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STRATEGIC MANAGEMENT

EXAMINING THE IMPACT OF PRODUCT DEVELOPMENT STRATEGIES ON THE PERFORMANCE OF REAL ESTATE COMPANIES IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

Purpose of Study: This study was conducted with the aim of investigating the influence of product development strategy on the performance of real estate firms in Nairobi City County, Kenya. The study was anchored on Ansoff Growth Matrix Model.

Statement of the Problem: The ever-changing business environment requires firms to configure their internal capabilities with the turbulent external environmental forces. However, firms are faced with a challenge of ensuring that the formulated growth strategies are aligned with the mission and vision statements.

Methodology: The study adopted a descriptive research design and target all the 89 real estate companies within Nairobi City County. Using census approach, all the 89 targeted real estate firms were included in the study and the key respondents were the managers of these firms. The study collected primary data using structured questionnaire which was administered to the respondents with the help of two research assistants.

Result: The findings revealed a positive and significant relationship between product development strategy and performance of real estate firms in Kenya (β =.355, p=.000<.05).

Conclusion: Based on the findings, the study concludes that product development strategy has positive and significant influence on performance of real estate firms in Nairobi City County.

Recommendation: The study thus recommends that real estate firms in Nairobi should consider fostering the culture of innovation and continuous improvement in product offerings. Managements of real estate firms in Nairobi should develop or upgrade properties with features and amenities that cater to these varied needs, such as environmentally friendly design, smart home technology, shared amenities for communal living, or affordable housing options for lower-income groups.

Keywords: *Product Development Strategies, Real Estate Companies, Performance, Nairobi City County, Kenya.*

INTRODUCTION

Performance measurement is basic for viable administration of any firm (Heikal, Khaddafi & Ummah, 2019). The procedure of firm enhancement is beyond the realm of imagination without estimating the results. Consequently, organizational performance enhancement expects estimations to distinguish the dimension to which the utilization of organization assets affects business execution. Return on Assets (ROA) is one such measure that can effectively outline the performance of a firm. Higher ROA additionally shows the company's reliable use of its assets in serving the financial passions of its shareholders (Ivanov & Mayorova, 2015). Making money in property is the supreme goal and consequently, it has actually come to be an aggressive competitors amongst capitalists worldwide. The most effective business development strategy genuine estate investors is to focus in on investment properties with expected gratitude down the line to maximize their wealth and returns.

The interest in investing in commercial real estate has increased in recent years and as a result the need for making well informed investment decisions has increased as well (Chen *et al*, 2019). von Heideken and Höglund (2019) postulates that, investing in real estate is different from investing in other asset classes due to its longevity, spatial constraint, regulatory framework etc. and thus investing in commercial real estate requires knowledge of the specific attributes of the property itself and in the factors in the surrounding area that affect the growth of the industry. The retail property market offers a wide range of investment objects, ranging from smaller retail centers to large retail complexes (Mueller & Sanderford, 2020). The commercial real estate market is also made up of different types of retail centers, from small neighborhood shopping centers to big outlet shopping centers (Chen *et al*, 2019). Whatever retail center the investor is interested in, the base for the payoff of all commercial real estate investments is its tenants and thus the purchasing power these are able to attract.

The contributions of real estate field to any kind of nation's economic climate cannot be exaggerated; it's a field whose effect has actually been really felt significantly in economies of both established and developing countries (Siniak & Marina, 2019). Property is a vital part of the economic climate and is responsible for an extensive part of its development, development of any country's infrastructure stand & significant masterminds of profession and sector task. Precise and reliable real estate appraisals are difficult to obtain. As a result, evaluating whether a residential property investment has actually ended up being profitable is also not an uncomplicated process. There are a variety of indices that a financier need to keep a track of, in order to comprehend the existing situation of their financial investment and make effective decisions as necessary.

The techniques that organization use to achieve its development objectives are known as growth strategies (Ansoff, 1957). These growth methods have been crucial in the development of businesses, enabling them to increase their market shares and develop new products and markets (Mthanti & Ojah, 2017). To improve its overall performance, an organization significantly broadens the scope of numerous of its services in terms of the client teams, consumer features, and alternative innovations. Product development strategy, is a growth strategy that involves creating and modifying existing products to make them more desirable, which in turn increases market activity; product development strategy seeks to extend the lifetime of products and make use of well-known trademarks. Creating novel items for established markets is one way in which product development strategies help businesses expand (Wongkar *et al.*, 2021).

In the United States of America, 53% of SMBs planned to grow in 2018 and 22% planned to hire additional staff. That marked an impressive uplift from the 2017 figures of 46% and 9%, respectively. A concrete growth strategy is more than a marketing strategy; it's a crucial cog in a business machine. Without one, you're at the mercy of a fickle consumer base and market fluctuations. It was established by Pisoni and Onetti (2018) that, approximately 66% of businesses in the U.S.A survive their first two years in operation, about half make it to the five-year mark and just 33% celebrates their tenth anniversary.

Nigeria's real estate trajectory has actually risen and fallen with worldwide oil markets (Olayeni, Tiwari & Wohar, 2020). Local consultancy Estate Intel pointed out information from the National Bureau of Data (2020) revealing that in nominal terms, real estate GDP development climbed from 15.1% in the very first quarter of 2013, coming to a head at 24.14% in the 2nd quarter of 2013, with full-year actual GDP growth hitting 20.49% in 2013. As Brent crude costs peaked at $115 per barrel and after that started to move in mid-2014, real estate growth was additionally examined, falling from 22.34% in nominal terms in the initial quarter of 2014 to 10% in the second quarter of 2014, with full-year development hitting 12.5% in 2014. Nominal development was up to 9.18% in the third quarter of 2015 and to 8.27% in the last 3 months of 2015, with full-year development standing at 9.52% in 2015, in the past dropping sharply to 0.61% in the very first quarter of 2016, as the rate of Brent unrefined sunk to less than $30 per barrel. Nominal growth averaged 1.76% in the very first 9 months of 2016.

Kenya's real estate sector was set to see a significant growth in 2020 on the back of its growth recorded in 2019 (KNBS, 2020). However, the Covid-19 pandemic has negatively affected its potential to a large extent. Previously, the sector had witnessed sluggish growth in 2017 and 2018. In 2019, the real estate sector in Kenya recorded a growth rate of 5.3 percent, which is 1.2 percentage points higher than 4.1 percent growth rate recorded in 2018, according to KNBS Economic Survey 2020. The Cytonn Q1'2020 Markets Review further revealed that the real estate sector recorded moderate activity with average rental yields improving marginally in the residential and commercial office sectors to 5.2 percent and 7.8 percent respectively, from 5 percent and 7.5 percent in the fourth quarter of 2019. According to a report by the National Housing Corporation (NHC), the Vision 2030 estimates that the country requires 200,000 new units of housing but only 35,000 units have been produced to date. That means Kenya currently has a deficit of 165,000 housing units.

In terms of performance, residential, commercial office, retail, mixed-use developments and serviced apartments sectors within the capital city registered average rental yields of 4.7%, 7.0%, 7.5%, 7.1%, and 4.0%, respectively, resulting to an average rental yield for the real estate market of 6.1%, 0.9% points lower compared to 7.0% recorded in 2019 (KNBS, 2020). Existing properties recorded a (0.2%) price correction thus the resultant average total returns came in at 5.9%, a 3.1% points decline from 9.0% recorded in 2019. The decline was attributed to subdued performance across all sectors due to reduced sale and rental rates in a bid to attract and retain tenants amid a tough economic environment, as well as oversupply of approximately 6.3 mn SQFT of office space and 3.1 msn SQFT of retail space in the wake of reduced demand for physical space in the two sectors.

The Nairobi Metropolitan Area land sector remained resilient in 2020 despite the tough economic environment evidenced by a 2.3% annual capital appreciation and 10.7% 9-year CAGR, indicating that investors still consider land a good investment asset in the long term. Asking land prices within satellite towns outperformed asking land prices in Nairobi suburbs recording an average annual capital appreciation of 5.4% and 0.2%, respectively, attributable to affordability of the former amid reduced disposable income amid economic slowdown, availability of land in bulk and the improving infrastructure opening up areas for development.

According to a report by KNBS (2020), Gigiri, was the best performing submarket in 2020 recording a rental yield of 8.5%, 1.5% higher than the average rental yield of 7.0% within the Nairobi Metropolitan Area. The performance of Gigiri is attributed to availability of high quality office spaces charging premium rental prices, relatively good infrastructure with the area being served with Limuru Road, and, the relatively low supply of space within the submarket. The report however revealed that, Mombasa Road was the worst performing area recording 4.8% average rental yield, 0.7% points lower than 5.5% in 2019, attributed to the low asking price of Kshs 72.9 per SQFT which is lower than the market average asking rent of Kshs 93.1 Per SQFT, traffic congestion and, zoning regulations as Mombasa Road is mainly an industrial area thus making it unattractive to business firms.

STATEMENT OF THE PROBLEM

The real estate industry plays an important role in the growth of the economy in Kenya. The sector has received attention from the government through formulation of Big-4 Agenda. The increasing population of people moving in Nairobi city coupled with urbanization is alarming. For instance, the growth in urbanization in Kenya is projected at 50% by the year 2030 and a total of 250,000 needs to be constructed every year if the adequate housing facilities are to be provided to the growing population in urban areas. All these cannot be realized when the real estate sector has not embraced growth strategies (Cherotich, 2017).

The ever-changing business environment requires firms to configure their internal capabilities with the turbulent external environmental forces. The competitive positioning and performance of the firm requires formulation of sound growth strategies. However, firms are faced with a challenge of ensuring that the formulated growth strategies are aligned with the mission and vision statements. Growth strategies do not necessarily connote improvement in performance and this assertion is best illustrated by firms like Kenya Airways and Cytonn real estate, which are currently facing financial challenges due to poor formulation and implementation of growth strategies (Wainaina & Oloko, 2016).

The available literature suggests that there exists relationship between growth strategies and firm performance. For instance, Cherotich (2017) studies the effect of growth strategies on performance of Kenyan SMEs. The study established growth strategies to include market penetration, product development and market development and all of these had positive influence on how SMEs perform. Since the study focused only on SMEs, contextual gap is evident. Nduki (2016) assessed growth strategies and their influence on organizational performance and noted a positive relationship. This study however focused on insurance in Kenya and not the real estate firms, hence presenting contextual and conceptual gaps.

Mutuma (2013) evaluated at expansion strategies and their influence on how banks in Kenya perform using survey research design. The study found out that product development and market development all has an influence on performance of commercial banks. This study focused on commercial banks and not the real estate firms and used survey design methodology, hence presenting both contextual and methodological gaps. Mwangi and Gakobo (2018) carried out an assessment of growth strategies and their influence on performance of selected milk processing forms in Kenya, the study established that growth strategies have positive influence on firm performance. This study however concentrated on milk processing firms and not the real estate firms which creates the research gap.

Thus, in as much as different studies have been conducted on growth strategies and their influence on firm performance; they were however done in different contexts including commercial banks, SMEs and insurance firms and not the real estate firms. Other studies only linked growth strategies with HR policies and not performance. This creates research gaps which the current study sought to fill by evaluating the influence of product development strategy on performance of real estate firms in Nairobi City County, Kenya.

RESEARCH OBJECTIVE

To investigate the influence of product development strategy on the performance of real estate firms in Nairobi City County, Kenya.

Research Hypothesis

H_0: Product development strategy has no statistically significant influence on the performance of real estate firms in Nairobi City County, Kenya.

THEORETICAL FRAMEWORK

This study was anchored on Ansoff Growth Matrix Model developed by Igor Ansoff (1957). The matrix offers a simple and useful way to think about growth. The Ansoff Matrix is a strategic preparation tool that gives a structure to help execs, senior managers, and marketers develop approaches for future growth. The lattice allows chiefs to think about methods to develop business using existing or potentially brand-new things, in existing or potentially new markets there are four imaginable item/advertise mixes. This latticework helps companies choose what method should be taken provided existing execution. The matrix consists of 4 techniques: Market penetration takes place when a company enters/infiltrates a market with existing items. One of the most excellent strategy to complete this is by getting contenders' customers (some portion of their piece of the pie).

Different methods integrate reeling in no clients of your thing or encouraging existing consumers to utilize a higher amount of your item/benefit, with publicizing or various developments. A firm with a business opportunity for its existing products might set out on a treatment of producing different items obliging a similar market. As typically as feasible, when a firm makes brand-new things, it can raise brand-new customers for these things. Therefore, brand-new item renovation can be a vital company improvement approach for firms to remain aggressive. This is shown by the oil companies in Kenya developing food offerings in their outlets.

An established product in the mall can be changed or focused to an alternating client section, as a method to obtain even more income for the firm. Expanding normally needs brand-new abilities, brand-new approaches, and new workplaces. Subsequently, it constantly triggers to physical and hierarchical modifications in the structure of business which speak with an unmistakable break with past company encounter. The network reveals, specifically, that the part of hazard increases the additionally the approach relocates much from well-known quantities the present item and the present market. In this manner, thing improvement (requiring, essentially, an additional product) and market augmentation (an additional market) typically consist of a more significant threat than' penetration' (existing thing and existing business market); and development (brand-new product and new market) by and large shares the most serious danger of line, as a result, among others, a lot of development systems spins around entryway.

The Ansoff matrix present an organization with choices to choose from, by either taking all the four strategy options or selecting just one option taking into account that, choice is at the heart of strategy formulation process and according to Macmillan *et al.*, (2000), choice and strategic choice refer to the process of selecting one option for implementation.

EMPIRICAL REVIEW

The objective of the research conducted by Muriithi and Waithaka (2020) was to determine whether or not a particular market development approach improved the efficiency of the Kenyan sugar sector. A cross-sectional survey approach was used for the investigation and one hundred and twenty (120) respondents were chosen from senior and middle level managers holding senior portfolios relevant to the study at selected organizations for the purposes of collecting data. While the launch of new items had been relatively low overall, the investigation showed that existing products had been improved through packaging and branding. Positive outcomes were seen in terms of total result turnover, sugar sales volumes, capacity utilization, and fluctuations in earnings after tax obligation. Although productivity increased in response to changes in product processes, it failed to keep up with the introduction of new products since this goal has not yet been fully realized.

Pauline (2017) studied the effect of tactical monitoring practices on the efficiency of Kenya's public higher education institutions. The study aimed to examine the link between differentiation strategy and organizational performance, as well as the link between the internal organization process and business efficiency, and the link between employee development and business results.

The correlational research design was adopted in this study. The author employed a criterion-based approach to select 120 representatives from the ranks of private university vice chancellors, substitute vice chancellors, school deans, and department heads. The study evaluated quantitative and qualitative information with a multiple regression model and content evaluation instruments. The outcomes demonstrated the significance of solution culture, service quality, consumer experience, and answers to the effectiveness of the private universities in Kenya that were studied. According to the results, the organizational framework of many public universities is misaligned with their service delivery mechanisms.

Ata, Zehir and Zehir (2018) conducted a research focusing on how the ability to develop new products and market positioning can influence company performance in Large Scale Enterprises in Turkey. Their assumption was that the mastery of new product development activities was the key to turning a market-oriented culture into superior business performance through improved new product performance. The research tested the idea that the efficiency of new product development and new product performance play a mediating role in the relationship between market alignment and business performance. Data from 126 manufacturing companies supported this theory, showing that effectiveness in commercialization activities and new product performance play a mediating role. This was consistent across three variables: technical disruption, market turbulence, and innovation strategy. The results offered a deeper understanding of how a market-oriented culture leads to improved business performance.

Maina, Mugambi, and Waiganjo (2018), in contrast, found a weak positive relationship between strategic product development strategies and competitiveness in a study assessing the impact of these strategies on the global competitiveness of Kenyan tea. Their findings indicated that a 1% change in strategic product development strategies resulted in a 0.089 unit decrease in global market competitiveness for Kenyan tea. This cross-sectional survey included all 189 members of the East Africa Tea Trade Association (EATTA) who participate in the Mombasa tea auction. The researchers used stratified sampling to select the study sample and concluded that factors beyond strategic product development influence the global competitiveness of Kenyan tea.

CONCEPTUAL FRAMEWORK

A conceptual framework serves as a visual guide, demonstrating the connections between variables in a research study. Figure 1 shows the conceptual framework used in this study.

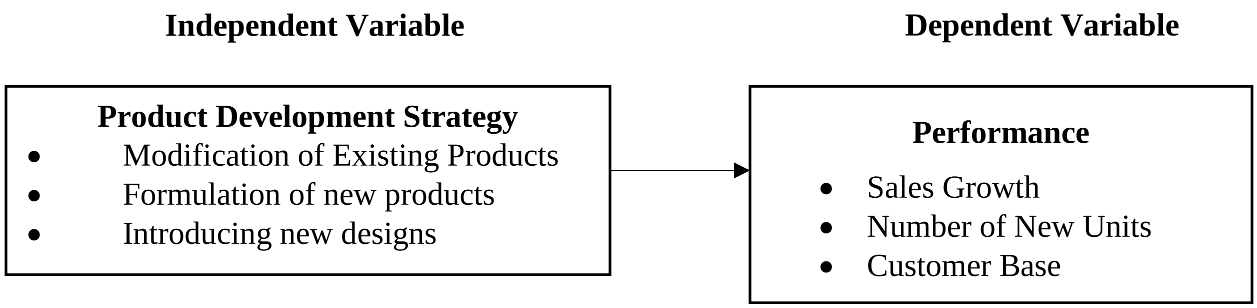

Figure 1: Conceptual Framework

Source: Researcher (2023)

RESEARCH METHODOLOGY

This study employed a descriptive research design. Descriptive research is carried out with specific objectives and hence it resulted in definite conclusions. Kumar (2005) additionally cited detailed research as an effort by the scientist to uncover reasons even when they cannot control the variables while (Chakraborty, 2010) states on it as assigned largely to describe what is going on or what exists. The population of the study comprised 89 real estate firms in Nairobi City County. Since the population is small, a census was used. According to Yin (2017), census is ideal when the population of the study is small (less than 200 elements). The real estate agents were selected from a pool of companies dealing with the sale and management of properties within Nairobi City County, Kenya.

The study used census approach in studying all the registered real estate companies in Nairobi, City County since their number is small and does not warrant for sampling to be conducted. In most cases, random sampling is used when the sample population is readily available. On the other hand, purposive sampling was employed when the researcher sought information-rich participants within her resource capabilities. The study purposively selected one real estate manager from each of the 89 real estates targeted, giving a sample size of 89 respondents. Since the population was small, there was no need for the researcher to conduct sampling. The study purposively select one manager per real estate firm to take part in this study, giving a sample size of 89 respondents.

The study collected primary data using structured questionnaire. To undertake this study researcher administered the questionnaires to the respondents with the aim of collecting both qualitative and quantitative data. The study was based on empirical research in which primary data was used. The survey was conducted by using structured questionnaires with scaled, dichotomous open-ended questions. The questionnaires were hand delivered by the researcher to the respondents. This study used purely primary data, which was collected using questionnaires that were designed by the researcher and administered to respondents. The questionnaires were administered through drop and pick strategy to enhance response rate.

Once the data was gathered using questionnaires, it was prepared for analysis. This preparation process included editing, managing unanswered queries, coding, categorizing, and inputting the data into the Statistical Package for the Social Sciences (SPSS) software for analysis. SPSS was employed to examine the quantitative data collected from the questionnaires, using both descriptive and inferential statistical methods.

The Analysis of Variance (ANOVA) was applied to verify the overall significance of the model. Specifically, the computed f statistic was compared with the reference f statistic. A critical p-value of 0.05 was set to ascertain if the overall model was significant. Similarly, individual regression coefficients were evaluated to determine if the independent variables had a substantial impact on the dependent variable, in this case, financial sustainability. P-value of 0.05 was also applied to see if the individual variables held significance. The relationship between the dependent variable and the independent variable was examined using multiple regression of the model;

$$\mathbf{Y = \beta_0 + \beta X + \varepsilon}$$

Where: -

Y= Performance

X= Product Development Strategy

β_0 = Constant

β= Coefficient

ε= Error term.

FINDINGS AND DISCUSSION

The population of the study comprised of 89 real estate firms in Nairobi City County in which the units of observation were the firm managers. The study purposively selected one real estate manager from each of the 89 real estates targeted, giving a sample size of 89 respondents to whom questionnaires were administered. All 89 the administered questionnaires were dully completed and returned, resulting in a perfect response rate of 100%. In terms of demographic information, majority of respondents were male (60.7%), with most of them falling within the 31-40 years age bracket (47.2%). The results also show that most of the respondents were holders of bachelor's degree (55.1%) and most of them having between 6-10 years of experience (41.6%). These findings suggest that the majority of real estate firm managers in Nairobi City County are relatively young, educated males with considerable experience in the industry.

Descriptive Analysis

The study focused on investigating the influence of product development strategy on the performance of real estate firms in Nairobi City County, Kenya. The respondents were asked to indicate their levels of agreement/disagreement with statements on product development strategy in relation to performance of real estate firms in Nairobi City County, Kenya and their responses were as shown in 1.

Table 1: Descriptive Analysis on Product Development Strategy

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev.
We lay more emphasis on constant improvement of current product features to keep with the market needs.	7.90%	6.70%	22.50%	25.80%	37.10%	3.78	1.24
We as a firm take great pride in launching new product designs to meet the desires of our clients.	4.50%	4.50%	28.10%	25.80%	37.10%	3.87	1.11
Our firm is having a broad product range of designs and prices that are flexible.	4.50%	1.10%	15.70%	44.90%	33.70%	4.02	0.98
We are always focused on developing products targeting emerging needs.	4.50%	2.20%	16.90%	36.00%	40.40%	4.06	1.04
We customize our properties to meet the clients' tastes.	3.40%	4.50%	11.20%	43.80%	37.10%	4.07	0.99
Our firm has introduced a new concept where the first ten clients win a trip to a destination of their choice.	1.10%	1.10%	14.60%	47.20%	36.00%	4.16	0.8
Overall Mean						**3.99**	

The results displayed in Table 1 reflected respondents' levels of agreement or disagreement with statements about product development strategies and their relation to the performance of real estate firms in Nairobi City County, Kenya. Most respondents agreed or strongly agreed that their firms had emphasized constant improvement of current product features to keep up with market needs (62.9%), with a mean of 3.78 and a standard deviation of 1.24. Additionally, most (62.9%) of respondents agreed or strongly agreed that their firms took great pride in launching new product designs to meet client desires, with a mean of 3.87 and a standard deviation of 1.11. A clear majority of respondents (78.6%) agreed or strongly agreed that their firms had a broad product range of designs and prices that were flexible, reflected in a mean of 4.02 and a standard deviation of 0.98.

Similarly, majority (76.4%) of respondents concurred that their firms had focused on developing products targeting emerging needs, with a mean of 4.06 and a standard deviation of 1.04.The statement that received the most agreement was the firm's customization of properties to meet clients' tastes, with 80.9% of respondents agreeing or strongly agreeing, and the second highest mean score of 4.07 and a standard deviation of 0.99. The highest mean score of 4.16 (with the lowest standard deviation of 0.8) was for the statement that the firm had introduced a new concept where the first ten clients win a trip to a destination of their choice, agreed by 83.2% of respondents. The overall mean of the responses of 3.99 indicated a strong level of agreement with the statements on product development strategies that had been employed by varioue real estate firms in the past.

Performance

In this study the dependent variable was the performance of real estate firms in Nairobi City County, Kenya. The respondents were asked to indicate their levels of agreement/disagreement with statements on performance of real estate firms in Nairobi City County, Kenya and their responses were as shown in Table 2.

Table 2: Descriptive Analysis on Performance

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev.
Our firm has been recording consistent growth in sales.	5.60%	3.40%	23.60%	30.30%	37.10%	3.90	1.12
Our profit after tax margins have been on the rise of the past five years.	3.40%	6.70%	16.90%	31.50%	41.60%	4.01	1.08
Our revenues have been on an upward trend.	4.50%	4.50%	21.60%	31.80%	37.50%	3.93	1.09
We have been consistently recording increased customer satisfaction.	3.40%	5.70%	15.90%	35.20%	39.80%	4.02	1.05
The number of units have more than doubled in the past five years.	2.20%	9.00%	20.20%	24.70%	43.80%	3.99	1.10
Our firm has been realizing increased market share.	2.20%	6.70%	16.90%	28.10%	46.10%	4.09	1.05
Our firm has long-term customer retention	0.00%	3.40%	7.90%	46.10%	42.70%	4.28	0.75
Overall Mean						**4.03**	

The results of the survey on the performance of real estate firms in Nairobi City County, Kenya were summarized in Table 2. Respondents were asked to indicate their levels of agreement or disagreement with various statements related to the performance of these firms. Based on the responses, the majority of the respondents agreed that their firms had been recording consistent growth in sales, with 67.4% of them expressing agreement. This statement had a mean score of 3.90 and a standard deviation of 1.12, indicating that the responses were fairly close to the mean. Similarly, most (73.1%) of the respondents agreed that their profit after tax margins had been on the rise over the past five years. The mean score was 4.01, and the standard deviation was 1.08, suggesting a generally positive perception of profit growth among the respondents.

The upward trend in revenues was also acknowledged by 69.3% of the respondents who agreed with the statement. This statement had a mean score of 3.93 and a standard deviation of 1.09, showing a slightly lower agreement compared to the previous statement but still a largely positive trend. In terms of customer satisfaction, 75% of the respondents agreed or strongly agreed that their firms had been consistently recording increased customer satisfaction. This statement had a mean score of 4.02 and a standard deviation of 1.05, indicating a strongly positive perception of customer satisfaction among respondents. The statement regarding the number of units more than doubling in the past five years received agreement or strong agreement from 68.5% of the respondents. The mean score was 3.99, and the standard deviation was 1.10, indicating a general consensus around this positive growth.

Moreover, a significant majority (74.2%) of the respondents agreed or strongly agreed that their firms had been realizing increased market share. This statement had a mean score of 4.09 and a standard deviation of 1.05, suggesting a positive perception of market share growth. Finally, an overwhelming majority (88.8%) of the respondents agreed that their firms had long-term customer retention. This statement had the highest mean score of 4.28 and the lowest standard deviation of 0.75, suggesting a high level of agreement and consensus among the respondents. The overall mean of the responses was 4.03, indicating a general agreement with the positive performance of real estate firms in Nairobi City County, Kenya. This suggests that the firms had been performing well in various aspects, including sales growth, revenue generation, customer satisfaction, and market share expansion. The results suggest a strong perception of positive performance in various areas including sales growth, profit margins, revenue trends, customer satisfaction, and market share.

Inferential Analysis

Correlation Analysis Results

To examine the association between product development strategy and the dependent variable (performance), correlation analysis was conducted in this study. The goal was to determine the nature and strength of the associations between these variables. Correlation coefficients were calculated to assess the interdependencies among the independent variables as well as their associations with the dependent variable. The correlation analysis results are presented in Table 3.

Table 3: Correlation Matrix

		Performance	**Product development strategy**
Performance	Pearson Correlation	1.000	
	Sig. (2-tailed)		
Product development strategy	Pearson Correlation	.749**	1.000
	Sig. (2-tailed)	0.000	

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

The correlation analysis results in Table 3 depicts a significant positive association between performance and all four independent variables. This was shown by the correlation coefficient values and their significance levels. Specifically, the results indicate that market penetration strategy had a strong positive and significant association with performance ($r=0.699$, $p<0.05$), indicating that this correlation was statistically significant. This is consistent with the findings of a study by Luvusi and Muthoni (2018) who found that market penetration strategy enables fast diffusion and fostering of the organization's item out there with an importance. Additionally, the market development strategy had a strong positive and significant association with performance ($r=0.614$, $p<0.05$). This implies that market development strategy positively and significantly influences performance of real estate firms in Nairobi City.

Similarly, the findings revealed that product development strategy demonstrated the strongest positive and significant association with performance ($r=0.749$, $p<0.05$). This implies that an improvement in product development strategy among real estate firms in Nairobi City County would result into improved performance.

In summary, the results suggested that there was a significant positive relationship between the firm's performance and the strategies of market penetration, market development, and product development. Additionally, these strategies were interdependent, as indicated by their significant positive correlations with each other.

Regression Analysis Results

Regression analysis results revealed that the model utilized in this study was statistically significant in explaining the impact of and product development strategy on the performance of real estate firms in Nairobi City County, Kenya. This significance is indicated by a p-value of 0.000, which is less than the significance level of 0.05. Additionally, the findings revealed a positive and significant relationship between product development strategy and performance of real estate firms in Kenya (β =.355, p=.000<.05). This suggests that for every one-unit increase in the product development strategy, there is an expected 0.355-unit increase in performance. This was supported by a t-statistic of 3.904>1.96, and the p-value (Sig.) is 0.000, which is less than the conventional significance level of 0.05. This indicates that the product development strategy has a statistically significant positive impact on performance. The findings agrees with the findings of Manyeki, Ongeti and Odiyo (2018) which revealed that distinction strategy, market focus approach and cost leadership method were favorably and substantially pertaining to performance of private colleges in Kenya.

H_0**:** *Product development strategy has no statistically significant influence on the performance of real estate firms in Nairobi City County, Kenya.*

The decision to accept or reject the null hypothesis in this study was based on the p-value. If the p-value is less than 0.05, the null hypothesis (H_0) is rejected. Conversely, if the p-value is greater than 0.05, the null hypothesis is not rejected. In this case, the null hypothesis stated that the product development strategy has no statistically significant influence on the performance of real estate firms in Nairobi City County, Kenya. However, the results indicated a p-value less than 0.05 for this variable. Therefore, the null hypothesis was rejected, and the alternative hypothesis was adopted, suggesting that the product development strategy does have a statistically significant influence on the performance of real estate firms in Nairobi City County, Kenya.

CONCLUSIONS

The study also concludes that product development strategy has positive and significant influence on performance of real estate firms in Nairobi City County. Product development strategy involves creating new products or improving existing ones to satisfy customer needs and gain a competitive advantage. For real estate firms, this means designing new types of residential or commercial properties, incorporating advanced technologies, or offering added amenities that enhance the living or working experience. The study concludes that in Nairobi's dynamic real estate market, a successful product development strategy could lead to unique and appealing property offerings that stand out to potential customers and provide the firms with an opportunity to differentiate themselves in a competitive market, meet evolving customer demands, and ultimately boost their performance.

RECOMMENDATIONS

Property owners should strive to improve their properties based on the preferences of the local market, offer competitive pricing, or enhance their marketing efforts to increase visibility among current customers. In addition, the managements of these firms should provide additional value-added services that current customers appreciate, such as property management or maintenance services. This kind of focused and customer-centric approach can help property owners increase their market share, improve customer loyalty, and ultimately enhance their overall performance.

Furthermore, real estate firms in Nairobi should consider fostering the culture of innovation and continuous improvement in product offerings. They should prioritize understanding the evolving needs and preferences of their diverse customer base, including different income groups, age demographics, and cultural communities. Based on these insights, they should develop or upgrade properties with features and amenities that cater to these varied needs, such as environmentally friendly design, smart home technology, shared amenities for communal living, or affordable housing options for lower-income groups.

The study recommends that policy makers should establish an enabling regulatory environment that supports the implementation of growth strategies in real estate firms, by offering incentives or easing restrictions for real estate firms that are looking to expand, diversify, penetrate existing markets more deeply, or develop new products. Moreover, policies should be designed to streamline the approval process for new construction projects, reduce taxes or provide subsidies for firms investing in underdeveloped areas or affordable housing, or support research and development initiatives in the real estate sector.

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