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ADDIS ABABA UNIVERSITY

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College of Business and Economics

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Department of Marketing Management

The Effect of Product Diversification on Sales Performance: in The Case of Unilever

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Addis Ababa, Ethiopia

Addis Ababa University

College of Business and Economics School of Commerce

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A research proposal submitted to the School of Commerce Graduate Studies of Addis Ababa University in partial fulfilment of the requirements for the degree of Masters of Arts in Marketing Management

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Marketing Management Program Unit

The Effect of Product Diversification on Sales Performance

The Case of Unilever

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Abstract

Product diversification is among the important company strategy that has powerful effect on sales performance. The objective of this study is to analyse the effect of product diversification on sales performance in the case of Unilever. The sample populations of the study were cosmetic beauty and personal care retailer shops in Addis Ababa. Quantitative research approach and non-probability convenience sampling had been adopted in selecting a sample size of 127. Data were collected using structured questionnaire and analysed using SPSS 20 and descriptive research design was used. The results of the study revealed that product diversification have a relationship with sales performance of beauty and personal care retailers. Therefore, It is essential for Unilever to pay more attention in increasing their product diversification practice specifically should pay more attention to the activities and means of product attributes since the study results showed a weakness on some of contributors of product attributes (Quality), in influencing the sales performance of both the retailers and the company as a whole. Finally the researcher is recommended to Unilever is that the strategic impact of product diversification is best observed when they are designed or built in strategic plan for all stakeholders in the business area, coordinated with other marketing tools and integrated with the business strategy.

KEY WORDS: *Product Diversification, Breadth of diversification, Depth of diversification, Product attributes, and Sales performance*

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Acronyms

SPSS - Statistical Package for the Social Sciences

IO - Industrial organization

TCE - Transaction costs economics

1. CHAPTER-ONE: INTRODUCTION

1.1 Background of the Study

In the contemporary competitive business environment, business organizations need to embrace new ideas in order to stay ahead of the competitors. Diversification is one of the strategies that have been used by several organizations across the globe in order to enhance their business objectives.

A diversified firm can be considered as one having operations in more than a single industry. The consequences of such diversification can be examined for the individual firm with respect to the long-run growth/profit, which becomes less dependent on the trend in demand for products within its primary industry. In addition diversification increases the range of a firm's investment opportunities, since it permits a company to take advantage of the more profitable opportunities in sectors of the economy in which it previously had no activities.

Marinelli (2011) asserts that most organizations around the world consider diversification as one of the ways of value creation. Business organizations are also operating in environments that are increasingly uncertain, complex, competitive, dynamic and unpredictable. The changes in environments are not only rapid and bewildering; they also appear to be in a state of constant flux. Development arising from these forces and the need for organizations to survive in today's fiercely competitive market are causing many organizations to rethink the way they are doing business in order to remain relevant to their stakeholders in the unfolding dispensations and allows the organization to focus on available resources and utilize them in the best possible manner to boost sales and gain leverage over competitors.(Dawley et al., 2008).

Several theoretical perspectives have been suggested to explain why business groups favour diversification. These include portfolio theory and the industrial economics theory. The portfolio theory seeks to explain how firms make investment decisions based on the assets they seek to invest in. The theory provides the basis upon which firms arrive at decisions to invest in assets they consider less risky (Cochrane, 2007). The industrial economics theory also seeks to explain why corporate firms choose to conduct themselves the way they do in the market. It suggests that firms choose the form of diversification that can counter competitor actions and provide sustainable profitability (Alexis, 2000).

It is not only about promoting the existing line of products. Business objective is getting to the heart of clients and understanding their needs. And if the company thinks that existing products are not doing justice to the customer demand, then it has to redesign offerings. Thus, companies use diversification strategies to expand their business and operations into new products and achieve sustainable competitive advantage. This is the best way to serve clients and solidify the business status in the market.

Product diversification has been used as one of the attributes towards achieving competitive advantage for firms through economics of scale and other synergies from using the firm's resources and capabilities across different product lines. Such synergies from product diversification are more likely to be realized when firms expand into related lines of business or industries and therefore related to a firm's profitability. Product diversification creates a real option that provides additional synergy from diversification that individual investors cannot create through their personal portfolio diversification. Such a real option creates strategic edge that reduces risk (Paynor, 2002).

Currently, many companies use product diversification strategy to catch up to their customer needs, boost their sales, and profit across the globe. Among these, Unilever is top mentioned business entity that have implemented diversification strategy over a long period of time where thorough research is required regarding sales performance to guide present and future marketing activities. It is to this end the researcher aims to examine the effect of product diversification on sales performance of the company mentioned.

1.2 Statement of the problem

Although many studies abound on the diversification-performance relationship (Ofori and Chan, 2000; Choi and Russel, 2004) and why firms diversify or refuse to diversify (Hua and Pheng, 1998; Cho, 2003), the findings are somewhat inconsistent. For example, Choi and Russel (2004) found that the profitability growth rate of undiversified firms was lower than that of diversified firms. In contrast, Ofori and Chan (2000) found that undiversified firms have performed better by remaining focused despite the perceived risks and uncertainties resulting from inherent fluctuations

Some studies assert that diversifying into related product markets produces higher returns than diversifying into unrelated product markets, and less diversified firms have been argued to perform better than highly diversified firms (Christensen and Montgomery, 1981; Rumelt, 1974; 1982).

While they agreed that related diversification is better than unrelated diversification, Prahalad and Bettis (1986) clarified that it is the insight and the vision of the top managers in choosing the right strategy (how much and what kind of relatedness), that is the key to successful diversification. Accordingly, it is not product-market diversity, but the strategic logic that managers use, that links firm diversification to performance, which implies that diversified firms without such logic may not perform as well.

However, others argue that it is not management conduct so much, but industry structure, which governs firm performance (Christensen and Montgomery, 1981; Montgomery, 1985).

In addition to diversification types and industry structure, researchers have also looked at the ways that firms diversify. Simmonds (1990) examined the combined effects of breadth (related vs. unrelated) and mode (internal research and development versus Mergers and Acquisitions) and found that relatedly diversified firms are better performers than unrelatedly diversified firms, and research and development-based product development is better than mergers and acquisition-led diversification. However, the results of studies on acquisitions are inconsistent. Some report that related acquisitions are better performers than unrelated ones (Kusewitt, 1985) while others report that there is no real difference between them (Montgomery and Singh, 1984).

It is evident from the studies above that there are diverse and inconsistent findings on the relationship between diversification and firm performance. This is an indication that different companies have different outcomes as far as diversification and sales performance are concerned. This means that the influence of diversification strategies on the sales performance of the Unilever or any other beauty and personal care product supplier remains unclear. It is against this background that the study was carried out. The study sought to investigate the influence of product diversification strategy on sales performance of Unilever Ethiopia.

1.3 Research question

As this paper holds a purpose to shed light and offer enhanced understanding on the true nature of relationship between product diversification and firms' sales performance, it paves a way for the following statement to be a general research question.

"How product diversification affects sales performance of a firm in case of Unilever"

Specific research questions

1. What is the effect of breadth of product diversification (business related and unrelated) on sales performance of a firm in case of Unilever?
2. What is the effect of depth of product diversification on sales performance of a firm in case of Unilever?
3. What is the effect of product attributes on sales performance of a firm in case of Unilever?

1.4 Research Objective

General Objective of the Research

This paper objective is to examine the effect of product diversification on firms' sales performance in case of Unilever.

Specific Objective of the Research

1. To examine the effect of breadth of product diversification on sales performance of a business in case of Unilever?
2. To examine the effect of depth of product diversification on sales performance of a firm in case of Unilever?
3. To examine how product attributes affect sales performance of a firm in case of Unilever?
4. To examine relationship between product diversification and sales performance

1.5 Hypothesis

H1: Breadth of diversification has a significant and positive relationship with sales of beauty and personal care products of Unilever.

H2: Depth has a significant and positive relationship with sales of beauty and personal care products of Unilever.

H3 Product attribute has a significant and positive relationship with sales of beauty and personal care products of Unilever.

1.6 Significance of the study

In the first place, limited research has been conducted in the field of product diversification in Ethiopia, and no study has focused exclusively on product diversification within the Unilever. Therefore, the study was providing knowledge on the importance of product diversification on sales performance. In addition, findings from this study would assist academicians in broadening of the prospectus with respect to this study hence providing a deeper understanding of the product diversification that affects the sales performance. The other significance of the study were enables the Unilever Ethiopia to understand the relation between product diversification tools and sales performance and helps them to know the most important product diversification tools used to sales performance. Thus, the study would provide recommendations to the management of the Unilever Ethiopia regarding the improved application of product diversification.

1.7 Scope of the study

The scope of the study covered product diversification to assess its effect on sales performance of beauty and personal care products of Unilever in Addis Ababa. The questionnaire was distributed to selected places in Addis Ababa where authorized retailers of Unilever are located. Variables in this research are limited to breadth and depth of diversification and product attributes to see the effect on sales performance.

1.8 Limitation of the study

The study is conducted only in cosmetic shops and boutiques in Addis Ababa, which may be a limitation in using the findings of the research to generalize and extend its applicability to other individual shops, or boutiques in the city. In addition, only a specific attribute of the product content is used to measure sales performance. It does not take into account other features provided by the company nor does it take into consideration other internal and external factors such as price of the product, promotion, factors relating to the shop etc.

1.9 Definition of terms

1.9.1 Product diversification

Product diversification means adding new products or services to expand the business offering within existing markets. It is defined as the entry of a firm into new lines of activities either by the process of internal expansion or by acquisition (Ramanujan and Varadarajan, 1989). It is also defined as the process by which firms extend the range of their businesses outside those in which they are currently engaged (Cannon and Hillebrandt, 1989).

1.9.2 Breadth of a product

The breadth of the product mix consists of all the product lines that the company has to offer to its customers. (Business dictionary)

1.9.3 Depth of a product

Product depth refers to the number of sub-categories of products a company offers under its broad-spectrum category. (Business dictionary)

1.9.4 Product Attributes

It is characteristics of raw material or finishes good, which make if distinct from other products. Attributes include size, colour, functionality, components and features that affect the product's appeal or acceptance in the market. (http://www.businessdictionary.com/definition/product-attributes.html)

1.9.5 Sales performance

Sales performance is the measurement of the number of sales that an employee makes for a business. It is the *process of overseeing and training employees to advance their sales skills, processes, and results*. Making sure your sellers are motivated, trained and are in the right territories is critical to firms' success.

1.10 Organization of the Study

Five chapters are covered in this paper. It starts with introductory part consisting background of the study, statements of the problem, objectives of the study, significances of the study, scope of the study, limitation of the study and definition of terms followed by the second chapter dealing with related literatures that contain theoretical review, empirical review and the conceptual framework for this study. Chapter three is about details of research methodology used in the study. In chapter four, data Presentation, analysis, and interpretation of the data collected was analysed. At last, summary of findings, conclusion and recommendations by researcher based on the result obtained from the research was given a room.

2. CHAPTER-TWO: REVIEW OF LITERATURE

2.1. Introduction

This section will look at the relationship between independent (product diversification) and dependent variable (sales performance).

Michael porter (2009) has proposed three generic strategies that provide a good starting point for strategic thinking. Overall, cost leadership, differentiation and focus. The most important and difficult area in any business is planning process; this means which strategy to adopt. (Kotler, 2009).

Companies tends to employs different marketing strategies, of which diversification is the one to expand the business by opening multiple business units or new subsidiaries, both in the same line of business (related) to the core business as well as in different business units (unrelated) to the core business. As a research topic, diversification strategy has a rich history. This resulted in the existence of a great deal of variation in the way diversification was defined and conceptualized (Ramanujam &Varadarajan, 1989).

Therefore, this chapter provides a theoretical and empirical background on the concept of diversification and the different diversification types. Moreover, we will move closer to the topic of interest by synthesizing the main perspectives on the D-P relationship.

2.2. Theoretical Review

2.1.1 What is product diversification?

To define product diversification, one must define product first. Product is a good or service that most closely meets the requirements of a particular market and yields enough profit to justify its continued existence, as per Cheryl Frankiewicz and Craig Chur chill 2011.

Kotler, (2009) defined a product as anything that can be offered to a market for attention, acquisition, use or consumption.

Diversification is a rather complex concept (Bergh, 2001). This may explain the existence of varying definitions with unique focuses (Ramanujam &Varadarajan, 1989). The majority of definitions centre on the notion that diversification finds at its roots the word 'diverse', indicating that diversification is about diversity (Pitts & Hopkins, 1982: 620). For example, Ramanujam and Varadarajan defined diversification as 'operating in several different businesses simultaneously'. Hereby they centre on diversity and exclude for simple product line extensions (Bergh, 2001). A different focus may be on the act rather than the state of diversification (Ramanujam &Varadarajan, 1989), resulting in definitions such as "the entry of a firm or business unit into new lines of activity" (Ramanujam & Varadarajan, 1989: 525). Here, diversification relates more to the entry of new industries instead of business lines (Bergh, 2001).

Collins and Montgomery (2008) divided diversification into two types related and unrelated diversification. They believe that related diversification involves building shareholder value by capturing cross business strategic fits. The combining of resources creates new competitive strengths and capabilities (BCG, 2006). Related diversification may involve use of common sales force to call on customers, advertising related products together, use of same brand names and joint delivery.

On the other hand, Thompson and Strickland (2006) believe that many companies decide to diversify into any industry or business that has good profit opportunities. Johnson et al. (2006) noted that in most cases companies that pursue unrelated diversification nearly always enter new businesses by acquiring an established company rather than by forming a Start-up subsidiary. The basis for this strategy is that, growth by acquisition translates into enhanced shareholder value faster and the payback period is quicker.

Diversification strategies are used to expand the firm's operations by adding markets, products, services or stages or production to the existing business. Kotler (2006) identifies three types of diversification strategies namely, concentric, horizontal and conglomerate. Concentric diversification strategy involves adding similar products or services to the existing business. Horizontal Diversification strategy occurs where a company seeks new products that could appeal to its current customers even though the new products are technologically unrelated. Conglomerate Diversification Strategy takes place where a company seeks new businesses that have no relationship with their present business or market operations (Thompson & Strickland, 2006).

2.1.2 Motives of product diversification

Growth

In the absence of diversification firms are prisoners of their industry. For firms in stagnant or declining industries this is a discouraging prospect – especially if the industry faces ultimate end. However, the critical issue for top management is whether the pursuit of growth is consistent with quest for profitability. In principle, a firm availing itself of investment opportunities outside its industry as well as within it should be entirely compatible with increasing its profit earnings. (Porter, 1986)

Risk Reduction

A second motive for diversification is the desire to spread risks. To isolate the effects of diversification on risk, consider the case of "pure" or "conglomerate" diversification, where separate businesses are brought under common ownership but the individual cash flows of the businesses remain unchanged. So long as the cash flows of the different businesses are imperfectly correlated, then the variance of the cash flow of the combined businesses is less than the average of that of the separate businesses. Hence, diversification reduces risk. (Porter, 1986)

Profitability

The two sources of superior profitability: industry attractiveness and competitive advantage. For firms intending diversification, Michael Porter proposes three "essential tests" to be applied in deciding whether diversification will truly create shareholder value:

1. The attractiveness test. The industries chosen for diversification must be structurally attractive or capable of being more attractive.
2. The cost-of-entry test. The cost of entry must not capitalize all the future profits.
3. The better-off test. The new unit must gain competitive advantage from its link either with the corporation, or vice versa.

Customer loyalty

One of the best ways to encourage existing customers to remain with the company is to offer them a portfolio of products that remains relevant even as their needs change. Product diversification can be an important part of any business's effort to develop a life -long relationship with clients. The more it succeeds in satisfying a customer over time, the greater the chances of that client becoming not only a loyal customer, but also an advocate for the company – someone who recommends to friends, family, neighbours and colleagues.

2.1.3 Competitive Advantage from Diversification

The primary means by which diversification creates competitive advantage is through the sharing of resources and capabilities across different businesses. There is also the potential for diversification to enhance or exploit a firm's market power.

Economies of Scope

The most general argument concerning the benefits of diversification focuses on the presence of economies of scope in common resources: Economies of scope exist whenever there are cost savings from using a resource in multiple activities carried out in combination rather than carrying out those activities independently.

Economies of scope exist for similar reasons as economies of scale. The key difference is that the economies of scale relate to cost economies from increasing output for a single product; economies of scope are cost economies from increasing output across multiple products. The nature of economies of scope varies between different types of resources and capabilities.

Tangible resources – such as distribution networks, information technology systems, sales forces, and research laboratories – offer economies of scope by eliminating duplication between businesses through creating a single shared facility. The greater the fixed costs of these items, the greater the associated economies of scope are likely to be.

Economies of scope also arise from the centralized provision of administrative and support services by the corporate centre to the different businesses of the corporation. Among diversified companies, accounting, legal services, government relations, and information technology tend to be centralized – often through shared service organizations that supply common administrative and technical services to the operating businesses.

Intangible resources such as brands, corporate reputation, and technology offer economies of scope from the ability to extend them to additional businesses at low marginal cost. Exploiting a strong brand across additional products is called brand extension.

Organizational Capabilities

Organizational capabilities can also be transferred within the diversified company. Some of the most important capabilities in influencing the performance of diversified corporations are general management capabilities. These include its ability to motivate and develop its managers, its outstanding strategic and financial management that reconciles decentralized decision making with strong centralized control, and its international management capability. Capabilities in technical expertise, new product development, and international marketing reside within the individual businesses, it is the corporate management capabilities and the systems through which they are exercised that maintain, nourish, coordinate, and upgrade these competitive advantages.

2.1.4 Fundamental Theories of Diversification

Market Based View (contingency theory)

Market-based view approach explains that company diversify with motivation to overcome the competition complexity, to build financial strength and cost efficiency. Mealia & Lee (1979) stated the organization success depends on integration of macro and micro factors as contingency variables. Diversification undertaken to overcome the competition and as a way to build market power. The ultimate goal of this approach is cost efficiency and building financial strength. (Dickinson & Ramaseshan (2004),

Industrial organization view (IO)

Traditionally, managers' interest in diversification stemmed from the idea that it had anti-competitive aspects, which was first illustrated by Edwards (1955). This idea is embraced in industrial organization (IO) economics, of which the seminal work of Gort (1962) is considered as a starting point. The central focus of IO economics is on the interactions between industry structure, strategic behaviour or conduct of firms, and firm performance5. IO economics advocates that market power contribute to a linear and positive relationship between diversification and performance

Montgomery (1994) and Villalonga (2000) identify three commonly mentioned anti-competitive motives for diversification: cross-subsidization, where a firm uses excess profits generated from one product line to support another; mutual forbearance, when firms that compete in similar markets recognize their interdependence and compete less rigid (e.g. Bernheim & Whinstom, 1990);and reciprocal buying and selling, wherein firms establish favourable reciprocal arrangements with firms that are simultaneously suppliers and. Logically, these tactics are all competition reducing in nature as they may result in competitors being driven out the market and discourage potential rivals to enter, and therefore may benefit performance of diversifiers.

Internal Transaction Cost

Transaction costs economics (TCE) reasons that diversification is a strategic response to market inefficiencies or failure (Williamson, 1975). Transaction costs economics (TCE) reasons that diversification is a strategic response to market inefficiencies or failure (Williamson, 1975).

In diversification context, internal cost efficiency is possible if the company develops diversification through vertical integration between complementary businesses. Development of vertical integration and complementary businesses is done to meet assumptions of Transaction Cost Economic-TCE.

Porter (1980:) explains that vertical integration is a combination of production processes, distribution, sale and/or other economic processes, which are different technologies within the boundaries of a single firm.

According to Porter, one benefits of vertical integration is company improve the company's ability to offer a value added differentiation and more under management control.

David (2003:161-162) also outlines that vertical integration allows a company to gain control over distributors, suppliers and competitors. Vertical integration strategy divided into three parts namely: forward integration, backward integration, and horizontal integration. Something to distinguish the three are seeking ownership or increased control over distributors or retailers (forward), firms' suppliers (backward) and competitors (horizontal).

Finally, according to transaction cost economics, firms diversify to realize benefits that are costly to realize through market transactions. The most important benefits of product diversification are economies of scope and economies of internal capital markets (Jones and

Hill, 1988). Economies of scope arise when the costs of jointly producing two products are lower than the costs of producing them separately (Teece, 1982). In an internal capital market, the corporate headquarters attracts cash flows, reallocates them to the most attractive investment proposals of the divisions, and monitors their deployment (Williamson, 1975). This is presumed to result in superior allocation and policing, compared with the external capital market.

Related-diversified corporations are able to realize economies of scope and economies of internal capital markets, though not simultaneously, because the required administrative mechanisms are conflicting (e.g., Hill, Hitt, and Hoskisson, 1992). Unrelated-diversified corporations can only attain economies of internal capital markets (Jones and Hill, 1988).

Both TCE and IO economics consider 'internal market efficiency' arguments as an important rationale for a positive linear D-P relationship. Internal market efficiency theory argues that diversified firms have greater flexibility over single business firms as they can get resources (e.g. labour or capital) from both external as well as internally generated sources, thereby reducing overall costs (e.g. Lang & Stulz, 1994; Williamson, 1986). Later, this perspective was typically researched in developing countries, as they especially benefit from internal markets due to the fact that external markets and institutions are insufficiently developed (Khanna & Palepu, 1997).

Agency Theory

Agency theory (Jensen & Meckling, 1976) explains that separation between the owner and manager of company will always followed by emergence of cost because the lack of interests alignment between owners and managers. These costs are called agency costs, include: expenditure to monitor the managers activities, expenditure to create an organizational structure to minimize the unwanted managers actions, as well as the opportunity cost arising from the condition in which the manager cannot make decisions immediately without shareholder(owners) approval.

Jensen (1986) explains that interest conflict between managers and shareholders occurs with assuming the owners (shareholders) and managers (agents) each want a high return on investment to projects but with different interests to risk (Jensen, 1986; Amihud& Lev, 1981;

Lane et al., 1998). The difference is explained by the risk (Amihud & Lev, 1981), that owners are more interested in the systematic risk, while managers are more interested in the unsystematic risk.

Agency theory can explain why a firm diversify, and explains why diversification does not create value for company. The essence was diversification undertaken to gain efficiencies and to ensure benefits to all stakeholders that organization's activities are run in a professional manner and free from any interest conflict. Therefore, the firm value should be increased. Rationality is a diversified company to address the agency conflicts within firm.

This theory suggests that firms diversify because their managers have personal motives to do so. Managers do not return free cash flows to shareholders, but spend them on diversification projects, because of motives like empire building, pay increases, and reduction of employment risk (Jensen, 1986).

Building on the principal-agent theory, a diversification strategy can be considered as resulting from the pursuit of managers own interests at the expense of shareholders (Jensen, 1986, Schleifer &Vishny, 1989).

Montgomery (1994) recognizes two main reasons for this behaviour; managers invest in projects that increase the firm's demand for their skills, also referred to as 'managerial entrenchment' (Schleifer &Vishny, 1989), or they opt to reduce total firm risk, thereby improving their personal position instead of the shareholders'.

Resource Based View

This theory perceives firms as heterogeneous instead of homogeneous and is a theory of growth and not equilibrium (Montgomery, 1994). This perspective, primary based on Penrose's work (1959) and introduced by Wernerfelt (1984), sees diversification as an answer to excess capacity of resources and capabilities. Here, growth is induced by seeking better and new uses of underused resources (Desmond, 2007; Penrose, 1959), thereby benefitting from economies of scope (Penrose, 1959)6. In the same vein, theories of synergistic economies emerged. However, in contrast to the RBV, this theory focuses not on growth in general, but specifically pinpoints the benefits for related diversifiers. Due to their relatedness, it becomes easier to tap a common pool of resources (Nayyar, 1992), resulting in synergies that improve the use of a firm's core resources (Kor & Mahoney, 2000). Porter (1985) distinguishes tangible (e.g. joint procurement of raw materials) and intangible (e.g. organizational learning) interrelationships as synergetic sources and considers them as a strong advantage of related diversifiers over single business or unrelated diversified firms. Hence, seen through this perspective, the D-P relationship is predicted to be inverted-u shaped.

According to the resource-based view, firms can have excess capacity in resources (Penrose, 1959). The resources can be redeployed in the new business, which implies product diversification.

Barney (1991) also argues that diversification can create economies scope by sharing activities and core competences transfer as a source of SCA. The essence of this theory is an action strategy to position relationship between the business units as a foundation for the organization multi-business, and emphasizes the company's ability to exploit the potential synergies between resources, to produce higher performance.

2.1.5 The Meaning of Relatedness (Breadth of diversification)

If relatedness refers to the potential for sharing and transferring resources and capabilities between businesses, there are no unambiguous criteria to determine whether two industries are related – it all depends on the company undertaking the diversification.

Relatedness is defined in terms of similarities between industries in technologies and markets. These similarities emphasize relatedness at the operational level – in manufacturing, marketing, and distribution – typically activities where economies from resource sharing are small and achieving them is costly in management terms. Conversely, some of the most important sources of value creation within the diversified firm are the ability to apply common general management capabilities, strategic management systems, and resource allocation processes to different businesses. Such economies depend on the existence of strategic rather than operational commonalities among the different businesses within the diversified corporation.

For instance,

- Berkshire Hathaway is involved in insurance, candy stores, furniture, kitchen knives, jewellery, and footwear. Despite this diversity, all these businesses have been selected based on their ability to benefit from the unique style of corporate management established by Chairman Warren Buffett and CEO Charles Munger.

The essence of such strategic-level linkages is the ability to apply similar strategies, resource allocation procedures, and control systems across the different businesses within the corporate portfolio.

Unlike operational relatedness, where the benefits of exploiting economies of scope in joint inputs are comparatively easy to forecast, and even to quantify, relatedness at the strategic level may be much more difficult to appraise. (Shimp, 2007)

2.1.6 Depth of Diversification

The depth of the product line refers to the number of different products offered in the same product line. (Business dictionary). Taking Unilever as an example, bathing soap constitute one product line of the company while fabric wash another, tea a third and cosmetics yet another product line. In the product line of bathing soaps, Unilever has several items/brands like Dove, Liril, Lux, Lifebuoy and Hammam. In the product line of fabric wash, there are washing soaps, detergent powders and detergent bars.

2.1.7 Product Attributes

The term attribute can be defined as "A characteristic that defines a particular product and will affect a consumer's purchase decision”. (Peter et al 1994).

Product attributes can be Concrete or abstract.

2.1.7.1Concrete Attributes

These are the most objective, tangible characteristics of a product and can be measured on some physical scale such product characteristics as size, colour, weight, volume, smell, taste, touch, quantity, or material composition. (Aaker et ai, 1992)

2.1.7.2 Abstract Attributes

Abstract attributes (pseudo-physical characteristics), on the contrary, represent intangible, subjective characteristics that are not easily measured, as price, quality, reliability, beauty or aesthetics, (an indefinable, elusive pleasing quality), creaminess, shininess or the comfort of a car. (Aaker et ai, 1992)

Attributes of a product are the various components that make up the product. Usually product attributes extend to actual features, as well as uses and benefits. When making product attribute decisions, a firm faces three main decision areas, namely:

- Product quality
- Product features
- Product design

Product quality decision

Quality of the product refers to how well the product has been made. A high quality product and typically work better, be more reliable, look more stylish, the easy to use, and consist of higher quality components/ingredients. The extent of quality in the product and its components/features becomes a strategic choice. As would you expect, a higher quality product allows a price premium to be charged. However, this also has the impact of reducing the overall sales volume. Moreover, of course, higher-quality products will have a higher unit cost that may affect overall profitability.

The decision on quality is somewhat of a competitive decision, which will determine at what and of the market that the product will compete. Therefore, the overall product quality decision needs to be aligned to the overall positioning of the brand and the needs of the target market. (Mowen, 1993)

Product features decision

Product features refer to the actual components or ingredients of the product. From a manufacturing perspective, the decision of product features is important, as it will influence the production process. And of course, the inclusion of specific product features will mean that the product will be designed for needs of a particular target market. Therefore, it should be clear that the combination of features and quality of the product should be designed for the needs of the target market. (Mowen, 1993)

Product design decision

Final element in the product attribute decision is the overall product design. Design of the product refers to how the product looks functions and is put together. (Mowen, 1993)

Overall product attributes decision

The three elements of product attributes – the overall product quality, the actual product features included, and how the features are integrated together and how product looks – are very important decisions to guide the success of the product. Ideally, we are looking for a product that in combination of these attribute decisions meet the needs of the target market, while providing some form of differentiation against their key competitors. (Mowen, 1993)

Product attributes are important to both consumers and marketers. The consumer uses attributes as the basis for evaluating a product since attributes provide benefits the consumer seeks when purchasing a product and comparing competitive brands. He also evaluates attributes positively or negatively, which is perceived as being important in the decision-making process. The marketer uses attributes to differentiate his brand from competitive brands and as the basis for the development of new products.

Recent research (Carpenter, Glazer & Nakamoto, 1994) has shown that although the general view Is that product differentiation is done through attributes that are meaningful, relevant and valuable, many brands successfully differentiate themselves from competitors by focusing on attributes that appear to be valuable, but on closer examination, however, are irrelevant (also referred to as meaningless differentiation). An example is where a tea manufacturer may claim that his tea bags are round instead of square. The fact is, the flavour and taste of the tea will remain the same no matter the shape of the bag.

Differentiating a product from competitive products on an irrelevant attribute might be useful when a competitor already focuses on the determinant attribute of a product. The irrelevant attribute is then perceived as an additional attribute (and benefit) to the consumer. The use of an irrelevant attribute can be significant if the consumer perceives the attribute as meaningful and unique. MacKenzie (1986)

2.1.8 Sales performance

When analysing the existing literature there two main divergences on the categorization of sales performance, measures based on outcome (results of sales) and those based on behaviour (how they do it).

Traditional examples of Outcome based measure are; profitability, market share, turnover, while behaviour based outcomes can be identified as adaptive selling, communication skills which are part of a sales person's ability to sell, as well as the activities they undertake; number of calls to customers, territory management and activity management. A Difference is described between the two as behaviour measurement being the more subjective, with reporting based on manager's perception of the sales person performance while, outcome based measurements allow for dimensions that are more objective. (Küster& Canales 2011).It is concluded that for best results, a combination of outcome and behavioural measures should be utilized.

Sales Efficiency vs Effectiveness

Most of the time **Sales Efficiency** is defined as the best use of resources available (Zal-locco, et al. (2009) or, how many steps does it take to reach company goals. this can be the allocation of resources, ensuring minimum wastage of capital and time, as well as ensuring that effort is not wasted on non-profitable customers. Sales people often described Sales efficiency as Quality vs Quantity, ensuring good time management as well as cost-effectiveness. (Zallocco et al. (2009).

Here the concept on efficiency can be seen as being part of an operational model that encourages sales people to take responsibility for adding to best practice and to maintaining quality of data, thus ensuring the best possible customer service.

Sales Effectiveness was often defined as how set goals and targets align with the company strategy. In comparison, effectiveness was found to have a much more down to earth meaning as it was often used to define how customer contact was performed, how often and how personalised this contact with the customer was, as well as how adaptable the company portfolio is to customer needs in ensuring a high standard of customer service .The perceived meaning of effectiveness had in Zallocco et al.´s (2009) research the highest level of uncertainty and variance in responses. Not only was there a difference in how managers and sales people saw effectiveness, but they also had a hard time defining the concept of effectiveness itself.

Organization's sales performance stimulation has always been a priority in private as well as in public sectors, since it is directly associated with the value creation of the entity. Organizations are constantly striving for better results, influence and competitive advantage.

However, most organizations are struggling to enhance their performance. The main reason why this struggle exists is because management is not always aware of the adequate assessment of their organizational performance. Several models, frameworks or methods for conducting entities valuation create unnecessary stress for management to select the path that is congruent with organizations believes and cultural philosophy (Richard, 2009)

Robbins (2000) indicates that efficiency and effectiveness are the most common measures of organization's sales performance. If a company is inefficient but effective it might survive, but the cost of operational management, processes and inputs will be too high. Cost inefficient organizations do not have proper resource allocation management. From the accounting perspective they might break even or have very little profit. Although, such organizations have excellent long term perceptions of the degree of the overall success, market share, profitability, growth rate, and innovativeness of the organization in comparison with key competitors (Zokaei, 2006). Inefficient-effective organizations should consider the assessment of their recourse allocation. Usually, the morale in such entities is high. Delicate changes brought in the operations and introduced in a subtle manner should result the increase in the efficiency, which would lead organization to desired competitive advantage.

High effectiveness and high efficiency organizations are well known as high performance entities. They demonstrate excellence in their operational performance as well as strategic planning. Their outcome is productive, cost management is under control, tasks distributed and completed in a timely manner. Usually such organizations have high morale and staff commitment, which also results the highest quality of the outcome. Employees are well aware of the tasks they have been delegated to perform, they are also well informed of the indicators, which are used to assess their outcomes. Their performance and their attitudes lie along company's long-term goals and vision (Zokaei, 2006).

2.1.9 Diversification and performance

Some diversified firms persistently perform above industry average, while others persistently perform below. There are evidences stating that the persistence of abnormal return explained the relationship between diversification and performance although researcher found evidence of the impact on performance according to the degree of efficiency of the internal capital market and the degree of un-relatedness of the firm's business segments.

In addition, without arguing the statistical validity of the existence of the diversification discount, it is believed that looking for a diversification discount or premium would be an extremely relevant indicator if the firm's sales performance did not follow any specific pattern over time. But because of firms 'outstanding performance heterogeneity, finding an average indicator of discount or premium might not unambiguously indicate whether diversification is negative for the firm (Cardinal& Miller, 2000).

2.2 Empirical Reviews

Despite a large number of empirical studies, no consistent, systematic relationships have emerged between performance and the degree of diversification. However, there is some evidence that, beyond a certain point, high levels of diversification are associated with deteriorating profitability possibly because of the problems of complexity that diversification creates. Among British companies, diversification was associated with increased profitability up to a point; after which further diversification was associated with declining profitability. Other studies have also detected a curvilinear relationship between diversification and profitability.

The complex nature of diversification and the relationship to profit has proven a quite impossible task to compare the different research the result on the subject. The definitions on diversification and performance are as many as there are re-searches. Most of the findings are related to the resource view or the agency view, and almost none of them to the market power view, it must then be suggested that the market power view holds little evidence on if diversification and performance are related. However, the market power view suggests in the theoretical standpoint that there is an optimal strategy for diversification. The agency view and the resource view both holds contradictory findings on the relationship performance and diversification. (Vachani, 1991)

Mashiri Eukeria & Sebele Favourate (2014) conducted a research and looked at diversification as a corporate strategy and its effect on firm performance using Conglomerates in the Food and Beverages Sector in Zimbabwe. The study used a combination of primary and secondary data.

Primary data was collected through interviews while secondary data were gathered from financial statements and management accounts. Data was analysed using SPSS computer package. The research study indicated an important answer, which is diversification and performance were linearly and positively related. The benefits of diversification outweigh the costs hence performance increases or improves unconditionally.

EmelYücel and Yıldırım Beyazıt Önal (2016) did a research on Industrial Diversification and Performance in an Emerging Market. Their study investigated the relationship between industrial diversification and firm performance using a market-based performance measure and an accounting measure. Researchers used the data of the firms listed on Borsa Istanbul during the period between 2006 and 2012. The results of the panel data indicate that there is a significant positive relationship between diversification and performance. It is found that diversified firms outperformed the single firms. As is compatible with a resource-based approach, it was found that diversified firms tended to use their resources more efficiently compared to single firms.

Berger, Philip, and Eli Ofek. 1995 and Kulwantsingh (2006) examine the impact of diversification on performance for firms operating in different institutional environments during a relatively stable period and during a major economy-wide shock. Researchers locate the study in six Asian countries at different levels of institutional development. Results indicate that diversification negatively affects performance in more developed institutional environments while improving performance only in the least developed environments. Even in the least developed institutional environments, diversification offers limited benefits when an economy-wide shock strikes. Though successful diversifiers are sometimes affiliated with business groups, diversification is associated with poorer performance for both affiliated firms and independent firms. In sum, they found that institutional environments, economic stability and affiliation with business groups influence the outcomes of diversification.

Shyu, and Chen (2009) found that firms that are in their growth stage showed significant results but the firms that are in maturity stage did not produce such results. They also pointed out that firms in mature stage and engaged in related business have outstanding performance. They concluded that a life cycle stage of corporate had greater effect on the relationship between diversifying into related and unrelated business and performance. They also concluded that ownership of the firm played a vital role and had a positive relationship with performance, regardless of the fact that firm was at growth stage or in maturity stage

A study conducted by Hitt, Hoskisson and Kim (2011) shows that firms that have diversified into products that use the existing internal resources or capabilities of the firm will benefit from economies of scale thus earn higher returns. The study asserts that the payoff created by diversification may be magnified when Multi-national corporations capitalize on economic rents derived not only from product and market diversity but also from the various advantages embodied in foreign activities such as knowledge acquisition, capability development, risk reduction and complementary synergies.

Marineli (2007) also indicates that firms with related diversification have lower performance and thus conclude that there is a negative relationship between diversification and firm performance.

Marinelli (2011) also argues that the relationship between diversification and the performance of a firm arises from the larger concern on how the boundaries of a firm should be set. He further indicates that conglomerate production constitutes more than 50% of the total production in the United States of America. He further concludes that the relationship between diversification and firm performance is not a causal type of relationship but rather one that is dependent on other factors other than the degree of relatedness among business units and the degree of internal market efficiency. Some diversified firms consistently create shareholder value and have lower market volatility than those firms that are less diversified.

Rhoades (1974) found that diversifying into unrelated activities might result in ineffective management, production and distribution that could overshadow the performance by positive diversification resulting from barriers to entry linked with diversification, and may be from efficiently conducting upright integration and management. He concluded that when treating diversification as an industry structural variable (outside 4-digit industry) it had a positive relationship with margin and if measured it broadly (outside 25/2-3 digit industry) the result was opposite.

Montgomery (1994) shows that on average diversification and profitability has a negative relationship. Corporate wealth is not being increased by acquisitions, and therefore later divested. She continues by stating that firms that diversify around specific resources are also more profitable than firms that diversify more broadly, which is in line with Vachani (1991).

The agency theory implies too many consistent results and therefore the managerial effect on diversification is hard to measure. There is little evidence that the market power view provides the company with the power that leads to increased profits. She summarizes her article by saying that the market power motive for diversification is highly unlikely considering the collected evidence on the subject.

Stimpert and Duhaime (1997) found that extensive diversification stalls the accumulation of assets that is associated with improving effectiveness. This in turn may hinder the competitive advantages that are important for performance and is clearly in line with the resource view, and gives us a negative relation with performance.

Markides, and Williamson (1994) revealed that that 'strategic' relatedness is having superior value to market relatedness and that related firms performed higher than the unrelated ones only in markets where accumulated assets were important. They found that firms could gain significant advantage from related diversification that were working in businesses' portfolios with similar characteristics of brand building, marketing and channel management and process skills in customization and management of skilled teams.

According to Benito-Osorio et al. (2012), some of the key assumptions explaining low value of highly diversified companies comprise First, misallocation of capital in cross-subsidization of businesses leading towards inefficiencies and reduced profitability (Berger &Ofek, 1995; Meyer, Milgrom, & Roberts, 1992; Palich et al., 2000). Second, higher costs of management and business coordination, and problems in organizational control due to information asymmetries (Harris, Kriebel, &Raviv, 1982; Myerson, 1982). Third, higher agency costs created by conflict of interest between shareholders and managers (Amihud& Lev, 1981; Wan, Hoskisson, Short, &Yiu, 2011).

Interestingly, certain scholars suggested that diversification was not significant predictor of corporate performance. One group of researchers revealed that product diversification did not significantly impact performance (Bausch &Pils, 2009; Chang & Thomas, 1989; Isobe, Makino, & Goerzen, 2006), while the other group of researchers revealed that geographic diversification was also not a significant predictor of corporate performance either (Geringer et al., 2000; Jung, 1991; Sambharya, 1995). Marinelli (2011) explicitly argued that firm performance could be attributable to some factors other than the extent of diversification. In a rich study on Japanese multinational firms, spread over 16 years, Geringer et al. (2000) revealed that mere for one time period, product diversification had any impacts on corporate performance, whereas international diversification's impacts on profitability were also non constant over time. Findings like these restrict concluding any causal impacts of these diversification strategies on performance of companies.

2.3 Conceptual Framework

The following conceptual framework is developed to clarify the relationship between dependent and independent variable.

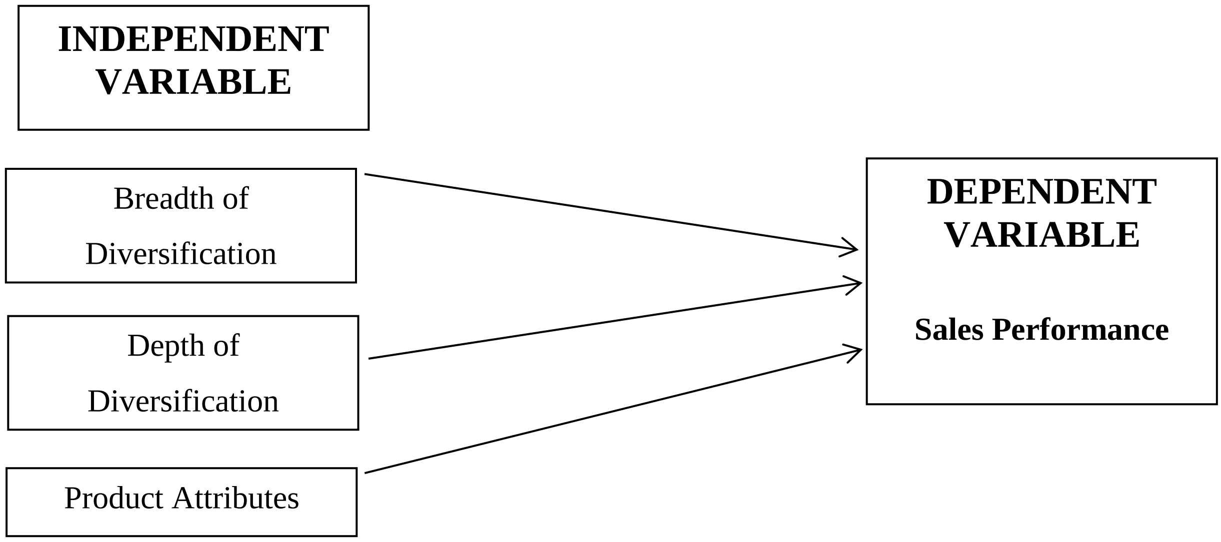


Figure 1: Conceptual framework adapted from Lepetit N. et al. (2007)

3. CHAPTER-THREE: METHODOLOGY

3.2 Research Approach

There are specific questions that the researcher wants to address which include predictions about possible relationships between the two variables, product diversification and sales performance. As objectivity is reflected here, quantitative research approach was employed. It involves collecting and converting data into numerical form so that statistical calculations can be made and conclusions drawn.

Data is collected by various means following a strict procedure and prepared for statistical analysis. A quantitative approach is a means for testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analysed using statistical procedures (Creswell, 2008). Collecting and analysing of data using quantitative approach requires an understanding of the relationships among product diversification and sales performance using inferential statistical approach, the assumptions that generalize to the population from a selected sample. (Trochim, 2006)

3.3 Research Design

Research design refers to the structure of an enquiry. It is the set of methods and procedures used in collecting and analysing measures of the variables specified in the research problem. Design is a logical task undertaken to ensure that the evidence collected enables us to answer questions or to test theories as unambiguously as possible. (Cresswell, 2014).

A *quantitative research* was used to examine the relationship between product diversification and sales performance by using numbers and statistics to explain and analyse its findings.

In this study, cross sectional research design was applied where by data are collected from the pre-defined population only once. This is a research design tailored to investigate association between a set of independent variables and a dependent variable (Frankfort-Nachmias and Nachmias, 1996).

The study was an explanatory that seeks to explain the subject matter being researched and tries to answer the question how the independent variable(product diversification) affects the dependent one(sales performance) in case of Unilever. It was conducted in order to identify the extent and nature of cause-and-effect relationship between the two variables.

Questionnaires were distributed to collect a quantitative primary data from authorized retailors of beauty and personal care products of Unilever.

3.4 Population and sample

3.4.1 Target Population

The target population for this research were retailers of beauty and personal care products during the study period from the three selected locations in Addis Ababa. The three locations, which the questionnaires were distributed and collected, were Haya Hulet, Bole and Piazza. These three locations have 137 shops. Therefore, the researcher took all the population to conduct the study.

3.5 Data Sources and Types

The researcher employed both primary and secondary data sources for the study.

3.5.1 Primary data

Refers to a data collected by the researcher himself/herself. This is a data that has never been gathered before, whether in a particular way, or at a certain period of time, thus very original in nature. For this study, survey research method was chosen where the questionnaire used to collect the information. This study employed a structured survey i.e., used formal lists of questions asked of all respondents in the same way.

3.5.2 Secondary data

Typically comes from other studies done by institutions or organizations before. The research used secondary sources of data from different research articles, reports, books and other official publications to develop conceptual framework and review literatures in the area of product diversification and its impact on sales performance.

3.6 Data collection procedure

The data in this report was collected by both primary and secondary data collection procedure in order to be able to compare empirical findings of primary research with existing knowledge in the form of a theoretical framework built on secondary research.

- **Questionnaire,** a structured form, consists of a formalized set of questions designed to collect information on some subject or subjects from one or more respondents. In other words, a data collection technique wherein the respondents are asked to give answers to the series of questions about a pertinent topic.

- **Secondary data** was collected from relevant books, articles, journals and other relevant materials, which will help to assist the research.

3.7. Data Analysis

The data, which was collected using the questionnaire, was coded and processed. The findings of the study were analysed by using the Statistical Package for Social Sciences (SPSS) version 20 program. Descriptive data analysis tools were used to measure frequencies, percentages, means, standard deviation and graphic representation. Pearson Correlation was used to determine the existence of any relationship between the independent variables and the dependent variable. Multiple regression analysis was conducted to examine the influence of product diversification on sales performance.

3.8 Ethical Consideration

This section considers ethical issued that needs Special attention while conducting the research.

- Voluntary participation of respondents in the research is guaranteed.
- Respondents will participate based on informed consent.
- The use of offensive, discriminatory, or other unacceptable language needs to be avoided in the formulation of Questionnaire.
- Privacy and anonymity or respondents are of a paramount importance.
- Adequate level of confidentiality of the research data should be ensured.
- The research is independent and impartial.

CHAPTER FOUR: RESULTS AND DISCUSSIONS

4.1. Introduction

Generally, this chapter is organized in the following manner: It consists of reliability test for the measures used, the demographic profile of the respondents were presented and analysed. To facilitate ease in conducting the empirical analysis, the results of descriptive analyses were presented first, followed by the results of Pearson's correlation coefficient.

4.2. Samples and response rate

A total of 137 questionnaires were distributed, and 134 were received back. After excluding 9 invalid questionnaires, a total of 125 valid questionnaires were accepted for a response rate of 97.81%. Therefore, out of the 137 questionnaires distributed, 91.24% of the subjects returned valid questionnaires.

4.3. Demographic profile of respondents

The samples of this study have been classified according to three demographic background information collected during the questionnaire survey. The purpose of the demographic analysis in this research is to describe the characteristics of the population such as the number of respondents" proportion of males and females in the population, range of age, and academic qualification of respondents. The demographic composition of the respondents is summarized in Table 4.1.

It is evident from the table that the majority of Unilever authorized retailres are between the ages of 18-30 (62.4%). The major participants were females (60.8%), whilst 39.2% of the participants were males. Furthermore, the academic qualification of the respondents dominated by diploma and bachelor degree holders, which consist 38.4% and 36.8% respectively.

In summary, the majority of the respondents were females within the age group 18-30 having predominantly diploma and bachelor degree holders.

Table 4.1: The demographic composition of the respondents

		Frequency	Percent	Cumulative Percent
Gender	Male	49	39.2	39.2
	Female	76	60.8	100.0
	Total	125	100.0	
Age Group	18-30	78	62.4	62.4
	30-45	41	32.8	95.2
	46-60	6	4.8	100.0
	Total	125	100.0	
Academic Qualification	Elementary School	5	4.0	4.0
	Secondary School	23	18.4	63.2
	Diploma	48	38.4	42.4
	Bachelor Degree	46	36.8	100.0
	Master's Degree and Above	3	2.4	44.8
	Total	125	100.0	

***Source**: Survey 2019*

4.4. Reliability test

For the reliability test of the data, Cronbach's alpha was calculated using SPSS and the result is presented in Table 4.2 below. The alpha values for all constructs in the study are greater than the guideline of 0.70, so it can be concluded that the measurements can be applied for analyses with acceptable reliability.

Table 4.2: Measurement of Reliability

Constructs	Cronbach's Alpha	Number of Items
Breadth	0.820	4
Depth	0.573	3
Attributes	0.688	9
Sales	0.758	5
Reliability of total scale	0.831	22

***Source:** Survey 2019*

4.5. Descriptive statistics of the level of agreement of the respondent's Perception towards different variables of the research

4.5.1. Retailers Perception on Breadth of Diversity

This section of the questionnaire tested the attitude and views about breadth of diversification of Unilever beauty and personal care products. A series of four statements were presented to respondents and respondents were asked to rate their level of agreement with each statement. Table 4.3 indicates the mean and standard deviation for each item.

According to the data illustrated below, respondents agree that Beauty and Personal care products of Unilever are highly diversified with mean score of 4.10. Respondents also agree that diversification of Unilever beauty and personal care products are highly compared to its competitors with mean score of 4.06. Respondents have agreeing attitude towards diversification of beauty and personal care to customers in buying products is important with mean score of 4.04. Similarly respondents agreed that customer's reaction to reduction in diversification of beauty and personal care is high mean score of 4.09. The overall mean for the perception of coupon is 3.14, indicating that the majority of respondents are towards neutral level agreement with the statements specified in the study.

Table 4.3: mean and standard deviation of items for breadth of diversification

	Mean	Std. Deviation
Beauty and Personal care products of Unilever are highly Diversified	4.10	.728
Diversification of Unilever beauty and personal care products is highly compared to its competitors	4.06	.759
Diversification of beauty and personal care to customers in buying products is important	4.04	.756
Reduction in diversification of beauty and personal care is high	4.09	.852
Overall level of perception on breadth of diversification	**4.072**	**0.773**

Source: Survey 2019

4.5.2. Retailers perception on Depth of Diversification

This section of the questionnaire tested the attitude and views about variety in flavours of beauty and personal care products of Unilever. A series of three statements were presented to respondents and respondents were asked to rate their level of agreement with each statement. Table 4.4 indicates the mean and standard deviation for each item.

According to the illustrated data regarding the perception of respondents towards the flavour, respondents agree that compared to competitor's specific beauty and personal care products of Unilever has better variety in flavour with mean score of 4.10. Respondents also agree that variety and flavour is important for consumers to buy the product with mean score of 4.14. Furthermore, respondents have an agreeing attitude when asked if reaction of buyers is high in reduction to varieties in flavour of specific beauty and personal care products of Unilever with mean score of 3.62. The overall mean for the perception of premium is 3.75, indicating that the majority of respondents are towards agree level agreement with the statements specified in the study.

Table 4.4: mean and standard deviation of items for depth of diversification

	Mean	Std. Deviation
Compared to competitors specific beauty and personal care products of Unilever has better variety in flavour	4.10	.884
Variety n flavour is important for consumers to buy the product	4.14	.726
Reaction of buyers is high in reduction to varieties in flavour of specific beauty and personal care products of Unilever.	3.70	1.233
Overall level of perception on votary in flavour	**3.98**	**0.947**

Source: *Survey 2019*

4.5.3. Retailers Perception on Attributes of a Product

This section of the questionnaire tested the attitude and views about design of beauty and personal care products of Unilever. A series of three statements were presented to respondents and respondents were asked to rate their level of agreement with each statement. Table 4.5 indicates the mean and standard deviation for each item.

The data illustrated in table 4.5 shows that respondents have agree attitude about compared to competitors Unilever provide products with better design with mean score of 3.91. They also have agreed attitude about design is important for consumers to induce buyers with mean score of 4.07. In addition, respondents agree that reaction of buyers is high to poor product design with mean score of 4.08. The overall mean for the perception of point of sales display is 3.79, indicating that the majority of respondents are towards agree level agreement with the statements specified in the study.

Table 4.5: mean and standard deviation of items for design of the products

	Mean	Std. Deviation
Compared to competitors Unilever provide products with better design	3.91	.933
Design is important for consumers to induce buyers	4.07	.732
Reaction of buyers is high to poor product design	4.08	.809
Overall level of perception on design	**4.02**	**0.824**

This section of the questionnaire tested the attitude and views about features of Unilever products. A series of three statements were presented to respondents and respondents were asked to rate their level of agreement with each statement. Table 4.6 indicates the mean and standard deviation for each item.

The data illustrated in table 4.6 shows that respondents have agree attitude about compared to competitors, Unilever provide products with better features with mean score of 3.96. They also have agreed attitude about features is important for consumers to consider buying with mean score of 4.20. In addition, respondents agree that reaction of buyers is high in reduction of products features with mean score of 3.69. The overall mean for the perception of point of sales display is 3.95, indicating that the majority of respondents are towards agree level agreement with the statements specified in the study.

Table 4.6: mean and standard deviation of items for features of the products

	Mean	Std. Deviation
Compared to competitors Unilever provide products with better features	3.96	.945
Features is important for consumers to consider buying	4.20	.648
Reaction of buyers is high in reduction of products features	3.69	1.241
Overall level of perception on features	3.95	0.944

Source: *Survey2019*

This section of the questionnaire tested the attitude and views about features of Unilever products. A series of three statements were presented to respondents and respondents were asked to rate their level of agreement with each statement. Table 4.7 indicates the mean and standard deviation for each item.

The data illustrated in table 4.7 shows that respondents have agree attitude about compared to competitors Unilever provide products with better quality with mean score of 3.69. They also have agreed product quality is important for consumers to consider buying with mean score of

3.70. In addition, respondents agree that reaction of buyers is high in reduction of products quality with mean score of 3.67. The overall mean for the perception of point of sales display is 3.68, indicating that the majority of respondents are towards agree level agreement with the statements specified in the study.

Table 4.7: mean and standard deviation of items for quality of the products

	Mean	Std. Deviation
Compared to competitors Unilever provide products with better quality	3.69	1.058
Product quality is important for consumers to consider buying	3.70	.823
Reaction of buyers is high in reduction of products quality	3.67	.974
Overall level of perception on quality	3.68	0.942

Source: *Survey 2019*

4.6. Comparison of Retailers Perception on Product Diversification and Attributes Construct

Table 4.8.below shows the overall mean of all items in the product diversification of Unilever products. According to the findings of the means breadth of diversification represented the highest overall mean score (mean= 4.072), meaning that cosmetic product retailers have a tendency towards agree with statements relating the breadth of diversification construct (1= strongly disagree and 5= strongly agree) compare to other constructs. Depth followed with overall mean score of 3.980. This was followed by Attributes with mean score of 3.886.

Table 4.8: Overall, mean of all items in the product diversification of beauty and personal care products of Unilever.

Construct	Mean score	Standard deviation	Rank
Breadth	4.072	0.773	1st
Depth	3.980	0.947	2nd
Attributes	3.886	0.493	3rd

Source: *Survey 2019*

4.7. Correlation analysis: relationship between the study variables

In this study, Pearson’s correlation coefficient was used to determine whether there is significant relationship between breadth of diversification, depth of diversification and product attributes with sales performance. The following section presents the results of correlation on the relationship between independent variables and dependent variable. Table 4.10 below indicates that the correlation coefficients for the relationships between independent variables (breadth of diversification, depth of diversification and product attributes) and its dependent variable (sales performance) are linear and positive ranging from weak to moderate correlation coefficients.

Table 4.10: correlation coefficients for the relationships between dependent and independent variables

		Sales.P	Attributes	Depth	Breadth
Sales.P	Pearson Correlation	1	.561**	.541**	.530**
	Sig. (2-tailed)		.000	.000	.000
	N	125	125	125	125
Attributes	Pearson Correlation	.561**	1	.540**	.490**
	Sig. (2-tailed)	.000		.000	.000
	N	125	125	125	125
Depth	Pearson Correlation	.541**	.540**	1	.527**
	Sig. (2-tailed)	.000	.000		.000
	N	125	125	125	125
Breadth	Pearson Correlation	.530**	.490**	.527**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	125	125	125	125
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: *Survey 2019*

As it is clearly indicated in Table 4.10, a strong and positive relationship was found between breadth of diversification and sales ($r = .530$, $p < .05$), depth of diversification and sales ($r = .541$, $p < .05$), and product attributes and sales ($r = .561$, $p < .05$) which are statistically significant at 99% confidence level.

4.8. Assumptions Testing in Multiple Regression

The basic assumptions should be satisfied in order to maintain data validity and robustness of the regressed result of the research under the multiple regression models. Hence, this study has conducted the assumption tests such as, multi-Collinearity, outliners, autocorrelation, homoscedasticity, linearity, and normality.

4.8.1. Sample size

Different authors tend to give different guidelines concerning the number of cases required for multiple regressions. Tabachnick and Fidell (2001) give a formula for calculating sample size requirements, taking into account the number of independent variables to use: $N > 50 + 8m$

(where m = number of independent variables). In this study, four independent variables had existed and cases were 137. Therefore, the study satisfied sample size assumption.

4.8.2. Multi Collinearity

Multi Collinearity is checked using correlations between the variables in the model. Independent variables show at least some relationship with dependent variable (above 0.3 preferably). In this case all of the scales (independent variables) correlate substantially with sales performance (0.530, 0.541 and 0.561) respectively.

Collinearity diagnostics on the variables as part of the multiple regression procedure is done using Tolerance and Variance Inflation Factor (VIF). Tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model. If this value is very small(less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multi Collinearity (Pallant, 2010). Variance Inflation Factor (VIF) is just the inverse of the tolerance value (1 divided by tolerance). According to Pallant, (2010), VIF values above 10 would be a concern, indicating multi Collinearity. The result shows that the tolerance value for each independent variable is (0.650, 0.662 and 0.618) respectively. Therefore, multi Collinearity assumption is not violated. This is also supported by the VIF value, which is 1.538, 1.510, and 1.618 which is well below the cut-off value of 10.

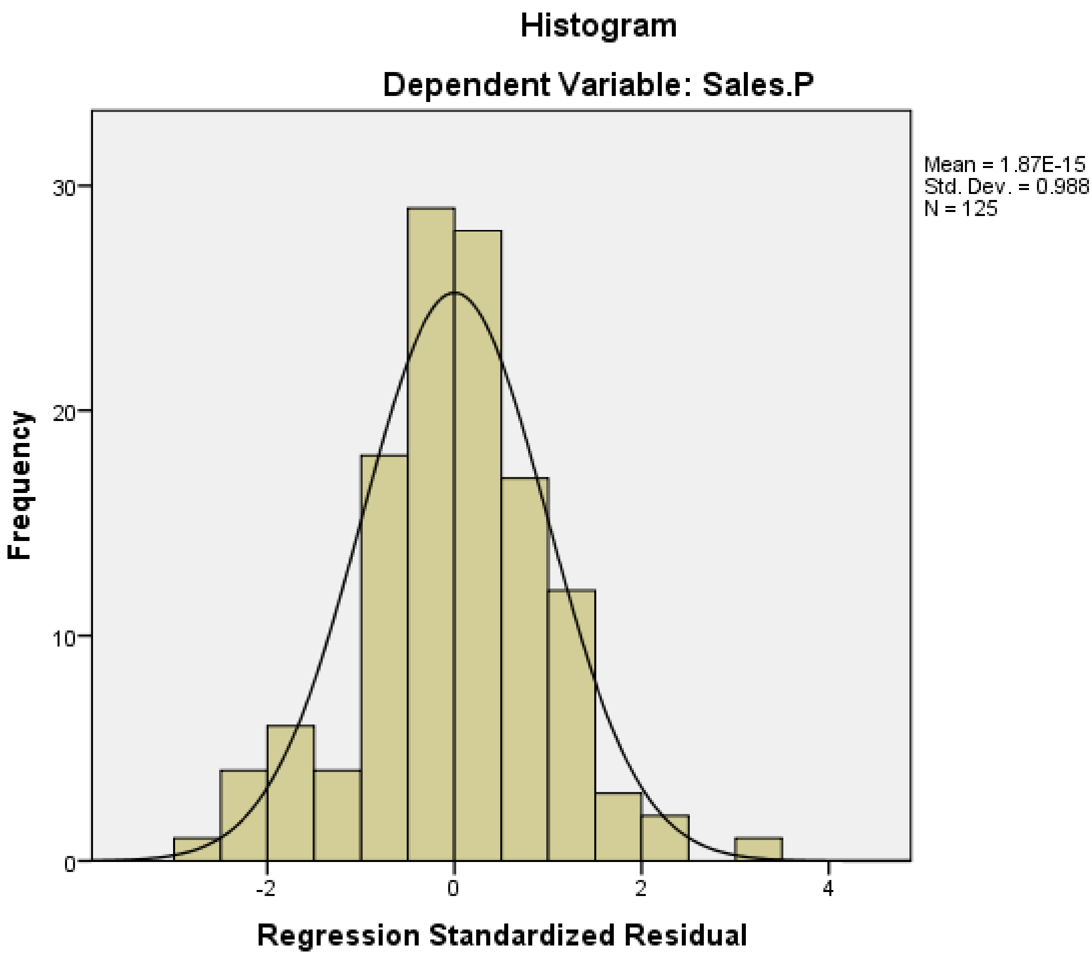
Table 4.11 Multicollinearity test

	Tolerance	VIF
(Constant)		
Attributes	.650	1.538
Breadth	.662	1.510
Depth	.618	1.618

4.8.3. Normality and Linearity

One of the ways that these assumptions can be checked is by inspecting the residuals scatter plot and the normal probability plots of the regression standardized residuals that were requested as part of the analysis. These are presented in normal P-P Plots of regression standardized residuals graph. In normal probability plots the points will lie in reasonably, straight diagonal line from bottom left to top right. This would suggest no major deviations from normality. The finding from normal P=P Plot reveals no violation of normality assumptions.

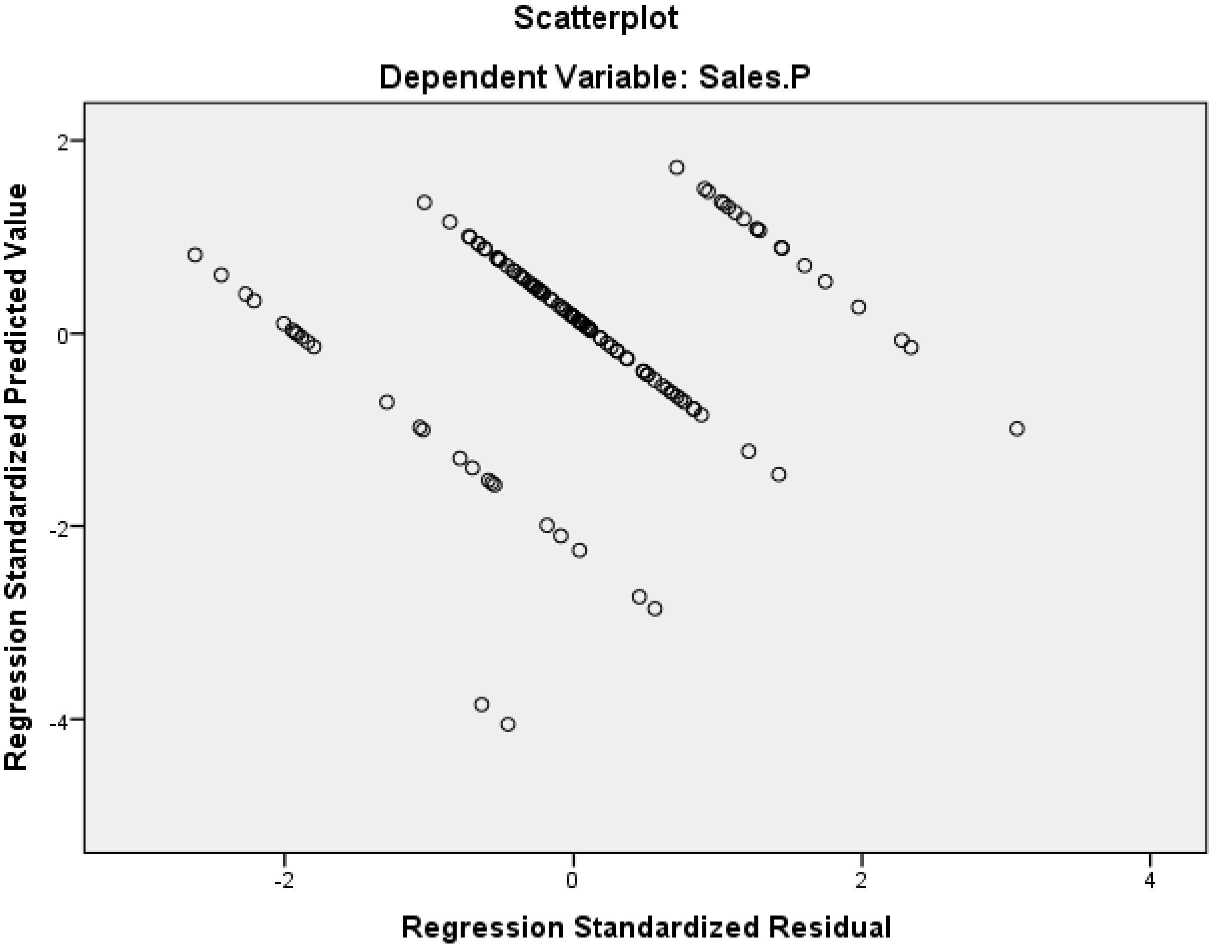
Fig 4.1 Histogram of Regression Standardized Residual



Source: *Survey Result 2019*

The study used both methods of assessing normality; graphically using Normal Probability Plot (P-P) graph and numerically using Skewness and Kurtosis. Figure 4.1, depicted that the scores are normally distributed.

Fig. 4.2 Linearity scatter plot of regression standardized residual



Source: *Survey Result 2019*

The skewness value provides an indication of the symmetry of the distribution while kurtosis provides information about the sharpness of the peak of a frequency-distribution curve. For variables with normal distribution, the values of skewness and kurtosis are zero, and any value other than zero indicated deviation from normality (Hair, 2010). According to Hair (2010), the most commonly acceptable value for (kurtosis/skewness) distribution is ±2.58. Therefore; as it can be seen in the following table, the kurtosis and skewness values of the variables fall within the range.

Table 4.12 Skewness and Kurtosis

Descriptive Statistics					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Attributes	125	-1.212	.217	2.339	.430

Depth	125	-.724	.217	.043	.430
Breadth	125	-1.135	.217	1.283	.430
Valid N (listwise)	125				

Source: *Survey Result 2019*

4.8.4. No auto correlation

Regression analysis is based on uncorrelated error/residual terms for any two or more observation (Kothari, 2004). This assumption is tested for each regression procedure with the Durbin-Watson test, which test for correlation between variables residuals. The test statistic can vary between 0 and 4 with a value of 2 meaning that the residuals are uncorrelated (Field, 2009). A value greater than 2 indicates a negative correlation between adjacent residuals, whereas a value below 2 indicates a positive correlation. As a rule, the residuals are independent (not correlated) if the Durbin-Watson statistic is approximately 2 (see Table 4.13), and an acceptable range is 1.50 - 2.50 (Muluadam, 2015).

4.9. Multiple Regression Analysis

Multiple regression analysis was employed to examine the influence of diversification of a product (breadth of diversification, depth of diversification and product attributes) on sales performance.

Table 4.13 Model Summary

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.661[a]	.437	.423	.48423	1.835
a. Predictors: (Constant), Depth, Breadth, Attributes					
b. Dependent Variable: Sales.P					

Source: *Survey Result (2018)*

The regression model presents how much of the variance in the measure of sales performance is explained by the diversification elements. The predictor variables i.e. breadth of diversification, depth of diversification and product attributes have accounted 43.7% of adjusted R square which indicates 43.7% of sales performance was explained by the variation of the three predictor variables.

Table 4.14 ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.980	3	7.327	31.247	.000[b]
	Residual	28.372	121	.234		
	Total	50.352	124			
a. Dependent Variable: Sales.P						
b. Predictors: (Constant), Depth, Breadth, Attributes						

Source: Survey result 2019

For the purpose of determining the extent to which the independent variable such as Breadth, Depth and Attributes were examined on dependent variable (Sales performance) using multiple regression. Regression analysis was employed after the study met the regression assumptions. The significance level of 0.05 with 95 % confidence interval was used. The F-test is used to find out the overall probability of the relationship between the dependent variable and all the independent variables occurring by chance (Saunders, *et al*., 2009). The Analysis of Variance (ANOVA) indicates that the F value of 31.247 with significance level of 0.000 and since the observed significant is less than 0.05.

(F) Value was (31.247) at 0.000 which states that there is statistically significant effect of product diversification on sales performance.

Table 4.15 Value of Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	.482	.370		.196
	Attributes	.395	.109	.306	.000
	Breadth	.257	.086	.252	.003
	Depth	.217	.078	.243	.006

The significance levels for all independent variables are less than 0.05. This indicates that there is a strong positive and significant relationship between the independent variables (breadth of diversification, depth of diversification and product attributes) and dependent variable (sales performance). The standardized beta value for breadth of diversification is 0.306. This indicates that product attributes has relatively strong degree of importance for sales performance.

$$SP = \alpha + \beta 1\ (BD) + \beta 2\ (FV) + \beta 3\ (D) + \beta\ 4\ (FT) + \beta\ 5\ (Q) + e$$

SP = .482+.252B+0.306A+0.243D+e

Where;

SP = Sales Performance

B = Breadth of Diversification

A = Product Attributes

D = Depth of Diversification

4.10. Hypothesis Testing

According to the research method, the Linear Multiple Regression is used to test the hypotheses. There are five hypotheses that aim to see if there is relationship between the three independent variables of diversification (breadth of diversification, depth of diversification and product attributes) and sales performance. The Sig result of each hypothesis test is less than 0.05. The tests are summarized as follows:

Table 4.16: Hypothesis testing

Hypothesis	Result
H1: Breadth of diversification has a significant and positive relationship with sales of beauty and personal care products of Unilever.	***Supported*** (the outcome of the coefficient of regression supports the hypothesis; beta = .252, $p < 0.05$).
H2: Depth of a product has a significant and positive relationship with sales of beauty and personal care products of Unilever.	***Supported*** (the outcome of the coefficient of correlation supports the hypothesis; beta = .243, $p < 0.05$).
H3 Product attributes has a significant and positive relationship with sales of beauty and personal care products of Unilever.	***Supported*** (the outcome of the coefficient of correlation supports the hypothesis; beta = .306, $p < 0.05$).

Source: Survey 2019

***First Hypothesis*:** The results of table showed that the standardized coefficient beta and p-value of breadth of diversification has positive and significant effect with (beta =.252, $p < 0.05$). This implies that, if breadth of diversification increases by 1 percent, sales performance will increase by 25.2. Thus, the researcher confirms the hypothesis and breadth of diversification has a positive and significant effect on sales performance. Therefore, its contribution to sales performance is significant.

Second hypothesis**:** The results of table showed that the standardized coefficient beta and p-value of depth of diversification has positive and significant effect with (beta =.243, $p < 0.05$). This implies that, if depth of diversification increases by 1 percent, sales performance will increase by 24.3. Thus, the researcher confirms the hypothesis and depth of diversification has a positive and significant effect on sales performance. Therefore, its contribution to sales performance is significant.

Third hypothesis: The results of table showed that the standardized coefficient beta and p-value of product attributes has positive and significant effect with (beta =.306, $p < 0.05$). This implies that, if product attributes increases by 1 percent, sales performance will increase by 30.6. Thus, the researcher confirms the hypothesis and product attributes has a positive and significant effect on sales performance. Therefore, its contribution to sales performance is significant.

CHAPTER FIVE: Summary of Findings, Conclusion and Recommendations

5.1. Introduction

The result of the analysis of this study has been discussed in the earlier chapter. The focus of this chapter is going to be in the summaries of the findings, conclusion, recommendation and areas for further researches.

5.2. Summary of findings

The objective of this research is to examine the effects of product diversification on sales performance in case of beauty and personal care products of Unilever. As such, the researcher studied various diversification types like breadth of diversification, depth of diversification and product attributes that affect sales performance of beauty and personal care product of retailers. The result of this research provides important information about the impact of product diversification on sales performance and leads us towards the most effective diversification practices.

With respect to the first and second objectives, the result of the survey examine how breadth of product diversification affects sales performance of beauty and personal care product retailers. This is given by the descriptive statistics of perception towards product diversification and sales performance where respondents have shown their attitude towards product diversification and sales performance with the following results of means score.

- The overall mean for the perception of breadth of diversification is 4.072, indicating that the majority of respondents are towards agreeing level of agreement with the statements specified in the study.
- The overall mean for the perception of flavour construct is 3.98, indicating that the majority of respondents towards agree level of agreement with the statements specified in the study.
- The overall mean for the perception of design is 4.02, indicating that the majority of respondents towards agree level of agreement with the statements specified in the study.

- The overall mean for the perception of features is 3.95, indicating that the majority of respondents towards neutral level of agreement with the statements specified in the study.

  - The overall mean for the perception of quality is 3.68, indicating that the majority of respondents towards neutral level of agreement with the statements specified in the study.

The third objective of the study was to examine relationship between product diversification and sales performance. Five hypotheses were formulated to test these relationships. Pearson Correlation Coefficient conducted reveals that the five variables measuring product diversification have significant and positive effect on sales performance of retailers except for one variable (features) which has a negative relation with sales performance.

5.3. Conclusions

The study reveals that product attributes is most dominant factor influencing sales performance. The major tools of product diversification comprising breadth of diversification, depth of diversification and product attributes were evaluated. From the research, it is found that there exists significant relationship between mean sales performance and all attributes comprising breadth of diversification, depth of diversification and product attributes. A plausible explanation of this can be that in Unilever products, which are shopping products, depth of diversification is not highly important. Based on the findings of this research it can be concluded that product diversification as a marketing strategy is viewed in a positive light influencing sales performance has been effective. Because of the increasing competition in cosmetic beauty and personal care industry, now a days it becomes very difficult for those companies to hold consumers' attention towards their product. A better understanding of applying product diversification indisputably triggers managers to pursue a more effective policy by which a more adequate sales performance will be stimulated. It is important that firms that have poor diversification strategy turn to this sort of promotion product diversification stand out effectively from the other surrounding order. Since sales performance is positively influenced by product diversification, it can be creatively used to hold consideration of consumers and to create responsiveness. Product diversification can be used as an effective tool to stand out in beauty and personal care products. The right product diversifier can play an immense role in creating added value, synergy and visibility to the product, but the product diversification cannot be and should not be taken as product. So product building along with diversification might be used in conjunction can help to be in safer side.

5.4 Recommendations

From the results of the research, it has been observed that retailers responded positively to the various diversification techniques offered by Unilever. Accordingly, given the significantly positive relationships between product diversification (breadth of diversification, depth of diversification and product attributes) and sakes performance, therefore, in the light of this, the following recommendations have been given for better and more impact of product diversification.

- It is essential for companies to pay more attention in increasing their product diversification activities practice specifically should pay more attention to the activities and means of quality, since the study results showed a weakness in this activities, in influencing the retailers selling activities toward these Unilever products.
- Beauty and personal care companies should endeavour to spend more money on product diversification and not see it as a waste of money or time because it is not utilizing the benefits coming with diversified products.
- The strategic impact of product diversification is best observed when they are designed or built in strategic plan of promotional activities, coordinated with other promotional tools and integrated with the business strategy.
- Beauty and personal care companies should research and involve in product diversification activities best suited for Ethiopian market and get themselves more acquainted with the importance and benefits accrued to it.
- Product diversification will be more effective when the products have high quality, better design, features from other same products, and free of irrelevant design elements and the product characterizes catchy themes associated with the diversification of the product.

- Product diversification will be more effective when using a diversification, which is not already strongly associated with another product or service.
- product diversification will be more effective when there are not frequent changes in the product itself which are affecting the products because that would further enhance the recall ability of the product.

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Appendix 1

ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS

SCHOOL OF COMMERCE

MARKETING DEPARTMENT

PRODUCT DIVERSIFICATION AND SALES PERFORMANCE SURVEY

Dear Sir/Madam

My name is Hanna Diribu and I am M.A. student at Addis Ababa University, School of Commerce. The statements below are intended to gather information on product diversification and sales performance of Unilever. Suggest to the best of your knowledge your opinion against each of the statements given. The information obtained from this guide will be treated with utmost confidentially and will not be used for any other purpose other than academic for which it is intended. Thank you in advance for accepting to take part in the program.

Note:

- No need of writing your name

- Mark on the space provided to choose.

SECTION 1: GENERAL INFORMATION

For each question, please tick [√] in the box adjacent to the option that is closest to the organization's experience.

1. What is your gender?

Male ☐ Female ☐

2. Select your age group:

18-30 ☐ 46-60 ☐

30-45 ☐ Above 60 ☐

3. Select your highest academic or professional qualification?

Elementary school ☐ Secondary school ☐

Diploma ☐ Bachelor degree ☐

Master degree and above ☐

Breadth of diversification

S/N	ITEMS	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Beauty and personal care products of Unilever are highly diversified					
2	Diversification of Unilever beauty and personal care products is high compared to its competitors					
3	How important is diversification of beauty and personal care to customers' in buying products					
4	Customers' reaction to reduction in diversification of beauty and personal care is high					

Depth of a product

S/N	ITEMS	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
4	Compared to competitors Unilever has better variety in flavor					
2	Variety in flavor is important for consumers while buying					
3	Reaction of buyers is high in reduction of variety in flavor					

Product Attributes

S/N	ITEMS	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Compared to competitors Unilever provide products with better design					
2	Design is important for consumers while buying					
3	Reaction of buyers is high in reduction of product design					

S/N	ITEMS	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Compared to competitors Unilever provide products with better quality					
2	Quality is important for consumers while buying					
3	Reaction of buyers is high in reduction of product quality					

S/N	ITEMS	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Compared to competitors Unilever provide products with better features					
2	Features is important for consumers while buying					
3	Reaction of buyers is high in reduction of product features					

Company profitability performance

S/N	ITEMS	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree

1	In the last three years your organization achieved maximum sales as a result of diversification in Unilever’s beauty and personal care products.					
2	Your organization achieved maximum sales as a result of variety in flavor and odor of Vaseline					
3	Your organization achieved maximum sales as a result of variety of designs in Unilever’s products					
4	Your organization achieved maximum sales as a result of Unilever’s product quality					
5	Your organization achieved maximum sales as a result of variety in features of Unilever’s products					
6	Customers derive satisfaction as a result of diversification of products					