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**THE EFFECT OF PRODUCT DIFFERENTIATION ON COMPETITIVE
ADVANTAGE MEDIATED BY BRAND IMAGE: AN EMPIRICAL STUDY
ON RESIDENTIAL REAL-ESTATE BUSINESS IN ADDIS ABABA**

BY

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**A RESEARCH PAPER SUBMITTED TO THE DEPARTMENT OF
MARKETING MANAGEMENT FOR THE PARTIAL FULFILLMENT OF
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MARKETING MANAGEMENT**

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JUNE, 2021

DECLARATION

I, the undersigned hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted at any university for a degree.

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Date _____

Addis Ababa University

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This is to clarify that the thesis prepared by Haymanot Terefe, entitled “Product Differentiation and Competitive Advantage: An Empirical Study on Residential Real-Estate Business In Addis Ababa” submitted in partial fulfillment of the requirements for the Degree of Masters of Arts in Marketing Management complies with the regulation of the university and meets the accepted standards with respect to the originality and quality.

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Abstract

This research is an empirical study of these companies' product differentiation and competitive advantage strategy and how they apply differentiation to their marketing strategies to use it as a competitive advantage. Most companies do not consider differentiation a competitive tool, especially the four components(Product quality, Product design, Product innovation, and Product feature); these components are the main focus of this study. It describes the direct and indirect effect (through the mediating variable Brand Image) of these components on competitive advantage. The researcher used multiples regression analysis to analyze and interpret the relationship between the dependent and independent variables using the SPSS version 25 software. Meanwhile, the indirect effect of the independent variables or the mediation test was conducted using the Smartpls software. The study was able to identify that the independent variables have a positively strong effect on the dependent variable except for product quality which showed a positive but slightly weak effect. The mediating variable brand image has the most significant effect on competitive advantage.

Key words: Product Differentiation, competitive advantage, product quality, product design, product innovation, product feature.

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CHAPTER ONE

INTRODUCTION

This chapter includes a background of the study, statement of the problem, research questions, the study's objective, the study's significance, the scope of the study, limitation of the study, and organization of the study.

1.1 Background of the Study

Product differentiation can be defined as the process of distinguishing a product or service from those of other manufacturers or service providers, making it more attractive to a particular target market. This process involves differentiating the product or service from the competitors, as well as the company's services (Chamberlin, 1965). Hence, it is a concern for managers these days to achieve effective differentiation, it is therefore important for them to compare their product/market scope and product differentiation with their competitors (Pehrsson, 2008).

Differentiation is often viewed as a necessary condition, to gain competitive advantage over rival firms (Pehrsson, 2009). Implementing a differentiation strategy is perceived as providing the opportunity to obtain unique or at least superior access to resources and customers. (MacMillan and McGrath 1997) have recognized that "Most profitable strategies are built on differentiation: offering customers something they value that competitors do not have". Since customers are responsive to differentiated products/services, it is therefore important to design differentiated products/services appropriate from the customers' perspective (Pehrsson, 2012). Differentiation makes the product desirable, unique, causes brand loyalty therefore marketing costs were lower because it is cheaper to sell to existing customers.

Competitive Strategy is the search for a favorable competitive position in an industry. Competitive Strategy aims to establish a profitable and sustainable position against the forces that determine industry competition (Michael Porter, 1985). Competitive advantage offers a persuasive customer value better than its competitors (Sengupta; 2005).

According to Spencer, Joiner and Salmon (2009), intense competition in domestic and international markets, more demanding, assertive customers and rapid advancements in technology as a result of internationalization of business have placed greater pressure on organizations to seek new ways to achieve a sustained competitive advantage in their

industry. The major focus of competitive strategy is a firm's relative position in an industry, which indicates whether its profitability is above or below industry average. Attaining a position of competitive advantage and enhancing a firm's performance relative to its competitors are two of the main objectives that business organizations should strive to achieve. In order to attain competitive advantage to match or exceed that of their business rivals, business organizations must first comprehend the relationship between the internal strengths and weaknesses of their organization, as well as the potential effects on their firm's competitive advantage and performance.

The production of built up space in urban areas has been transforming from user-producer to a commodified form of production. Research indicates that the manner of production is an indicator of the level of urbanization of a country/or a city. Real estate development is a specialized form of built space production for sale or rent (W. Berbanu, 2004).

Real estate may be either residential or commercial. It can be owned by one person but used by another through rental arrangements. All land in Ethiopia belongs to the government. It can only be leased. Land can be bought or leased, and due to its high value, there are many local laws that ensure real estate transactions are properly performed and recorded. Land may also pass between family members through estate planning or may be owned by more than one person (Metropolitan Real Estate 2018).

Real estate, the residential sector in particular, has been making bleak headlines around the globe in 2008 and 2009. By early 2010, real estate had improved in some markets in the U.S., while real estate had enjoyed a significant boom in China, Canada and a few other select spots. Several important trends will shape the real estate industry of the near future. The real estate industry is quickly evolving meet the needs and tastes of the people in this rapidly growing population segment (Jack W. Plunkett 2010).

1.2 Statement of the problem

The residential real estate market in Addis Ababa is evolving into a varied mix of extensive government-built condominiums (ostensibly for lower-income groups), mid-market developments by housing cooperatives, and largely high-end homes built by real estate developers and/or homeowners themselves. Based on a survey conducted by Access Capital, we find that sale prices for even modest homes exceed Birr 1 million in many of Addis Ababa's residential neighborhoods, while average sale prices for large homes (with 1000 square meters and four-or-more bedrooms) are now routinely above Birr 6 million in the most

expensive neighborhoods. In these same high-end neighborhoods, rental rates are in the range of Birr 30,000–40,000 per month for large homes. From a cross-country perspective, home prices and rents are beginning to match or exceed the levels seen in African countries with much higher incomes than Ethiopia (Access Capital May 2010).

The Ethiopian Investment Agency issued licenses to 160 real estate developers up to 2009 to operate throughout the country. Macroeconomic statistics available from a private consultancy firms show that the real estate and the construction sector accounted for 14.9% of the Gross Domestic Product (GDP) in 2008/09, with the real estate sector comprising of 9.1% and construction comprising of 5.8% (Access Capital, 2010).

The Addis Ababa City Administration Directive on Conditions for Land Request and Authorization Services defined a real estate developer as a developer who builds houses which can accommodate 50 or more households through rental or transfer on sale. The directive among others, also limited the size of land to be requested by a developer not to exceed 20 ha if it is located in an expansion zone of the city and 5 ha in developed areas. For those developers requesting land in excess of such an amount it had to be decided by the lease board. Only condominium type housing will be allowed in the developed part of the city, however if the local development plan, based on the master plan provisions, allows for villa type housing then the later component cannot exceed more than 30% (F. Mengistu, M.P. van Dijk 2018).

Ethiopia's real estate business has a long history; a history that starts with the first real estate company opening in 1996GC, which is Ayat real estate. The researcher has conducted the study on the first real estate companies. These are the companies that control and own most of the market share in the business. As the title indicates, it assesses how these companies differentiate their product from one another, do their products have a new or a unique feature that the other companies do not have, and how do they use these different and unique features of their products as a competitive tool in the market.

The reason the researcher chose differentiation to conduct this study on is that there is not much research done on the product differentiation and competitive advantage of residential real estate businesses; it is under-researched, and also the researcher wants to help these companies to start considering using product differentiation strategies as a competitive advantage over their rivals.

As (Barney, 1991) indicates competitive advantage denotes a firm's ability to achieve market superiority or superior position over its competitors. According to this after the researcher chose the title “ product differentiation and competitive advantage: assessment on the real estate business in Ethiopia” it was necessary to have an introductory and generalized interview with the companies’ marketing departments. The collected information was concerned mainly on their product differentiation strategies and what they have as a competitive advantage over their competitors; but these companies use price as their main competitive advantage, mainly the payment system, the interest fee, and the product's actual cost.

It is a concern for managers these days to achieve effective differentiation, it is therefore important for them to compare their product/market scope and product differentiation with their competitors (Pehrsson, 2008). Ian Mcmillan and Rita Gunther (1997) also stated that Most profitable strategies are built on differentiation: offering customers something they value that competitors don’t have; however most of the real estate companies do not do much on differentiating on the actual product itself the substantial part of their business. Most customers cannot differentiate these companies with their buildings or houses; they cannot tell which companies do the product belongs to just by looking at the feature.

On the other hand, when it comes to their quality, they address that their work has the best quality just because they are the pioneers or have been in the business longer than the other companies; this also is a problem if seen from the marketing perspective. Stephan Page (1995) states that Getting the quality of product requires an understanding of what consumers expect. This means that not only that of quality must do what is claimed for it and stand up well in comparison with rivals, but it also comes in that the consumers consider being the right color, weight and packaging size.

1.3 Research Question

1.3.1 Main Research Question

What are the determinants of the effect of product differentiation on competitive advantage mediated by brand image on the real estate business in Addis Ababa?

1.3.2 Sub Research Questions

- How does product quality affect competitive advantage of the real estate business in Addis Ababa?

- Does product design affect the competitive advantage of the real estate business in Ethiopia?
- How does product innovation affect the competitive advantage of the real estate business in Addis Ababa?
- How does product feature affect the competitive advantage of the real estate business in Addis Ababa?
- How does brand image mediate the relationship between product differentiation and competitive advantage?

1.4 Objective of the study

General Objective

To assess the effect of product differentiation on competitive advantage mediated by a brand image of the real estate business in Ethiopia.

Specific Objective

- To describe how product quality affects the competitive advantage of the real estate business in Addis Ababa.
- To determine how product design affects the competitive advantage of the real estate business in Addis Ababa.
- To identify how product innovation affects the competitive advantage of the real estate business in Addis Ababa.
- To describe how product feature, affect the competitive advantage of the real estate business in Addis Ababa.
- To describe how brand image mediates the relationship between product differentiation and competitive advantage.

1.5 Significance of The Study

This research describes the product differentiation and competitive advantage of the real estate companies in Ethiopia. The research can also be useful for companies that are in the real estate business in ways. It is also essential to build up the researcher's knowledge of history and the overall real estate business in Ethiopia. The study can also be useful for future researchers who plan to conduct their study on Ethiopia's real estate business.

1.6 Scope of The Study

The scope of the study is seen from three Different perspective; the first one is the conceptual perspective; product differentiation components have a direct relationship with competitive advantage which are (product brand, product quality, product design, product packaging,

product innovation, product features and so on); the researcher chose only four components: product quality, product design, and product innovation product features and brand image as a mediating variable between product differentiation and competitive advantage.

The second perspective is the geographical perspective The research mainly focuses on the companies located in Addis Ababa because that is where most of the companies are found. The third perspective is the methodological perspective which is The participants of the data collection; which was only internal customers (employees) of the companies.

1.7 Limitation of The Study

The sample population was selected only from Addis Ababa;, it was only selected from Addis Ababa because most of the companies are found in Addis Ababa.. The other is that the researcher was using a judgmental sampling techniques because the researcher was collecting the data from the internal customers (employees) of the first residential real estate companies in Addis Ababa; the once that have been 10 years and above in the business.

1.8 Organization of The Study

The research has five chapters. Chapter one includes the study's background, statement of the problem, research questions, research objective, significance of the study, the study's scope, and the study's limitation. The second chapter covers the theoretical review, empirical review, and conceptual framework. The third chapter contains the research methodology, research approach and research design, population and sampling techniques, and data analysis techniques. The fourth chapter shows the presentation, analysis, and data interpretation. The final or the fifth chapter provides a conclusion and recommendation.

1.9 Definitions of Terms

Competitive advantage: Competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition (Michael E. Porter 1985).

Product differentiation: (Kotler et al 1996) “Differentiation is the act of designing a set of meaningful differences to distinguish the company’s offer from competitors’ offers”

Real estate: Real estate is the property, land, buildings, air rights above the land and underground rights below the land (Kimberly Amadeo 2020).

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter includes the theoretical review, empirical review, of competitive advantage and product differentiation and the conceptual framework of the study.

2.1 Theoretical Review

2.1.1 The Theory of Competitive Advantage

The competitive advantage theory suggests that states and businesses should pursue policies that create high-quality goods to sell at high prices in the market. Porter emphasizes productivity growth as the focus of national strategies. This theory rests on the notion that cheap labor is ubiquitous, and natural resources are not necessary for a good economy. The other theory, comparative advantage, can lead countries to specialize in exporting primary goods and raw materials that trap countries in low-wage economies due to terms of trade. The competitive advantage theory attempts to correct for this issue by stressing maximizing scale economies in goods and services that garner premium prices, (Porter 1985).

According to Prof. Graham Hooley, Nigel F Piercy, Brigitte Nicoulaud, and John M Rudd (2017) Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. These attributes can include access to natural resources, such as high grade ores or inexpensive power or access to highly trained and skilled personnel human resources. New technologies, such as robotics and information technology, are either to be included as a part of the product or to assist making it. Information technology has become such a prominent part of the modern business world that it can also contribute to competitive advantage by outperforming competitors with regard to Internet presence.

The pursuit of competitive advantage is arguably the central theme of the academic field of strategic management (Furrer 2008, Hoskisson et al. 1999; Porter 1996). Pearce and Robinson (1988) define strategic management as, ‘the set of decisions and actions resulting in formulation and implementation of strategies designed to achieve the objectives of an organization. Certo and Peter (1990) define strategic management as, ‘a continuous, iterative process aimed at keeping an organization as a whole appropriately matched to its environment’. Strategic management is concerned with defining organizational performance,

variables of strategic choice and competitive advantage. Strategic choice determines the market in which to participate and where to position the organization within those markets (concepts which, as we will see in the next section, are closely aligned with the market-based view of strategy) (Kotha & Vadlami 1995).

Korsakienė (2012) argues that the competitive advantages include positional and performance advantage relative to competitors due to the business held and distributed resources and capabilities advantage. Therefore, the competitive advantage is defined as a significant advantage over its competitors due to the cost allocation and the results of the operation of which depends on the positioning strategy. The competitive advantage in preventing the acquisition of goods or service provider to relax, because competitive advantage can be copied. Competitive wars are going on constantly, so there's no guarantee that competitive advantage will be maintained for long (Sekliuckienė, Langvinienė 2011).

Duncan, Gintei & Swayn (1998) stated “assess the extent of the competitive advantage or disadvantage possessed by each of the identified strategic resources and capabilities. Alternative values are assigned according to the following definitions; Inadequate. The resource or capability is below the minimum required to be in the business.

According to Kotler (2012), in the competition it is important to develop competitive strategies that would stand out from its competitors, but firstly it is essential to know its market position, goals, capacities and resources. Kotler distinguishes four different positions:

1. **The leader** - the company that owns the largest market share in the industry. The Other company adapts to its new products, price changes, product distribution and support;
2. **Contender for the leader**- its industry is in the second position only to the leaders trying to capture a larger market share, attacking the leader;
3. **Follower** - the company does not want to change the situation in the market and will maintain the current share of the market, fearing more to lose than gain profit;
4. **The niche filler** - services to small segments of the market, other companies go unnoticed or ignored.

2.1.2 Model of Competitive Advantage

2.1.2.1 Michael E. Porter's model of competitive advantage

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. 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. The focus strategy has two variants, cost focus and differentiation focus (Porter, Michael E 1985).

Competitive advantage

Competitive scope	1. Cost leadership	2. differentiation	Broad target
	3a. cost focus	3b. differentiation focus	Narrow target

Figure 2.1 Michael E. Porter (1985)

i. Cost Leadership model

This strategy generally consists of an organization attempting to gain a market share by appealing to cost-conscious or cost-restricted customers or consumers. Therefore, it is the aim of the organization to become the lowest-cost producer in their chosen industry. Although any organization was aimed to remove any unnecessary costs, those employing this strategy prioritize lowering all overheads.

Often, this can be achieved through mass-production of products, allowing the organization to exploit the economies of scale; however, costs can be cut during many stages of the production process. This was allowed the organization to sell products or services for around or below the average price for the industry, and as a result of cost-limitation was achieved the greatest profits. These mass-produced products were often very standard, and was exhibit little-to-no differentiation.

Some organizations with cost leadership may also sell products for below the market average, allowing them to gain a greater share of consumers than their competitors - particularly if their profit margins can still remain high due to low production costs. These organizations cannot afford to be merely among the lowest-cost producers - this leaves them open to undercutting from rivals - instead, they need to be the lowest-cost producer. Organizations exhibiting cost-leadership often exhibit a number of traits and attributes which make them suited for this approach:

ii. Differentiation model

The general focus of differentiation-led organizations is to make their products different or more attractive than any other within the industry to achieve a competitive advantage. These organizations generally target larger markets and focus on differentiation on a much wider scale within the industry than would a cost-led company.

The methods of achieving differentiation can vary broadly across industries, products and services; however, it can involve various features, functionality, durability, and also how the brand and the product are marketed to achieve an image which customers value. When designing products, the organization focused on various criteria considered by consumers within the industry, and then oriented themselves uniquely to meet those criteria.

Though not universally, this strategy is often associated with charging premium prices for the products or services in question. This reflects the potentially higher production costs associated with developing unique items, and also the extra features and uniqueness exhibited by said product. As higher prices are often a forced measure to cover production costs, it is crucial that the differentiation of the product is appealing enough to justify these prices to consumers.

Here are the most important traits associated with differentiation-led organizations:

- Strong research, development and innovation
- Superior product quality
- Recognizable branding, effective branding and marketing
- Industry-wide distribution within all major channels (stocked by most retailers)

iii. Cost Focus

Cost-focus refers to organizations who seek to develop a lower-cost advantage, but only within a small market segment. These products were generally be basic, vaguely similar to the average market-leading products (though more popular products can be charged at a higher price) and was acceptable to a sufficient number of customers in order to make a profit. An example would be budget food items or other household tools stocked only by small, local supermarkets. Another would be a low-cost regional airline which focuses only on specific routes. These products are often referred to as "me too's".

iv. Differentiation Focus

In a differentiation-focus strategy, the organization looked to develop product differentiation, but only within one or a smaller number of market segments. As these organizations have identified a smaller consumer group to focus on, they can more specifically appeal to the needs and wants of this group than could an organization which is attempting to differentiate for a wider population.

For this strategy to succeed, the organization had first to identify that a consumer group has a different set of needs than does the wider market population. If there is no variation in need, then there is no valid basis for differentiation. Alongside this, the organization also must ensure that another competitor is not already appealing to the specific and unique needs that they have identified.

This approach is the most common niche marketing strategy. Small businesses can use this method to force themselves into a niche, developing unique products which can be sold for higher prices than similar undifferentiated products, often due to specialist knowledge or innovation compared with other businesses.

2.1.2.1.1 Competitive Position Analysis

Porter's Five Forces of Competitive Position Analysis were developed in 1979 by Michael E Porter of Harvard Business School as a simple framework for assessing and evaluating the competitive strength and position of a business organization. This theory is based on the concept that there are five forces that determine the competitive intensity and attractiveness of a market. Porter's five forces help to identify where power lies in a business situation. This is useful both in understanding the strength of an organization's current competitive position, and the strength of a position that an organization may look to move into.

Porter's five forces of competitive position analysis:

1. Supplier power. An assessment of how easy it is for suppliers to drive up prices. This is driven by the: number of suppliers of each essential input; uniqueness of their product or service; relative size and strength of the supplier; and cost of switching from one supplier to another.

2. Buyer power. An assessment of how easy it is for buyers to drive prices down. This is driven by the: number of buyers in the market; importance of each individual buyer to the organization; and cost to the buyer of switching from one supplier to another. If a business has just a few powerful buyers, they are often able to dictate terms.

3. Competitive rivalry. The main driver is the number and capability of competitors in the market. Many competitors, offering undifferentiated products and services, reduced market attractiveness.

4. Threat of substitution. Where close substitute products exist in a market, it increases the likelihood of customers switching to alternatives in response to price increases. This reduces both the power of suppliers and the attractiveness of the market.

5. Threat of new entry. Profitable markets attract new entrants, which erodes profitability. Unless incumbents have strong and durable barriers to entry, for example, patents, economies of scale, capital requirements or government policies, then profitability declined to a competitive rate.

Author	Concept of Competitive Advantage
Porter (1980)	Competitive advantage is at the heart of a firm's performance in competitive markets. Competitive advantage means having low costs, differentiation advantage, or a successful focus strategy. Competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it
Saloner, Shepard, Podolny (2001)	Most forms of competitive advantage mean either that a firm can produce some service or product that its customers' value than those produced by competitors or that it can produce its service or product at a lower cost than its competitors.
Wang (2014)	Competitive advantage is obtained when an organization develops or acquires a set of attributes (or executes actions) that allow it to outperform its competitors. The development of theories that help explain competitive advantage has occupied the attention of the management community for the better part of half a century
Ghemewat (1986)	The competitive advantage is more sustainable the greater the number of sources of cost or differentiation advantages.
Barney (1997)	The competitive advantage is considered sustainable if those resources are also nonimitable (i.e., cannot be easily duplicated by competitors), nonsubstitutable (i.e., other resources cannot perform the same function), and nontransferable (i.e., cannot be acquired in the marketplace).
Hunt (2000)	Modern business strategy maintains that the strategic imperative of a firm should be sustained, superior financial performance and the belief that this goal can be achieved through a sustainable competitive advantage in the marketplace.
Kay (1993)	Competitive advantage is a deceptively simple idea of assessing a company's capabilities and market position by how they give it advantage 4 relative to competitors'. Competitive advantages are ephemeral and only worth as much as the value that the market places on them.

Figure 2.4: source: M. IŠORAITĖ (2018)

2.1.4 Product differentiation

Porter (1976) also viewed product differentiation as depending on both physical product characteristics and other elements of the marketing mix. Like Chamberlin, he recognized that product differentiation can be based on perceived as well as actual physical and nonphysical product differences. Porter also adhered to the traditional operational definition of product

differentiation as the degree of cross-price inelasticity with respect to competing brands. In a demand equation this cross-inelasticity is represented by a demand function for the firm's offering that is relatively unaffected by changes in the prices of competing brands.

Levitt (1986) has suggested that products and services can be seen on at least four main levels. These are the core product, the expected product, the augmented product and the potential product. Differentiation is possible in all these respects. At the center of the model is the core, or generic, product. This is the central product or service offered. It is the petrol, steel, banking facility, mortgage, information, etc. Beyond the generic product, however, is what customers expect in addition, the expected product. When buying petrol, for example, customers expect easy access to the forecourt, the possibility of paying by credit card, the availability of screen wash facilities, air for tires, radiator top-up and so on. Since most petrol forecourts meet these expectations they do not serve to differentiate one supplier from another.

A prime factor in differentiating the product or service from that of competitors is quality. Quality concerns the fitness for purpose of a product or service. For manufactured products that can include the durability, appearance or grade of the product while in services it often comes down to the tangible elements of the service, the reliability and responsiveness of the service provider, the assurance provided of the value of the service and the empathy, or caring attention, received (Parasuraman 1988). Quality can reflect heavily both on raw materials used and the degree of quality control exercised during manufacture and delivery.

There are different ways that a firm can differentiate its product and use that differentiation as a tool for competitive advantage in the market. Some of the ways or methods of differentiating a product are:

2.1.4.1 Product Innovation

Innovation is considered as one of the success features in the economic companies, it's regarded as the basic element to reach customer satisfaction and to realize their desires. It means finding a new idea which implements for realizing the competitive advantage to the companies, at a time when they have had similar opportunities to present their products with low costs (Cherroun Reguia 2014).

Product innovation is the development of new products, making changes in the current product design or using new techniques and means in the current production methods, in

other words, it focuses on existing markets for existing products, differentiating through features and functions that current offers do not have. We can look at the product innovation from two sides; internal side where it depends on knowledge, capacities, resources and the technologies used in the company, however; from the external side product innovation focuses on the consumers' needs and the owners' expectations (Cherroun Reguia 2014) .

- **Product innovation advantages**

Innovation, in general, is intended to contribute to the efficiency or effectiveness of an organization ensuring its long-term survival and growth; the initial impetus for innovation may stem from changes in the internal or external environment to which organizations respond to, or from an internal organizational choice to take preventive action and influence the environment (Damanpour, 1991; Damanpour, Walker, & Avellaneda, 2009).

Firms innovate in order to gain or maintain a temporary superior market position, which has positive consequences for their value, survival and growth (Mizik & Jacobson, 2003; Rubera & Kirca, 2012; Schumpeter, 1942). This is most obvious for manufacturing firms, which constantly have to perform product innovations in terms of new goods in order to deal with fast changing consumer needs and to remain competitive. Most attention in the existing literature has been put on organizations in the manufacturing sector and on product innovations (Carayannis & Provan, 2008).

According to Cherroun Reguia (2014); Product innovation is not a new phenomenon which suddenly emerged as part of the space age. It has been around and shaped our life for thousands of years. Today's companies gain their competitive advantage and economic benefits largely from innovation. Further, we can state product innovation advantages both to the company and to industry as the following:

- Product innovation's contribution to company output can be measured by sales and profits contributed by new products/ services, change in market share...etc, also product innovation may increase companies' knowledge stock;
- Product innovation contributes in reducing production costs and time of production process and that leads to an increase in investment returns and production efficiency, it contributes also in improving products quality and makes products more competitive in home and external markets;

- Realize customers' needs with new characteristics through creating new product pattern with determined measures and features which are not found and realizing the continuance of customer's fidelity;

2.1.4.2 Product Quality

Quality has become a strategic question for businesses, governing the development of product and process designs and directing the choice of features for the product (Garvin, 1987).

Quality means what the customer really wants. In the other words, a product is of high quality when it is in agreement with customers' needs and demands. Perceived quality refers to customer's judgment about the total superiority or advantage of something. Perceived quality is a form of vision related to satisfaction; however, it is not the same as vision, and results from comparing performance expectations and perceptions. Higher levels of service quality lead to higher sale revenues and productivity. High quality products are those products and services that are reliable, meaning that they perform well the task they were designed for, and create distinctive properties for enhancing its value for customers. When customers learn that products from one company (regarding form, properties, performance, sustainability, reliability, design, style, etc.) provide a higher value for them compared to those offered by competitors, then these products are said to be of high quality (Akram Sadat Hosseini, Sanaz Soltani, and Mohammad Mehdizadeh 2018).

According to Juran (1979) quality is convenience of use, with emphasis on four considerations:

- ***Quality of design***: quality of market research, concept, and specification. Marketing is responsible for the quality of market research, while engineering has the primary responsibility for quality of concept and specification.
- ***Quality of conformance***: producing a product to meet its specification. Quality of conformance is determined by technology, manpower, and management.
 - ***Availability***: decided by the product's reliability, maintainability, and logistical support.
 - ***Field service***: determined by promptness, competence, and integrity.

Deming (1982) defines quality by dividing it into three separate categories:

- ***Quality of design/redesign***: how well a prototype meets the consumer's needs.

- **Quality of conformance:** how well a firm and its suppliers meet the design specifications required to satisfy the consumer's needs.
- **Quality of performance:** how well the firm's products or services actually perform in the marketplace.

2.1.4.3 Product design

It is widely recognized that design is an important factor contributing to firms' success because of its potential to boost their competitiveness (Hertenstein et al., 2013; Roy and Riedel, 1997). However the influential role of design extends beyond the performance of the actors directly involved in the manufacturing of products and pervades different spheres of action of individuals, organizations, and other types of entities.

Product design strategy decisions relate to the ability to understand the market and stakeholder requirements of the product (price, features) and translate them into effective design solutions. To design saleable products and/or services properly, designers must work closely with personnel from marketing, R&D, and operations, as well as finance and accounting, to identify the proper target market, price points, product features, and production schedules (Olson, Eric M., et al, 1998).

2.1.4.4 Product features

The introduction of new features and enhancements is one of the most common methods for differentiating products and services and increasing sales. Companies can gain a significant competitive advantage. A question that naturally arises is: What factors determine the effect of a new feature on sales and market share? This question has important theoretical and practical implications. Theoretically, it is important to both identify general moderators of the sales impact of a new feature and understand the principles underlying these effects. For managers, knowing the answer to this question might enable them to derive more accurate sales predictions and determine whether, in their particular circumstances, increasing sales by adding a new feature is more effective than other available actions (Nowlis 1996).

2.1.4.5 Packaging

Packaging too can be used to differentiate the product. Packaging has five main functions, each of which can be used as a basis for differentiation.

1. Packaging stores the product, and hence can be used to extend shelf life, or facilitate physical storage.

2. Packaging protects the product during transit and prior to consumption to ensure consistent quality.
3. Packaging facilitates use of the product.
4. Packaging helps create an image for the product through its visual impact, quality of design, illustration of uses, etc.
5. Packaging helps promote the product through eye-catching, unusual colors and shapes, etc.

2.1.4.6 Service

A service is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. Activities such as renting a hotel room, depositing money in a bank, travelling on an aero plane, visiting a doctor, getting a haircut, having a car repaired, watching a professional sport, seeing a movie, having clothes cleaned at a dry cleaner and getting advice from a solicitor all involve buying a service. Furthermore, service businesses are more difficult to manage when using only traditional marketing approaches. In a product business, mass-produced products are fairly standardized and sit on shelves waiting for customers. But in a service business, the customer and frontline service employee interact to create the service. Thus service providers must work to interact effectively with customers to create superior value during service encounters (Kotler, Armstrong, Saundars and Wong 1999).

2.1.4.7 Brand image

Brands are an important part of all cultures across the planet, as well as in the business world. Brands help people make decisions, small ones, as well as big ones. Brands engage the consumer, inspire an emotional reaction, and are consistent in their appearance. On a strategic level, brands can be thought of as a relationship between a company and a customer. On a tactical level, a brand is a consistent message that meets the customer at as many touch points as possible, (Goodman & Career 2001).

Branding is a disciplined process used to build awareness and extend customer loyalty. It requires a mandate from the top and readiness to invest in the future. Branding is about seizing every opportunity to express why people should choose one brand over another. A desire to lead outpaces the competition, and gives employees the best tools to reach customers are the reasons why companies leverage branding (wheeler 2012). In the eyes of many customers, the brand is the company. Customers attach a high level of meaning to a

brand, meaning that goes far beyond the brand's name and symbolism. To many customers a brand is a promise. This is the language that confirms the application of social-contract theory in branding. Customers form Relationships with brands that are built on trust and often describe these relationships as being a type of bond, pact or contract. (Melewar and Karaosmano~glu, 2008).

Brand image is the way the public perceives the company or its products. Image is affected by many factors beyond the company's control. An effective image establishes the product's character and value proposition; it conveys this character in a distinctive way; and it delivers emotional power beyond a mental image. For the image to work, it must be conveyed through every available communication vehicle and brand contact, including logos, media, and special events. Brand Image is a multi-dimensional construct that is triggered by cognitions, emotions, symbols, values and attitudes of consumers. Brand image and identity are identified as potential sources of gaining competitive advantage (Amis, 2003)

According to Melewar and Karaosmano~glu, (2008) Businesses offer satisfying goods or services to defined groups of customers who make purchasing decisions on the basis of a product's (or an organization's) brand image. As such, a brand image carries with it implied promises. Customers develop trust based on brand images and an inherent belief that organizations will uphold these implied promises to customers. Branding and the resulting brand image is more than a promise to customers. A brand represents a contract between a company and its customers. That is, a brand and associated branding activities are perceived by customers to be a promise of quality, utility and psychological value made by a company. As social-contract theory posits, this promise by one community member to another community member is seen as a social contract in which terms of the agreement (promises) are expected to be upheld and delivered.

2.2 Empirical review

2.2.1 Product quality and competitive advantage

Product quality management has three elements which are in fact effective business tactics i.e. awareness, training and environment . Firstly, an organization should build product quality awareness among their people. Thus they are not only do better job but generate ideas that was result in continuous product quality. Secondly, employees need skills. Product quality management not only emphasizes the implementation of traditional training programs but also requires training in leadership, quality concepts and problem solving. Lastly, an

environment characterized by a product quality management for competitive advantage in marketing is one where the obstacles to quality are removed. It is an environment where it is easy for a person to do his job right (Meera Singh 2013).

Product quality was lead to increase profits and attract customers, because customers are aware of quality and ready to pay for it, prices and even brands of product are not attracting customers any more. Customers are looking for specific features and characteristics that distinguish the product and made it different than other products (Hind Alghamdi, Christian Bach 2013).

H1: Product quality significantly and positively affects competitive advantage.

2.2.2 Product design and competitive advantage

Selecting and implementing design tools and practices for use in the development of new products is more of a corporate bet than a guaranteed investment . Driven by the external forces of market opportunity, technological progress, and competitive pressure, manufacturing companies typically review available design tools and practices, hoping to choose those that was help produce a sustained competitive advantage. Unfortunately, such choices are often accompanied by confusion, unreasonable expectations, or misdirected effort . Design tools and practices can become potent managerial mechanisms for strengthening these strategic capabilities. Finally, the likelihood of achieving a particular competitive strategy is increased when a compatible pattern of new product development outcomes can be achieved over time (Stephen R. Rosenthal and Mohan V. Tatikonda 1992).

Design is increasingly important in real estate too. Part of the reason is that in the past good design, for both buildings and places, was not a necessity for success. Contextual planning and design is not the norm. In the new market, we need to create places that draw us back, where we prosper. Designers use the term “High-concept” to describe a design ethic that calls for artistic and emotional beauty, satisfying narratives and patterns, and opportunities to combine seemingly unrelated ideas into a novel inventive synthesis. They also use the term “High-touch” to mean the ability to empathize, to understand the subtleties of human interaction, and to find joy in the pursuit of purpose and meaning. These are the things that computers cannot do faster and offshore sources cannot fabricate cheaper—and they result in products, services and experiences that are in great demand in an age of abundance and now in an age of careful consumerism (Mark Stapp 2012).

H2: Product design significantly and positively affects competitive advantage.

2.2.3 Product innovation and competitive advantage

In many industries, companies seek competitive advantage primarily through product innovation. Competition in such markets is based on claims of technological superiority. However, unless a company can clearly establish the superiority of its products in its customers' minds, a differentiation strategy based on relative product performance is likely to be ineffective. This is particularly true in markets characterized by numerous product introductions from many competitors. Product innovation success declines as the intensity of market competition increases. This may be caused by customers' inability to differentiate products on the basis of functional performance (John H. Friar 1995).

Improvement of core competitiveness of real estate enterprises is the key step and fundamental task to promote the development of enterprises. Currently, lack of core competitiveness is the main problem of small and medium real estate enterprises during development. These facts lead to difficulties to competing with other competitors, or even have been beaten, especially for those small and medium real estate enterprises. Additionally, there is huge gap between them and large enterprises, which cause they don't have ability to fight back. Other main reasons caused low competitiveness of enterprises are lack of innovative ability, poor strategic awareness, low management capacity, and unclear brand awareness. While the enterprises have financing problems because of low developmental ability, it is not good for further development. Meanwhile, the real estate enterprises haven't brought the talent strategy into the overall operating strategy during this age of knowledge economy, and this is another main cause of lack competitiveness (LI ZHAO YUN 2016).

H3: Product innovation significantly and positively affects competitive advantage.

2.2.4 Product features and competitive advantage

Now a days technological progress creates growing opportunities for companies to add features to their products. The increase of the number of product features is a common way to enhance and differentiate the products and has typically the aim to provide greater functionality and utility to consumers. This strategy has become especially popular with the development in electronics and information technology (Thompson et al. 2005), which enables companies to include more functions and make products that cost less and require less time to be manufactured (Freund et al. 1997).

H4: Product features significantly and positively affects competitive advantage.

2.2.5 brand image and competitive advantage

It requires that the brand be supported by a differentiation useful for its competitiveness, since competitive advantages are created from the differentiation of the product and the reduction of costs. product innovation plays an important role in enabling firms to develop strong brand image. innovation and brand image are related terms used by organizations in their pursuit of survival and growth, which permit them to create new values for their assets.(Jalal Hanaysha, Haim Hilman and Noor Hasmini Abdul-Ghani 2004).

brand image describes the way consumers think about a brand and the feelings the brand brings to their minds when they think about it (Keller 2001). A good brand image enables firms to achieve competitive advantage in the market (Roy and Banerjee 2007). From the end-users' perspective, a strong brand image has a positive effect on consumers' perception of the brand, which results in their being more likely to choose the brand over those competitors, and thereby makes the brand more competitive overall (Ansary, Amin, and Nik M. Nik Hashim 2017).

H4: brand image significantly and positively affects competitive advantage.

2.2 Conceptual Frame Work

Independent variables

product differentiation

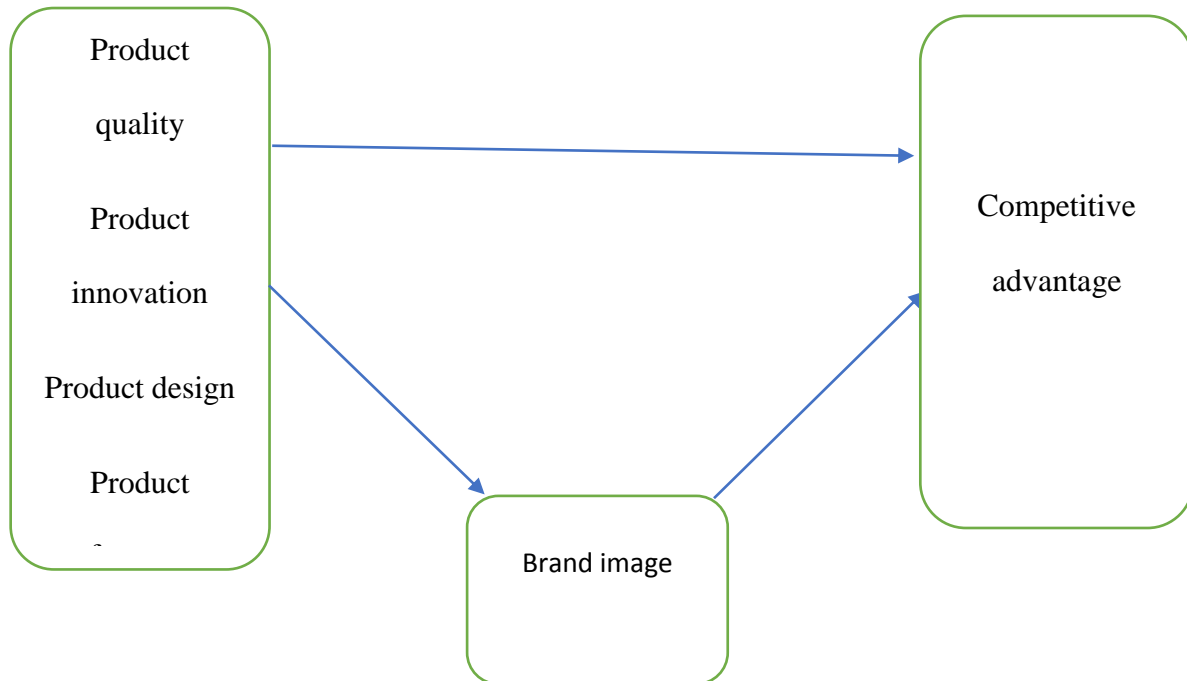


Figure 2.5 Conceptual Framework

- Source: Joy I. Dirisu, Oluwole Iyiola, and O. S. Ibidunni (2013).

Product differentiation affects competitive advantage directly and indirectly through brand image.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter includes the different kinds of methods that the researcher used to accomplish the research, including the research approach, the research design population of the study, sample size, sampling techniques, data collection, reliability of instruments, and data collection procedures and data analysis techniques.

3.1 Research approach

A research design is a blueprint or plan for the collection, measurement, and analysis of data, created to answer your research questions. The quality of a research design depends on how carefully you choose the appropriate design alternatives, taking into consideration the specific objectives, research questions, and constraints of the project, such as access to data, time, and/or money (Sekaran and Bougie 2016).

Most research is best understood as being either quantitative or qualitative in nature. In general, quantitative research specifies numerical assignment to the phenomena under study, whereas qualitative research produces narrative or textual descriptions of the phenomena under study. The advantage of quantitative research is that the findings from the sample under study more accurately reflect the overall population from which the sample was drawn. The main advantage of qualitative research is that it provides a richer and more in-depth understanding of the population under study. Techniques such as interviews and focus groups allow the research participants to give very detailed and specific answers (Scott W. Vanderstoep and Deirdre D. Johnston 2009).

Cresswell (2009) stated that mixed quantitative and qualitative research are connected between a data analysis of the first phase of research and the data collection of the second phase of research. In this study, the researcher was using mixed methods by presenting a questionnaire with qualitative and quantitative questions, which are close and open questions. Furthermore, an interview was conducted with both the manager and the companies' sales manager considered to take the samples from. The data interpretation was presented, combining the results collected from quantitative data.

Now the researcher has chosen the quantitative research method because the data which was collected is by using only questionnaires. which research design to use for the study, next

comes the purpose of the research design which other authors described as research approaches.

3.2 Research Design

According to Saunders (2016) research can be designed to fulfil either an exploratory, descriptive, explanatory or evaluative purpose, or some combination of these.

Explanatory research Studies that establish causal relationships between variables may be termed explanatory research. research questions that seek explanatory answers are likely to begin with, or include, 'Why' or 'How'. Questions that you ask during data collection to gain an explanatory response was also be likely to start with, or include, 'Why' or 'How'. The emphasis in explanatory research is to study a situation or a problem in order to explain the relationships between variables.

Exploratory Studies is a valuable means to ask open questions to discover what is happening and gain insights about a topic of interest. research questions that are exploratory are likely to begin with 'What' or 'How'. Questions that you ask during data collection to explore an issue, problem or phenomenon was also be likely to start with 'What' or 'How'. There are a number of ways to conduct exploratory research. These include a search of the literature; interviewing 'experts' in the subject; conducting in-depth individual interviews or conducting focus group interviews.

The purpose of *descriptive research* is to gain an accurate profile of events, persons or situations. research questions that are descriptive are likely to begin with, or include, either 'Who', 'What', 'Where', 'When' or 'How'. questions that you ask during data collection to gain a description of events, persons or situations was also be likely to start with, or include, 'Who', 'What', 'Where', 'When' or 'How'. Descriptive research may be an extension of a piece of exploratory research or a forerunner to a piece of explanatory research. It is necessary to have a clear picture of the phenomenon on which you wish to collect data prior to the collection of the data.

The researcher used explanatory research designs to explain the relationship between the dependent and independent variables and answer the research questions to give a solution to the problem.

3.3 Data Types and Data Sources

There are two types of data, primary and secondary. Primary data are data that are collected for the specific research problem at hand using procedures that fit the research problem best (Joop J. and Hennie R. 2005). According to Saundars (2016) The main source of primary data can be observation. If your research question(s) and objectives are concerned with what people do, an obvious way in which to discover this is to watch them do it. This is essentially what observation involves: the systematic viewing, recording, description, analysis and interpretation of people's behavior.

Secondary data include both quantitative (numeric) and qualitative (non-numeric) data, and are used principally in both descriptive and explanatory research. The secondary data you analyses further may be raw data, where there has been little if any processing, or compiled data that have received some form of selection or summarizing. Many secondary data sets currently available were primary data sets that have been re-combined with other data sets to create larger data sets (Saundars 2016).

3.4 Population of The Study

The full set of cases or elements from which a sample is taken is called the population. In sampling, the term 'population' is not used in its normal sense, as the full set of cases need not necessarily be people (Saunders 2016). A population can be physical and/or geographical, but does not have to be an entire country or region. A population can be a cohort: There can be geographical, temporal, and definition characteristics at the same time.

The target population of this research were employees of the real estate companies which are located in Addis Ababa.

3.5 Sampling Technique and Procedure

According to C.R. Kothari (2004) the researcher must decide the type of sample he was use i.e. the researcher must decide about the technique to be used in selecting the items for the sample. In fact, this technique or procedure stands for the sample design itself. There are several sample designs out of which the researcher must choose one for his study.

3.5.1 Sample size

Refers to the number of items to be selected from the universe to constitute a sample. This a major problem before a researcher. The size of sample should neither be excessively large, nor too small. It should be optimum. An optimum sample is one which fulfills the requirements of efficiency, representativeness, reliability and flexibility C.R. Kothari (2004).

$$\text{Formula 1: } S = \frac{X^2 NP(1-P)}{D^2(N-1)+X^2P(1-p)}$$

Where: S = required sample size; X^2 = the table value of chi-square for 1 degree of freedom at 0.05 confidence level (3.841); N = the population size; P = the population proportion (assumed to be 0.50 as this would provide the maximum sample size); and d = the degree of accuracy expressed as a proportion (0.05).

$$S = \frac{(3.841)4,592,000(0.5)(1 - 0.5)}{(0.05)^2(4,592,000 - 1) + (3.841)0.5(1 - 0.5)}$$

$$S = \frac{118,110.75}{307.4975 + 0.96025}$$

$$S = \frac{4,409,468}{11,481}$$

$$S = 384.$$

3.5.2 Sampling Technique

Taking a subset from chosen sampling frame or entire population is called sampling. Sampling can be used to make inference about a population or to make generalization in relation to existing theory. Sampling techniques can be divided into two types; probability or representative sampling, and non-probability sampling. With probability samples the chance, or probability, of each case being selected from the target population is known and is usually equal for all cases. For non-probability samples, the probability of each case being selected from the target population is not known and it is impossible to answer research questions or to address objectives that require you to make statistical inferences Saunders(2016).

On this study the researcher used judgmental sampling techniques which is types of the non-probability sampling technique because the data was collected only from the employees of

the real estate companies located in Addis Ababa which have been in the business 10 years and above; therefore this puts the target population chosen based on the judgment of the researcher.

3.6 Data Gathering Instruments

There are different methods used to gather information, all of which fall into two categories, primary and secondary data (Douglas, 2015). As the name suggests, primary data is one which is collected for the first time by the researcher while secondary data is the data already collected or produced by others. On this study the researcher was be using both primary and secondary data gathering method. The primary data was be collected by distributing questionnaires to the real estate companies' employees. The secondary data was collected from different books, articles, and journals written around the study's title.

A questionnaire is a research instrument that consists of a set of questions or other types of prompts that aims to collect information from a respondent in this case real estate employees. A research questionnaire is typically a mix of close-ended questions and open-ended questions. Open-ended, long-form questions offer the respondent the ability to elaborate on their thoughts; however in this study the questionnaire only consists close ended questions.

3.7 Data Analysis Techniques

Data analysis can refer to a variety of specific procedures and methods. However, before programs can effectively use these procedures and methods, we believe it is important to see data analysis as part of a process. By this, we mean that data analysis involves goals; relationships; decision making; and ideas, in addition to working with the actual data itself. Simply put, data analysis includes ways of working with information (data) to support the work, goals and plans of your program or agency. Migrant & Seasonal Head Start Technical Assistance Center (2006).

A strictly linear approach to data analysis is to work through the components in order, from beginning to end. A possible advantage of this approach is that it is structured and organized, as the steps of the process are arranged in a fixed order. In addition, this linear conceptualization of the process may make it easier to learn. A possible disadvantage is that the step-by-step nature of the decision making may obscure or limit the power of the analyses – in other words, the structured nature of the process limits its effectiveness.

The researcher was using quantitative research designs; this way, the researcher can cover a vast population with limited cost and time; it also helps to understand the internal customer's better understanding of the product differentiation of real estate companies in Ethiopia.

3.8 Reliability and Validity

3.8.1 Validity

Validity explains how well the collected data covers the actual area of investigation (Ghauri and Gronhaug, 2005). Validity basically means “measure what is intended to be measured” (Field, 2005). The instrument adequately covers all the content that it should with respect to the variable. In other words, does the instrument cover the entire domain related to the variable, or construct it was designed to measure? In an undergraduate nursing course with instruction about public health, an examination with content validity would cover all the content in the course with greater emphasis on the topics that had received greater coverage or more depth. A subset of content validity is face validity, where experts are asked their opinion about whether an instrument measures the concept intended (Roberta Heale 2015). The information's which was collected are valid because it have a direct relationship with the study.

3.8.2 Reliability

Reliability concerns the extent to which a measurement of a phenomenon provides stable and consist result (Carmines and Zeller, 1979). Reliability is also concerned with repeatability. For example, a scale or test is said to be reliable if repeat measurement made by it under constant conditions was give the same result (Moser and Kalton, 1989). Testing for reliability is important as it refers to the consistency across the parts of a measuring instrument (Huck, 2007). A scale is said to have high internal consistency reliability if the items of a scale “hang together” and measure the same construct (Huck, 2007, Robinson, 2009). The study is reliable, the questionnaires' collected was be confidential, the information collected from customers and employees of the company was only used for the purpose of this study.

3.10 Ethical Consideration

Fleming (2018) highlights some ethical dilemmas commonly encountered as an 'insider researcher', including the power differential and ongoing relationships with participants. It is, however, important to further consider the fundamentals of ethical research involving human participants. ethical considerations in research and academic communities have become more intense. This is in part a consequence of the legal changes related to human rights and data protection, but it is also the result of increased public concern for research and discovery restrictions. It is also concerned about responsible work in the workplace, especially in large organizations, expressing an interest in ethical standards at a higher level, focusing on consumer behavior and relationship with them, and related investment decisions (Broom, 2006).

CHAPTER FOUR

DATA PRESENTATION ANALYSIS AND INTERPRETATION

4.1 Introduction

In this chapter, the researcher presents the presentation analysis and interpretation of the collected data from the questionnaires. After collecting the data from the questionnaires distributed to the real estate companies in Addis Ababa, The researcher analyzed demographic variables using the frequency distribution. The scaled questionnaires were analyzed using descriptive statistics, correlation, and regression, T-test, and ANOVA. Then presented and analyzed the data using the SPSS version 25 software and Smartpls to analyze the mediating variable. The total distributed questionnaire was 384, but the collected number was 322, 84% of the total.

4.2 Reliability Analysis

This analysis is used in order to determine if the questionnaire scales are reliable or not. This study has 30 items in measurement of 6variables. Cronbach's Alpha is an important concept in the evaluation of assessments and questionnaires. It is mandatory that assessors and researchers should estimate this quantity to add validity and accuracy to the interpretation of their data. Nevertheless, alpha has frequently been reported in an uncritical way and without adequate understanding and interpretation. There are different reports about the acceptable values of alpha, ranging from 0.70 to 0.95. A low value of alpha could be due to a low number of questions, poor inter-relatedness between items or heterogeneous constructs (Mohsen Tavakol 2011).

Table 4.1 reliability statistics

Variables	Chronbachs's Alpha	Number of Items
Product Quality	0.82	5
Product Innovation	0.70	5
Product Design	0.80	5
Product Features	0.77	5
Brand Image	0.74	5
Competitive advantage	0.78	5

4.3 Descriptive Statistics

In this section the data sets are summarized using descriptive statistics which allows us to understand the data and variables.

4.3.1 Gender of Respondents

The number of female respondents covers the large amount of the respondents. As shown in the table 53.7% of the data was covered by females meanwhile the rest 45.7% of the data was covered by male respondents. This result implies that most of the company's employees are women.

4.2 Gender Distribution

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	148	45.7	46.0	46.0
Female	174	53.7	54.0	100.0
Total	322	99.4	100.0	
Missing	2	0.6		
Total	322	100.0		

4.3.2 Age of Respondents

The questionnaire is categorized in different age groups in order to make it easier for the respondents to choose their age range.

4.3 Age of Respondents

Age Group	Frequency	Percent
25-35	279	86.1
36-46	31	9.6
37-47	6	1.9
47 and above	6	1.9
Total	320	99.4
Missing	2	0.6
	322	100.0

4.3.3 Respondents' Education Level

Since the respondents are employees of real estate companies their educational level was considered to be degree and above.

4.4 Education Level of The Respondents

	Frequency	Percent
	2	0.6
degree	266	82.1
masters	14	4.3
other	42	13.0
Total	324	100.0

4.3.4 occupation in the company

This data shown on what positions our respondents are in the company.

4.5 Occupation

	Frequency	Percent
sales representative	148	45.7
general manager	1	0.3
marketing manager	8	2.5
brand manager	7	2.2
other	158	48.8
Total	322	100

4.4 Descriptive Analysis of Variables

In this section the descriptive statistics of the responses on Product quality, Product design, Product feature, Product innovation, Brand image and competitive advantage are presented.

4.4.1 Analysis of Competitive Advantage and product differentiation

The table below shows the respondents' answers from strongly disagree (1) to strongly agree (5). The result shows that the average mean of the result is ($X = 3.67$), maximum of the respondents agreed with the questions regarding the competitive advantage and product differentiation. This indicates that most companies think they are competitive enough in the real estate market in Addis Ababa, which puts the business in a high competition place.

Competitiveness relative to competitors shows a mean ($X=3.77$) and SD (0.98), the respondents agreed that their firm is competitive enough in the real estate market compared to its competitors. This implies that the old companies in the business.

Product differentiation relative to competitors shows a mean ($X=3.61$) and SD (1.086). Thus, the respondents agreed that their firm has a better product differentiation strategy than its competitors. This implies that the companies apply product differentiation as a competitive tool in the market.

Product feature relative to competitors shows a mean ($X=3.68$) and SD (1.044), the respondents agreed that their products or the houses have a unique feature compared to their competitors. This implies that the companies add different features to their products to serve or deliver something other than its primary purpose.

New product introduction relative to competitors shows a Mean ($X=3.69$) and SD (1.009), the respondents agreed that their company introduces new version of products compared to its competitors. This implies that the company introduces products with a new feature, design, technology.

Shaping competitive environment relative to competitors shows a Mean ($X=3.62$) and SD ($.074$). The respondents agreed that their company seeks opportunities to shape the competitive environment, which implies that the company seethes its opportunities and uses them against its competitors. The respondents' response on each question and the mean for each items are presented with the following table:

Table 4.6 descriptive analysis of competitive advantage

DC	Minimum	Maximum	mean	Standard deviation
Your company's performance competitive enough relative to its competitors	1	5	3.77	.983
Compared to its rivals the organization has the better strategy in differentiating its products.	1	5	3.61	1.086
The organization's products have a unique feature or quality which can make you competitive in the market	1	5	3.68	1.044
Your firm usually aims at being the first one to introduce new products to the market	1	5	3.69	1.009
Compared to your competitors you search more intensively for opportunities to actively shape your company's competitive environment	1	5	3.62	1.074

4.4.2 Analysis of Product quality

The table below shows the respondents' answers from strongly disagree (1) to strongly agree (5). The result shows that the average mean of the result is ($X= 3.78$), maximum of the respondents agreed with the questions regarding the effect of product quality on competitive advantage. This implies that the employees of these companies believe that their company's products are quality products which can make them be able to compete in the market.

Quality of construction materials relative to competitors shows a mean= ($X=3.63$) and $SD=(.004)$, the respondents agreed that the companies use quality construction materials. This implies that the companies invest most of their capital to make their products the most quality and durable houses in the market.

Product quality and market share relative to competitors show a mean= ($X=3.73$) and $SD=(.920)$. Most of the respondents agreed that the company uses its product quality to gain market share. This implies that the companies' quality helps them gain the most significant market share in the business.

Customer preference relative to competitors shows a mean= ($X=3.80$) and $SD=(.866)$. Thus, most of the respondents agreed that the customers prefer their products because of their qualities. This implies that the qualities of the products can influence their customer's preferences.

Brand association relative to competitors shows a mean= ($X=4.02$) and $SD=(.0769)$. Most of the respondents agreed that their customers associate their brand with the product's quality. This implies that whenever customers are exposed to the companies brand, the first thing that comes to their mind is quality.

New product development relative to competitors shows a mean= ($X=3.74$.)and $SD=(.0927)$, most of the respondents agreed that their company is always the first to introduce new product lines. This implies that the company is faster in introducing new designs or features or a whole new product to the real estate business. The respondents' response on each question and the mean for each items are presented with the following table:

4.7 Descriptive analysis of product quality

PQ	Minimum	Maximum	mean	Standard deviation
Quality of construction materials and equipment's which are used to build the houses makes your company better than the others	1	5	3.63	1.004
your firm has the best quality products that can help the company get bigger market share in the business	1	5	3.73	.920
Compered to your competitors do you believe your product's qualities influence customers preference.	1	5	3.80	.866
your products have the quality which customers associates with your brand.	1	5	4.02	.769
When it comes to development and introduction of products we are quicker than most companies in the business.	1	5	3.74	.927

4.4.3 Analysis of Product design

The table below shows the respondents' answers from strongly disagree (1) to strongly agree (5). The result shows that the average mean of the result is ($X= 3.79$), maximum of the respondents agreed with the questions regarding the effect of product design on competitive advantage. This implies that the company's product designs are unique enough to make the company competitive in the market.

Unique products relative to competitors show a mean= ($X=3.76$) and $SD=(0.956)$, most of the respondents agreed that the products developed in the past five years were unique in the market. This implies that the companies have introduced new designs in the real estate business more than their competitors.

Differentiation relative to competitors shows a mean= ($X=3.85$) and $SD=(0.883)$. Most of the respondents agreed that their customers could differentiate their products just by looking at the designs. This implies that the designs of the products are unique and likable for the customers to recognize them.

Customer involvement relative to competitors shows a mean= ($X=3.84$) and $SD=(0.918)$, most of the respondents agreed that their companies accept customer's choices and suggestions on the designs. This implies that these companies will build houses with the customer's choice.

Being the first relative to competitors shows a mean= ($X=3.77$) and $SD=(0.887)$, most of the respondents agreed that their company is the first in introducing new designs. This implies that these companies release or introduce new designs on their products compared to their competitors.

The respondents' response on each question and the mean for each items are presented with the following table

4.8 Descriptive analysis of product design

PD	Minimum	Maximum	mean	Standard deviation
The designs of the products you have developed in the past 5 years were unique in the market at the time.	1	5	3.76	.956
customers can differentiate your products just by looking at their designs?	1	5	3.85	.883
your company allows customers to present their own designs to be applied on the products	1	5	3.84	.918
your company is the first mover when it comes to introducing new product designs to the market?	1	5	3.77	.887
The designs of the products you have developed in the past 5 years were unique in the market at the time.	1	5	3.72	.972

4.4.4 Analysis of Product innovation

The table below shows the respondents' answers from strongly disagree (1) to strongly agree (5). The result shows that the average mean of the result is ($X= 3.72$), maximum of the respondents agreed with the questions regarding the effect of product innovation on competitive advantage. This implies that the employees believe that their company is more innovative than its competitors.

Product Innovation relative to competitors shows a mean= ($X=3.48$) and $SD=(1.065)$, most of the respondents agreed that their company develops more innovative products to the market. This implies that these companies apply or invents new innovative products compared to their competitors.

Innovative design and functionality relative to competitors show a mean= ($X=3.80$) and $SD=(.890)$, most of the respondents agreed that their company develops more innovative designs for the products. This implies that most employees believe that these companies use innovation to design and add different functions to their products than their competitors.

Differentiation and relative to competitors shows a mean= ($X=3.76.$) and $SD=(.997)$, most of the respondents agreed that their company differentiates its products by applying innovation. This implies that most employees believe that these companies use innovation as a differentiating tool to distinguish themselves from their competitors.

Adaption to change relative to competitors shows a mean= ($X=3.80$) and $SD=(0.918)$. Thus, most of the respondents agreed that their company adapts to any change in the market. This

implies that most employees believe that these companies can bring or introduce new products that can adapt to the time change or generation.

Anticipation relative to competitors shows a mean= (X=3.75) and SD=(0.937). Thus, most of the respondents agreed that their companies anticipate the market. This implies that most employees believe that these companies can beat the market by anticipating future customer needs.

The respondents' response on each question and the mean for each items are presented with the following table:

4.9 Descriptive analysis of product innovation

PI	Minimum	Maximum	mean	Standard deviation
your firm's product innovation and development experience is better than its competitors	1	5	3.48	1.065
Your firm applies innovations related to product design and functionality.	1	5	3.80	.890
you differentiate yourselves from competitors by introducing more innovative products to the market	1	5	3.76	.997
Your firm has the ability to adapt to change.	1	5	3.80	.918
that your firm is better than its competitors at anticipating future customer needs	1	5	3.75	.937

4.4.5 Analysis of Product Feature

The table below shows the respondents' answers from strongly disagree (1) to strongly agree (5). The result shows that the average mean of the result is (X= 3.46), maximum of the respondents agreed with the questions regarding the effect of product Feature on competitive advantage. This implies that most employees believe their company adds different functions to its products other than the basic features than their competitors.

Product features relative to competitors show a mean= (X=3.66) and SD=(0.983). Most of the respondents agreed that their companies add different features to their products. This implies that most employees believe that these companies add different indoor swimming pools, basket courts, or other functions to their houses than their competitors.

Customer involvement relative to competitors shows a mean= (X=3.85) and SD=(0.938). Thus, most of the respondents agreed that their companies accept customers' ideas in adding

features. This implies that most employees believe that these companies involve customers when adding different features to their products.

Employee involvement relative to competitors shows a mean= (X=3.83) and SD=(0.930). Thus, most of the respondents agreed that their companies accept employees' ideas in adding features. This implies that most employees believe that these companies involve employees when adding different features to their products.

New feature introduction relative to competitors shows a mean=(X=3.75) and SD=(0.915), most of the respondents agreed that their companies introduce more product features than their competitors. This implies that most employees believe that these companies add different features to their products compared to the competitors.

The respondents' response on each question and the mean for each items are presented with the following table:

4.10 descriptive analysis of product feature

PF	Minimum	Maximum	mean	Standard deviation
Compared to your competitors do you believe your company introduces new features more often?	1	5	3.66	.983
your company is open for new ideas of features that comes from its customers to be applied on the houses	1	5	3.85	.938
Your company is open for new ideas of features that comes from any employee to be applied on the houses	1	5	3.83	.930
A house which have a different feature than its core purpose can be found in the company	1	5	3.64	1.005
Compared to your competitors do you believe your company introduces new features more often?	1	5	3.75	.915

4.4.6 Analysis of Brand image

The table below shows the respondents' answers from strongly disagree (1) to strongly agree (5). The result shows that the average mean of the result is (X= 3.47), maximum of the respondents agreed with the questions regarding the effect of product differentiation on competitive advantage through brand image. This implies that the employees believe their company uses product differentiation strategies to build their brand image in customers' minds to be competitive in the real estate business.

Product quality relative to competitors shows a mean=(X=3.30) and SD=(1.138), most of the respondents agreed that their products embrace their companies brand image. This implies

that most employees believe that the quality of the products makes a good impression on customers up to building their brand image in customers' minds.

Positioning relative to competitors shows a mean=($X=3.61$) and SD=(1.015), most of the respondents agreed that their companies position their brand image. This implies that most employees believe that the companies have a better positioning strategy for their brand image than their competitors.

Building brand image relative to competitors shows a mean=($X=3.47$) and SD=(1.041). Thus, most of the respondents agreed that their companies build their brands using differentiation. This implies that most employees believe that the companies build their brand image using product quality, product design, product innovation, and product features.

Brand recognition relative to competitors shows a mean=($X=3.47$) and SD=(1.002), most of the respondents agreed that customers recognize their companies brand. This implies that most employees believe that the company builds their brand image to know or be recognized by its customers than their competitors.

Competitiveness relative to competitors shows a mean=($X=3.50$) and SD=(1.106). Thus, most respondents agreed that their brand image helps them be competitive in the market. This implies that most employees believe that the company uses a brand image to be competitive in the real estate business.

The respondents' response on each question and the mean for each items are presented with the following table.

4.11 Descriptive analysis of Brand Image

BI	Minimum	Maximum	mean	Standard deviation
the product's (the houses) quality creates a good brand image or embraces the existing image.	1	5	3.30	1.138
Compared to your competitors do you believe that you have a better position of your brand image in the customer's mind.	1	5	3.61	1.015
Your company builds its brand image by providing the better quality, design, feature, and innovative products.	1	5	3.47	1.041
The company's brand image is more known, recognized by customers compared to its competitors.	1	5	3.47	1.002
your company have a strong brand image which can lift up its competitiveness in the market.	1	5	3.50	1.106

4.6. Correlation Analysis

In the first chapter of the thesis the research question was discussed aiming to identify the relationship between four independent variables (Product quality, Product design, Product innovation, and Product feature) and the mediating Variable (Brand Image) and the dependent variable which is competitive Advantage. therefore, details of correlation analysis done to examine the relationships of the variables are stated in below.

4.12 Correlation Analysis

		Product Quality	Product Innovation	Product Design	Product Feature	Brand Image	Competitor Advantage
Product Quality	Pearson Correlation	1	.508**	.385**	.487**	.631**	.595**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	322	322	322	322	322	322
Product Innovation	Pearson Correlation	.508**	1	.378**	.554**	.683**	.612**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	322	322	322	322	322	322
Product Design	Pearson Correlation	.385**	.378**	1	.435**	.581**	.487**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	322	322	322	322	322	322
Product Feature	Pearson Correlation	.487**	.554**	.435**	1	.725**	.646**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	322	322	322	322	322	322
Brand Image	Pearson Correlation	.631**	.683**	.581**	.725**	1	.850**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	322	322	322	322	322	322
Competitor Advantage	Pearson Correlation	.595**	.612**	.487**	.646**	.850**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	322	322	322	322	322	322

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

As indicated in the above table the correlation coefficient of product differentiation (product quality, product design, product innovation, product feature), brand image and competitive advantage is p value less than 0.01(P>0.01). this implies that there is a substantial relationship between the variables.

4.6 Regression analysis

Regression analysis is used to identify the relationships between two variables. Regressions can be linear regressions or non-linear regressions. The regression can also be a simple linear regression or multiple linear regressions for identifying relationships for more variables (Eric Goh 2019).

4.6.1 Multiple Linear Regression Analysis

Multiple regression analysis allows examining the effect of more than one variable on a dependent variable. It states that the level of more than one variable predicts the value of a dependent variable. Therefore, a multiple linear regression analysis has been conducted to determine the effect of product differentiation on competitive advantage mediated by brand image.

4.6.1.1 Regression of Product Differentiation variables with Competitor Advantage

4.13 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.764 ^a	.584	.579	.49242
a. Predictors: (Constant), Product Feature, Product Design, Product Quality, Product Innovation				
b. Dependent Variable: Competitor Advantage				

As shown in the above table the overall bundle of determinant factors of the four independent variables, product differentiation clarifies 58% ($R^2 = 0.584$) of the dependent variable (competitive advantage). as shown in table below the result $F= 111.337$ which is greater than 1 and $P<0.01$ we can conclude that the combination of determinant factor has positive effect on competitive advantage which is statistically significant and confident.

4.14 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	107.986	4	26.997	111.337	.000 ^b
	Residual	76.865	317	.242		
	Total	184.851	321			
a. Dependent Variable: Competitor Advantage						
b. Predictors: (Constant), Product Feature, Product Design, Product Quality, Product Innovation						

4.15 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.424	.200		-2.116	.035
	Product Quality	.282	.049	.255	5.727	.000
	Product Innovation	.289	.054	.248	5.350	.000
	Product Design	.174	.046	.158	3.808	.000
	Product Feature	.347	.052	.315	6.733	.000

a. Dependent Variable: Competitor Advantage

From the above table, we can easily compare the relative contribution of each of the different variables by taking the beta value under the unstandardized coefficients. The higher the beta value, the strongest its contribution becomes. Accordingly, product feature ($\beta = .315$) makes the strongest unique contribution to explaining the dependent variable in which the results revealed that, a one-unit increase or positive change in "product feature would lead to a 0.315 unit increase the level of competitive advantage and followed by product quality ($\beta = .255$).

When we see the statistical significance of each variable from the above coefficients table, both all the variables have (Sig. = .000 have a statistically significant contribution Sig < .05) for the prediction of the dependent variable.

4.6.1.2 Regression of product differentiation variables with brand image

4.16 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.854 ^a	.729	.725	.38987
a. Predictors: (Constant), Product Feature, Product Design, Product Quality, Product Innovation				
b. Dependent Variable: Brand Image				

As shown in the above table the overall determinant factors of the four independent variables, product differentiation (Product Feature, Product Design, Product Quality, Product Innovation) clarifies 72% ($R^2 = 0.729$) of the dependent variable (brand image). as shown in table below the result $F= 212.818$ which is greater than 1 and $P<0.01$ we can conclude that the combination of determinant factor has positive effect on brand image which is statistically significant.

4.17 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	129.391	4	32.348	212.818	.000 ^b
	Residual	48.183	317	.152		
	Total	177.574	321			

a. Dependent Variable: Brand Image

b. Predictors: (Constant), Product Feature, Product Design, Product Quality, Product Innovation

4.18 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.042	.159		-6.570	.000
	Product Quality	.242	.039	.223	6.201	.000
	Product Innovation	.323	.043	.283	7.562	.000
	Product Design	.250	.036	.232	6.923	.000
	Product Feature	.386	.041	.358	9.475	.000

a. Dependent Variable: Brand Image

From the above table, we can easily compare the relative contribution of each of the different variables by taking the beta value under the unstandardized coefficients. The higher the beta value, the strongest its contribution becomes. Accordingly, product feature ($\beta = .358$) makes the strongest unique contribution to explaining the dependent variable in which the results revealed that, a one-unit increase or positive change in "product feature would lead to a 0.358 unit increase the level of brand image and followed by product innovation ($\beta = .283$).

4.6.1.3 Regression of brand image with competitive advantage

4.19 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.850 ^a	.723	.722	.39986
a. Predictors: (brand image)				

As shown in the above table. the determinant factor of the independent variable (brand image) clarifies 72% ($R^2 = 0.723$) of the dependent variable (competitive advantage). as shown in table below the result $F = 836.124$ which is greater than 1 and $P < 0.01$ so we can conclude that the determinant factor has positive effect on competitive advantage which is statistically significant.

4.20 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	133.687	1	133.687	836.124	.000 ^b
	Residual	51.164	320	.160		
	Total	184.851	321			

a. Dependent Variable: Competitor Advantage

b. Predictors: (Constant), Brand Image

4.21 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	.664	.106	
	Brand Image	.868	.030	.850

a. Dependent Variable: Competitor Advantage

As shown in the above table Brand image ($\beta = .850$) makes a strongest unique contribution to explaining the dependent variable in which the result revealed that, a one-unit increase or positive change in "brand image would lead to a 0.850 unit increase the level of competitive.

4.7 Homoscedasticity Test

Homoscedasticity describes a situation in which the error term is the same across all values of the independent variables. Heteroscedasticity is present when the size of the error term differs across values of an independent variable. The impact of violating the assumption of homoscedasticity is a matter of degree, increasing as heteroscedasticity increases.

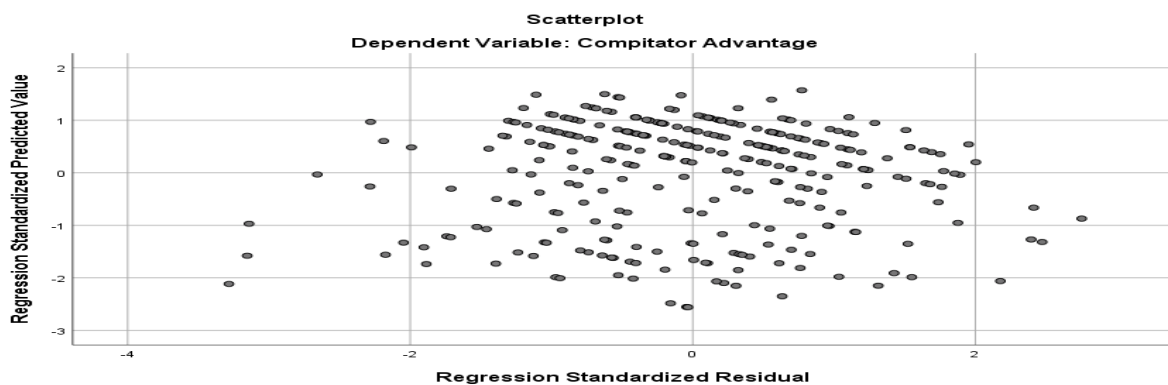


Figure 4.1 Homoscedasticity

The output of the distributed designs shows that the dots does not have an obvious pattern which indicates that the regression model does not have heteroscedasticity problem

4.8 Normality test

Normality is an important concept in data analysis because there are at least two problems that can result when data are not normally distributed. The problem is that markedly non-normal data might lead to incorrect conclusions in inferential statistical analyses. Many inferential procedures are based on the assumption that the sample of observations was drawn from a normally distributed population. If this assumption is violated, the statistic can give misleading findings.

4.22 Descriptive Statistics

	N	Maximum	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Product Quality	322	5.00	-.849	.136	-.240	.271
Product Innovation	322	4.80	-.837	.136	-.001	.271
Product Design	322	4.80	-.967	.136	.053	.271
Product Feature	322	4.80	-.857	.136	-.183	.271
Brand Image	322	4.60	-.721	.136	-.549	.271
Competitor Advantage	322	5.00	-.903	.136	.012	.271
Valid N (listwise)	322					

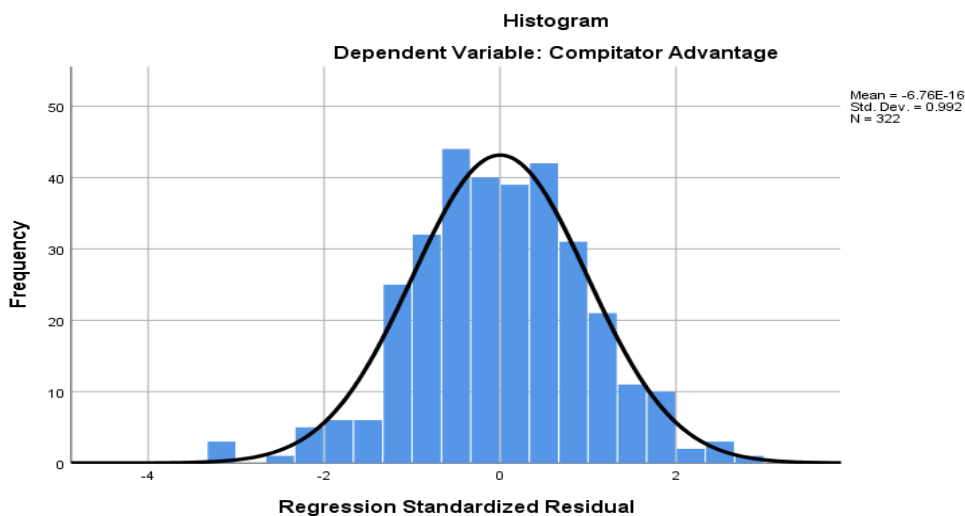


Figure 4.2 Normality

4.9 The Mediating Effect Of Brand Image

Brand image describes the way consumers think about a brand and the feelings the brand brings to their minds when they think about it (Keller 2001). A good brand image enables firms to achieve competitive advantage in the market (Roy and Banerjee 2007). From the end-users' perspective, a strong brand image has a positive effect on consumers' perception of the brand, which results in their being more likely to choose the brand over those competitors, and thereby makes the brand more competitive overall (Ansary, Amin, and Nik M. Nik Hashim 2017).

4.9.1 Discussion

Customers are looking for specific features and characteristics that distinguish the product and made it different than other products Hind Alghamdi, Christian Bach (2013). Design tools and practices can become potent managerial mechanisms for strengthening these strategic when a compatible pattern of new product development outcomes can be achieved over time Stephen R. Rosenthal and Mohan V. Tatikonda (1992). Product innovation success declines as the intensity of market competition increases. This may be caused by customers' inability to differentiate products on the basis of functional performance John H. Friar (1995). Improvement of core competitiveness of real estate enterprises is the key step and fundamental task to promote the development of enterprises. Currently, lack of core competitiveness is the main problem of small and medium real estate enterprises during development. Now a days technological progress creates growing opportunities for companies to add features to their products. The increase of the number of product features is a common way to enhance and differentiate the products (Goldenberg et al. 2003; Mukherjee and Hoyer 2001;).

In this section of the analysis the direct and indirect effect of the variables on the dependent variable is presented; the independent variable product differentiation (product quality, product design, product innovation, product feature) directly affects the dependent variable(competitive advantage), meanwhile the independent variables also have an indirect effect on the dependent variable through a mediating variable(Brand image).

CR(composite reliability) are more than 0.7 and the AVE's (average variace extracted) are more than 0.5 except for brand image and product innovation. the following are hypothesis of the four meddiating effects.

- The relationship between product quality and competitive advantage is mediated by brand image
- The relationship between product design and competitive advantage is mediated by brand image
- The relationship between product innovation and competitive advantage is mediated by brand image
- The relationship between product feature and competitive advantage is mediated by brand image

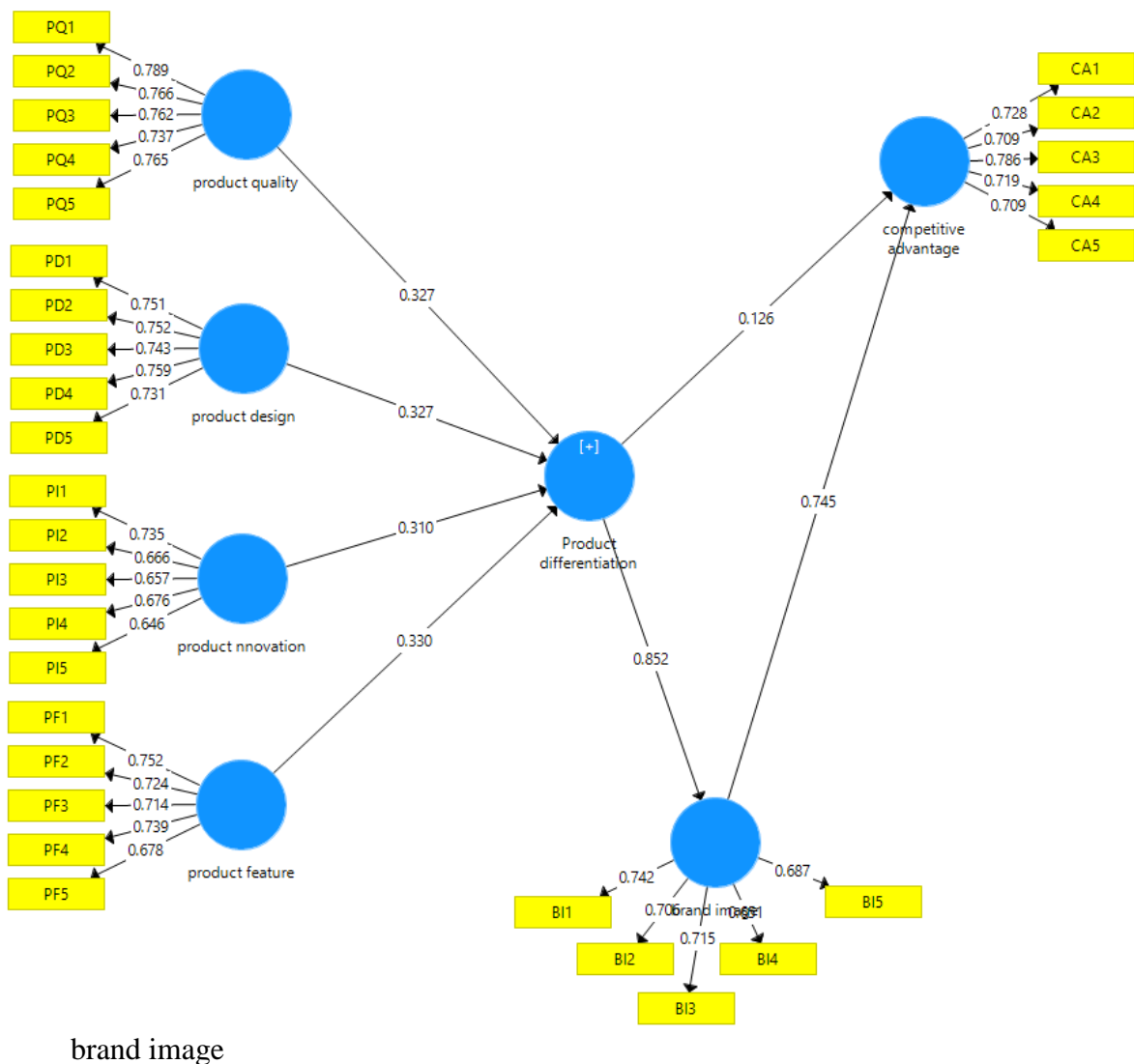


Figure 4.3 path diagram

4.23 Mediation Testing

No.	Relationship	Coefficient	T-value
H1.	PQ→BI→CA	0.249	24.756
H2.	PD→BI→CA	0.249	24.457
H3	PI→BI→CA	0.236	22.399
H4	PF→BI→CA	0.251	25.439

4.24 T-statistics

Based on the above result the researcher concludes that all the four mediations are significant at T-values >1.96 anything above the puted T value are significant.

	Original sample	Sample mean	Standard deviation	T-statistics	P-values
Product Feature	0.330	0.330	0.010	33.341	0.000
Product innovation	0.310	0.310	0.012	28.022	0.000
Product quality	0.327	0.327	0.010	31.155	0.000
Product design	0.327	0.327	0.012	26.600	0.000

4.9.2 Hypothesis testing on mediation

4.25 Hypothesis Testing

No.	Relationship	Std. beta	Std. error	T-value	Confidence interval		Decision
					LL	UL	
H1.	PQ→BI→CA	0.249	0.010	24.756	0.229	0.268	supported
H2.	PD→BI→CA	0.249	0.010	24.457	0.229	0.271	supported
H3	PI→BI→CA	0.236	0.011	22.399	0.213	0.255	supported
H4	PF→BI→CA	0.251	0.010	25.439	0.228	0.270	supported

All four hypothesis predicted that there would be an indirect positive relationship between H1,H2,H3,H4 and Competitive Advantage. The results indicate that they are positively related to CA with ($\beta=0.249$, $\beta=0.249$, $\beta=0.236$, $\beta = 0.251$,) ($P<0.05$) and significantly with a T-value of (24.756, 24.457, 22.399, 25.439). this result was based on the bootstrapping method which helped the researcher to show the mediating effect.

Soble test

R/P	Std. Beta	Std. Error
PD-->BI	0.852	0.013
PD-->CA	0.126	0.061
BI-->CA	0.745	0.054

A Sobel test was conducted based on the above data using the online Sobel test calculator <https://www.danielsoper.com/statcalc/calculator.aspx?id=31>. This test helps to answer if the mediation variable does or does not mediate between the variables. By entering the Beta value of PD→BI (0.852), and BI→CA (0.745); and the Std. error of both PD→BI (0.013), and BI→CA (0.054), the results are as shown under.

Sobel test statistic:	2.33148193
One-tailed probability:	0.00986398
Two-tailed probability:	0.01972796

As the results show, the value of T is 2.33, which agrees with the notion that the value of T-statistics should be $T > 1.9$. The two-tailed value is 0.019, which agrees with the notion that the P-value should be $P < 0.05$ for a 95% confidence. Based on this result, we can conclude that the mediator variable (Brand Image) does mediate the relationship between the independent and dependent variables.

4.10 Discussion

The findings of this research indicate the variables that affect competitive advantage directly are: product quality, product design, product innovation, and product feature; meanwhile, the study also shows that the indirect effect of the variables through brand image. The results of the hypotheses test are detailed hereunder:

Real estate products (houses) built with quality construction materials which helps the house's durability and build a strong brand image in the customer's mind. The findings of this study agreed with previous studies by Piyush Sharma (2015); consumers will be ready to pay a premium price if alternative brands do not have the same quality as the preferred brand, which makes quality a vital criterion to be competitive in the market.

Real estate, which applies different unique and modern designs to the houses, gains a significant market share in the business, enhancing their competitiveness in the market. The findings of this study agreed with a previous study by Qais Alfaraj (2019), which states that having a creative and unique design establishes the firm's brand image and loyalty, which increases competitiveness in the market.

The more innovative and technologically supported, and advanced houses the company presents, the better competitive advantage it will gain. The findings of this study agreed with a previous study by(Kibiru Charles Reubenson 2013); innovative products are essential to remaining competitive in the market.

The real estate companies should add different features to their products; modern technologies help companies develop different additional features such as adding an indoor swimming pool or basket courts or a home cinema. The findings of this study agreed with a previous study by (Goldenberg et al. 2003; Mukherjee and Hoyer 2001; Nowlis and Simonson 1996, Thompson et al. 2005). The increase of the number of product features is a common way to enhance and differentiate the products

The real estate companies embrace their brand image in the business using the differentiation components (Product quality, Product design, Product innovation, and Product features); the brand image should be supported by differentiation to be a competitive tool. The findings of this study agreed with a previous study by (Roy and Banerjee 2007). A good brand image enables firms to achieve a competitive advantage in the market.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATION

5.1 Introduction

This research paper had an aim of investigating the direct impact of product differentiation (product quality, product innovation, product features and product design) examining the relationship between each independent variables and product differentiation on competitive advantage using statistical tools correlation analysis and regression analysis in order to analyze the competitive advantage and the indirect impact of product differentiation through the mediating variable brand image on competitive advantage by statistical proofs correlation analysis and regression analysis in order to state and determine how the business is being affected by it.

5.2 Summary of Major Findings

5.2.1 Summary

This section provides and clarify the major findings of the research paper proposing and advocating solution of the real estate market system and also provides a summarized conclusion and recommendation.

Depending on the distributed questionnaire and collected data the amount of female respondents have higher number covering 53.7% of the whole data on the other hand male respondents cover 45.7% of the collected questionnaire. The respondents age range fall between 25- 35 which can actually cover almost 86.1% of the respondents. 82.1% of the respondents education level is bachelor degrees additionally the occupation of the respondents' are in other departments taking 48.8% the total respondents

5.2.2 Findings

This section is concerned on how product differentiation and its components(product quality, product design, product innovation, and product feature) and the mediating variable(brand image) affect competitive advantage.

- The first hypothesis is concerned on how product quality affect competitive advantage and from the collected data and multicollinearity test product quality have a major

influence on competitive advantage whereas the value of $p > 0.05$ product quality have a value of 0.07 which shows a positive but slightly weak effect on competitive advantage.

- The second hypothesis is product innovation it's one of the important aspects to consider for customer satisfaction that have a direct effect on competitive advantage apparently based on the collected data statistically product innovation have a positive influence on competitive advantage having a significant effect on market performance at $p > 0.05$ where product innovation having a value of 0.331 supporting the hypothesis the competitive advantage is positively and significantly affected through product innovation.
- The third hypothesis is product design having a statistical value of 0.719 where the market performance at $p > 0.05$ as the collected data and the final result shows this component have a positively strong effect on competitive advantage, which supports the hypothesis of product design having a positive and significant effect on competitive advantage.
- The fourth hypothesis is product feature having a statistical value of 0.231 where the market performance at $p > 0.05$ as the collected data and the final results shows this component have a positively strong effect on competitive advantage, which supports the hypothesis of product feature having a positive and significant effect on competitive advantage.
- The fifth hypothesis is brand image which is a mediating variable between product differentiation and competitive advantage. having a statistical value of 0.745 where the market performance at $p > 0.05$ as the collected data and the final results shows this variable have a positively strong effect on competitive advantage, which supports the hypothesis of brand image having a positive and significant effect on competitive advantage.

5.3 Conclusion

This research investigates an under-researched product differentiation and competitive advantage; the direct relationship between them and the indirect relationship brings Brand image as a mediating variable. After reading research, books, and journals, the study was conducted on the residential real estate companies in Addis Ababa. Data were collected (using questionnaires), analyzed, and interpreted using SPSS and Smartpls software. Based on the results from the analysis, the researcher was able to conclude that the direct

relationship between the IV and the DV is positively significant, which support the hypothesis, and also the indirect effect which was tested using the smart pls leads to the conclusion of the mediation effect of a brand image between the variables is positively significant.

5.4 recommendation

The researcher studied, examined, and analyzed the different factors that influence and impact the real estate business in Addis Ababa from competitive advantage; hence, the researcher gave the conclusion above by using the independent and dependent variables. Furthermore, finally based on the above findings, the study, therefore, gives a specific recommendation that needs to be implied to the business to improve the real estate market; the following significant recommendations:

- The research paper remarked that the real estate companies do not use the different components of product differentiation as they should. This results from conducting fewer researchers on product differentiation and having inadequate knowledge; as (Barney 1991) indicates, competitive advantage denotes a firm's ability to achieve market superiority or superior position over its competitors. The researcher recommends that the real estate companies have information and bold interpretation of the market in reality on competitive advantage and how product differentiation components can help achieve a particular goal in the real estate business.
- The study found that real estate companies use price and payment system as a good quality in the real estate market and uses as a competitive advantage; thus, components that have a significant favorable influence on competitive advantage are being ignored and neglected, which have a significant negative influence on the market. (Ian Mcmilla and Rita Gunther 1997) stated that Most profitable strategies are built on differentiation: offering customers something they value that competitors do not have; hence the researcher suggested that these components need to be considered to improve companies and strengthen the real estate business.
- Thirdly, the research paper has discovered that real estate companies use how pioneers for the real estate business use it as a competitive advantage to differentiate themselves from other real estate companies having in mind that being in the business for so long could help the business. Stephen Page (1995) states that Getting the quality of a product requires an understanding of what consumers expect. Quality

must do what is claimed for it and stand up well compared to rivals, but it also comes in that the consumers consider being the correct color, weight, and packaging size. The researcher recommends using product differentiation strategies, mainly the four components (product quality, product design, product innovation, and product feature), as a competitive advantage in the real estate business.

- The researcher suggests that a competitive advantage in the real estate business should be gained through building design. Every real estate company needs to consider differing building designs from other companies in the business, and visually (architecturally) appealing have a significant positive and negative psychological effect on clients' decision to buy. Hence, design and aesthetics need to be considered primarily.
- Finally, it is helpful for real estate companies to consider the above recommendations since the mentioned points have an effective and beneficial effect on their brand image. Therefore, the brand image has a highly significant value to gain a competitive advantage for the companies. Brand image and identity are identified as potential sources of gaining competitive advantage (Amis, 2003)

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APPENDIX

SPSS OUTPUT

reliability statistics

Variables	Chronbachs's Alpha	Number of Items
Product Quality	0.82	5
Product Innovation	0.704	5
Product Design	0.802	5
Product Features	0.77	5
Brand Image	0.741	5
Competitive advantage	0.78	5

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	148	45.7	46.0	46.0
	female	174	53.7	54.0	100.0
	Total	322	99.4	100.0	
Missing	System	2	.6		
Total		324	100.0		

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25-35	279	86.1	86.6	86.6
	36-46	31	9.6	9.6	96.3
	37-47	6	1.9	1.9	98.1
	47 and above	6	1.9	1.9	100.0
	Total	322	99.4	100.0	
Missing	System	2	.6		
Total		324	100.0		

Educational level

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	.6	.6	.6
degree	266	82.1	82.1	82.7
masters	14	4.3	4.3	87.0
other	42	13.0	13.0	100.0
Total	324	100.0	100.0	

occupation in the company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	sales representative	148	45.7	46.0	46.0
	general manager	1	.3	.3	46.3
	marketing manager	8	2.5	2.5	48.8
	brand manager	7	2.2	2.2	50.9
	other	158	48.8	49.1	100.0
	Total	322	99.4	100.0	
Missing	System	2	.6		
Total		324	100.0		

	N	Minimum	Maximum	Mean	Std. Deviation
Gender	322	1	2	1.54	.499
Age	322	1	4	1.19	.551
Education level	322	1	4		
Occupation in the company	322	1	4	3.08	1.957
Your company's performance competitive enough relative to its competitors	322	1	5	3.77	.983
Compared to its rivals the organization has the better strategy in differentiating its products.	322	1	5	3.61	1.086
The organization's products have a unique feature or quality which can make you competitive in the market	322	1	5	3.68	1.044
Your firm usually aims at being the first one to introduce	322	1	5	3.69	1.009

new products to the market					
Compared to your competitors you search more intensively for opportunities to actively shape your company's competitive environment	322	1	5	3.62	1.074
Quality of construction materials and equipment's which are used to build the houses makes your company better than the others	322	1	5	3.63	1.004
your firm has the best quality products that can help the company get bigger market share in the business	322	1	5	3.73	.920
Compered to your competitors do you believe your product's qualities influence customers preference.	322	1	5	3.80	.866
your products have the quality which customers associates with your brand.	322	1	5	4.02	.769
When it comes to development and introduction of products we are quicker than most companies in the business.	322	1	5	3.74	.927
The designs of the products you have developed in the past 5 years were unique in the market at the time.	322	1	5	3.76	1.065
customers can differentiate your products just by looking at their designs?	322	1	5	3.85	.890
your company allows customers to present their own designs to be applied on the products	322	1	5	3.84	.997
your company is the first mover when it comes to introducing new product designs to the market?	322	1	5	3.77	.918
The designs of the products you have developed in the past 5 years were unique in the market at the time.	322	1	5	3.72	.937
your firm's product innovation and development experience is better that its competitors	322	1	5	3.48	.915
Your firm applies innovations related to product design and functionality.	322	1	5	3.80	.956
you differentiate yourselves from competitors by	322	1	5	3.76	.883

introducing more innovative products to the market					
Your firm have the ability to adopt to change.	322	1	5	3.80	.918
that your firm is better than its competitors at anticipating future customer needs	322	1	5	3.75	.887
Your firm usually aims at being the first one to introduce new products to the market	322	1	5	3.64	.972
Compared to your competitors do you believe your company introduces new features more often?	322	1	5	3.66	.983
your company is open for new ideas of features that comes from its customers to be applied on the houses	322	1	5	3.85	.938
Your company is open for new ideas of features that comes from any employee to be applied on the houses	322	1	5	3.83	.930
A house which have a different feature than its core purpose can be found in the company	322	1	5	3.64	1.005
Compared to your competitors do you believe your company introduces new features more often?	322	1	5	3.75	1.138
the product's (the houses) quality creates a good brand image or embraces the existing image.	322	1	5	3.30	1.015
Compared to your competitors do you believe that you have a better position of your brand image in the customer's mind.	322	1	5	3.61	1.041
Your company builds its brand image by providing the better quality, design, feature, and innovative products.	322	1	5	3.47	1.002
The company's brand image is more known, recognized by customers compared to its competitors.	322	1	5	3.47	1.106
your company have a strong brand image which can lift up its competitiveness in the market.	322	1	5	3.50	1.106

Addis Ababa University

School of commerce

Department marketing management

Questionnaires for employees of the real estate companies in Addis Ababa

Dear respondents;

The purpose of this questionnaire is to obtain data for a research project conducted by Haymanot Terefe on the topic ` product differentiation and competitive advantage: an empirical study on residential real-estate business in Addis Ababa ` in partial fulfillment of the requirements for the award of an MA degree.

I want to express my appreciation and deepest thanks in advance for your precious time and promote response to the study's purpose in general. It is important to conduct the research to understand the product differentiation strategy. Your valuable support in responding to the questions will assess the success of the study. I want to assure you that this research finding is only for academic purposes; thus, your ideas and comments are highly honored and kept confidential.

Remark

- Writing your name on the questionnaire is not necessary
- put ✓ on the space provided

Questionnaires for employees

Personal information

1. Gender

Male

female

2. Age

25-35

36-46

38-47

46 and above

3. Educational level

Degree

PHD

Masters

4. Occupation in the company

sales representatives

marketing manager

general manager

brand manager

other department

Part II

Product Differentiation and Competitive Advantage

DC	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Your company's performance competitive enough relative to its competitors					
Compared to its rivals the organization has the better strategy in differentiating its products.					
The organization's products have a unique feature or quality which can make you competitive in the market					
Your firm usually aims at being the first one to introduce new products to the market					
Compared to your competitors you search more intensively for opportunities to actively shape your company's competitive environment					

PQ	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Quality of construction materials and equipment's which are used to build the houses makes your company better than the others					
your firm has the best quality products that can help the company get bigger market share in the business					
your product's qualities influence customers preference.					
your products have the quality which customers associates with your brand.					
When it comes to development and introduction of products we are quicker than most companies in the business.					

PD	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The designs of the products you have developed in the past 5 years were unique in the market at the time.					
customers can differentiate your products just by looking at their designs?					
your company allows customers to present their own designs to be applied on the products					
your company is the first mover when it comes to introducing new product designs to the market?					
Your firm identifies changes in customer needs early in order to set new product designs					

PI	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
your firm's product innovation and development experience is better than its competitors					
Your firm applies innovations related to product design and functionality.					
you differentiate yourselves from competitors by introducing more innovative products to the market					
Your firm has the ability to adopt to change.					
your firm is better than its competitors at anticipating future customer needs					

PF	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Compared to your competitors your company introduces new features more often?					
your company is open for new ideas of features that come from its customers to be applied on the houses					
Your company is open for new ideas of features that come from any employee to be applied on the houses					
A house which has a different feature than its core purpose can be found in the company					
your company only adjusts features of existing products when a trend has proven to be substantial?					

BI	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
the product's (the houses) quality creates a good brand image or embraces the existing image.					
Compared to your competitors do you believe that you have a better position of your brand image in the customer's mind.					
Your company builds its brand image by providing the better quality, design, feature, and innovative products.					
The company's brand image is more known, recognized by customers compared to its competitors.					
your company have a strong brand image which can lift up its competitiveness in the market.					