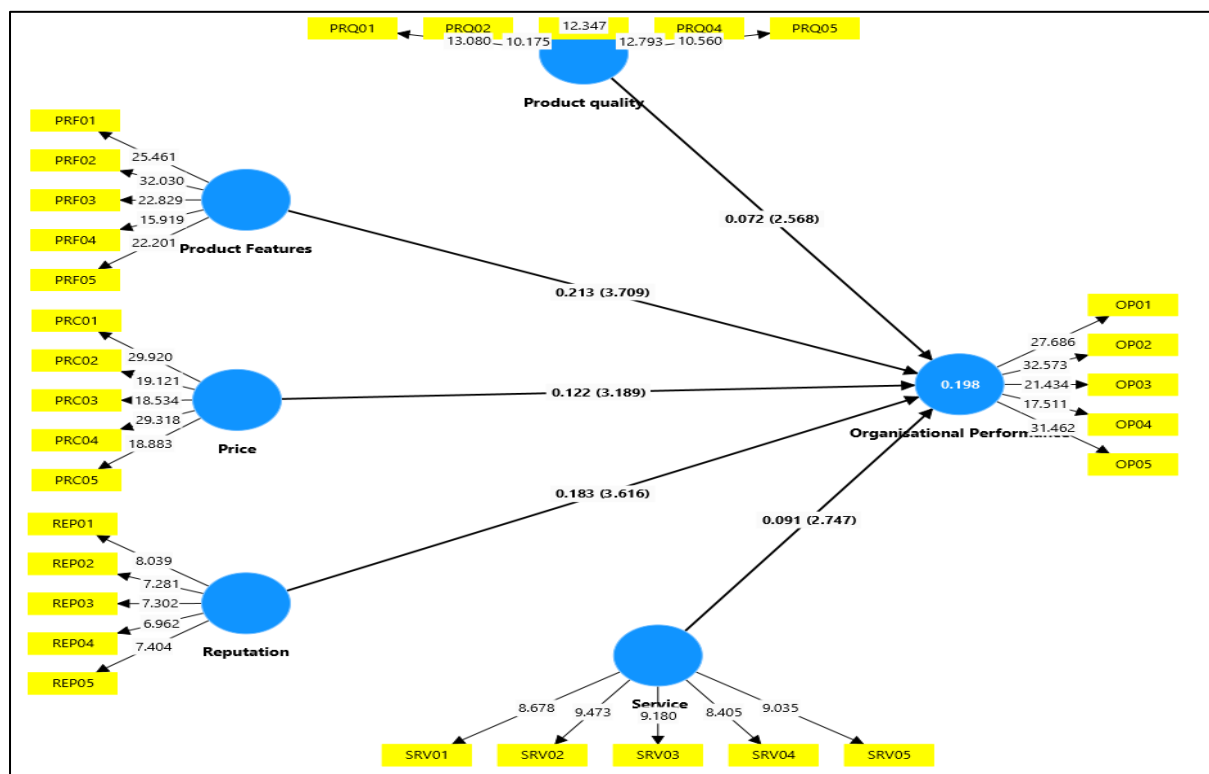
This study sought to evaluate whether there was a significant effect of the following five independent variables, namely, Product Quality (PRQ), Product Features (PRF), Price (PRC), Service (SRV) and Reputation (REP) on Organisational Performance (OP). To achieve this, five hypotheses were formulated and these were:

- H₁: Product Quality has a significant positive effect on Organisational Performance
- H₂: Product Features have a significant positive effect on Organisational Performance
- H₃: Price has a significant positive effect on Organisational Performance
- H₄: Service has a significant positive effect on Organisational Performance
- H₅: Reputation has a significant positive effect on Organisational Performance

Since this study made use of latent constructs instead of not manifest variables, the most optimal analytical approach to evaluate the hypotheses would be the use of Structural Equation Modelling (SEM) (Gana & Broc, 2019). Nevertheless, there are two possible SEM approaches, that is, either the covariance-based SEM (CB-SEM) or the variance-based SEM (VB-SEM), otherwise known as the Partial Least Squares SEM (PLS-SEM). While CB-SEM is mainly theory driven and best suited for confirmatory research designs requiring sample sizes greater than 200, the VB-SEM/PLS-SEM is best suited for exploratory research designs with formative indicators and is optimal for studies with sample sizes that are less than 100 (Rigdon et al., 2017). Therefore, for this study, the PLS-SEM was selected and the results and the corresponding SEM model is as illustrated in Figure 3.

Figure 3

Hypothesis Testing – SEM Model



Notes. SmartPLS v4 was used.

The O/STDEV as per Figure 3 are as follows:

Product quality	2.57
Product features	3.71
Price	3.19
Reputation	3.62
Service	2,75

The corresponding path coefficients are as presented in Table 7.

Table 7

SEM Path Coefficients

	β	Mean	SD	T statistics (O/STDEV)	p-value
Price -> Organisational Performance	0.12	0.13	0.10	3.19	0.00
Product Features -> Organisational Performance	0.21	0.21	0.13	3.71	0.00
Product quality -> Organisational Performance	0.07	0.08	0.13	2.57	0.00
Reputation -> Organisational Performance	0.18	0.20	0.11	3.62	0.00
Service -> Organisational Performance	0.09	0.10	0.12	2.75	0.00

The results show that *Price* had a statistically significant positive influence on *Organisational Performance*: $\beta = 0.122$, $t=3.19$, $p<0.05$. *Product Features* also had a statistically significant positive influence on *Organisational Performance*: $\beta = 0.213$, $t = 3.71$, $p<0.05$. *Product quality* was also confirmed to having a statistically significant influence on *Organisational Performance*: $\beta = 0.07$, $t = 2.57$, $p<0.05$. For *reputation*, there was a statistically significant positive influence on *Organisational Performance*: $\beta = 0.18$, $t = 3.62$, $p<0.05$. Furthermore, the relationship between *Service* and *Organisational Performance* was also found to be positive and statistically significant: $\beta = 0.09$, $t = 2.75$, $p<0.05$.

Model Goodness-of-fit Tests

Model fitness test was carried out to validate the PLS-SEM model. In line with Henseler and Sarstedt (2013) as well as Ringle et al. (2020), two main fitness measures were evaluated, that is, the Standardized Root Mean Square Residual (SRMR) and the Normed Fit Index (NFI). According to Schubeth et al. (2023), the maximum threshold for SRMR is 0.08 while the minimum threshold for NFI is 0.90. The fitness measured are as presented in Table 8.

Table 8

Goodness-of-fit Tests

	Saturated model	Estimated model
SRMR	0.06	0.06
d_ULS	1.79	1.79
d_G	1.04	1.04
Chi-square	506.32	506.32
NFI	0.93	0.93

The SRMR for the SEM model ($SRMR_b = 0.06$) was less than the 0.08 maximum threshold, implying that the model was valid. With respect to NFI, for the JD-R base model, this was $0.93 > 0.90$ and in this regard, the overall fit for the SEM model was good, thus implying that the tested model provided a reasonable fit to the data.

The results of the study reveal that all the five independent variables, namely product quality, price, features, reputation, and service have a significant effect on the performance of commercial banks in Zimbabwe.

$H_1: \beta = 0.07, t = 2.57, p < 0.05$. **(hypothesis accepted)**

A study by Olise and Ojiaku (2018) in the Nigerian State of Anambra, on the effect of product quality on customer satisfaction revealed that product quality significantly impacts customer satisfaction. In turn, it leads to enhanced organisational performance. A satisfied customer is according to Khoironi et al. (2018) a loyal customer who keeps purchasing quality products leading to increased cash flow, and in turn increased organisational performance.

$H_2: \beta = 0.213, t = 3.71, p < 0.05$. **(hypothesis accepted)**

Similarly, product features allow an organisation to offer its customers products with unique features that enable it to gain market share and invariably occupy a better market position above its competitors (Al-Kwafi & McNaughton, 2013). Delivering products that meet the expectations of customers results in increased organisational performance (Al-Kwafi & McNaughton, 2013).

$H_3: \beta = 0.122, t = 3.19, p < 0.05$. **(hypothesis accepted)**

Price differentiation stands out as one of the most reliable strategies that contribute to an organisation's profitability (Kintler & Remenova, 2020). Besides, it enables an organisation to gain sizeable market share and establish strong relationships with its customers (Kintler & Remenova, 2020). According to Cheronon (2017) price differentiation is a bedrock for customer satisfaction, which leads to increased profitability, and in turn organisational performance.

$H_4: \beta = 0.09, t = 2.75, p < 0.05$. **(hypothesis accepted)**

A study by Mung'asia and Rugami (2022) on the service differentiation strategy and performance of cement manufacturing companies in Kenya reveals that a service differentiation strategy contributes significantly to organisational performance. It is, therefore imperative for an organisation to regularly check with its customers on the performance of its products or service offerings. In light of the above, it follows that an organisation offering quality products with unique features, and are well-priced, is likely to have a better image and reputation.

$H_5: \beta = 0.18, t = 3.62, p < 0.05$. **(hypothesis accepted)**

Fedorko et al (2017) conclude that a combination of good image and reputation forms the basis for an organisation's competitive advantage. A sustained competitive advantage leads to increased performance. A study by Chege et al. (2018) on the effectiveness of differentiation strategies on the performance of betting companies in Kenya confirms the results of the present study.

CONCLUSION

The results of this study will help Zimbabwe's commercial banks compete not only against one another, but also against international financial institutions. Managers and supervisors will be able to make flawless strategic business decisions by using product differentiation techniques, not only to combat hyperinflationary pressures and intense worldwide competitive rivalry, but also to increase local consumer confidence through their distinct products. As a result, the reputation of Zimbabwe's commercial banks will improve, which might boost the performance of the country's economy. To this end, it is recommended that top executives of Zimbabwean commercial banks revisit their products and service offerings, and strategically introduce differentiated products in line with international standards. Where necessary, executives are encouraged to copy best practices from other regional and international financial institutions. On the other hand, the results will enable regulatory and supervisory authorities to ensure that commercial banks offer quality differentiated products that can compete aggressively on the global stage. This would bring the Zimbabwean commercial banks to the forefront of the regional and global financial landscape.

CONFLICT OF INTEREST STATEMENT

The author declares no conflict of interest.

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