# THE IMPACT OF PRODUCT INNOVATION AS A COMPETITIVE STRATEGY ON SALES PERFORMANCE: A CASE STUDY OF THE COCA – COLA COMPANY OF GHANA LIMITED.

**BY**



**EDWARD OSEI OWUSU**

**(B.A Hons., DipM Chartered Institute of Marketing, Uk)**

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## CERTIFICATION

I declare that this work had been supervised in accordance with the rules and regulation underlying research ethics.

NAME OF SUPERVISOR......Dr. K. Pokru...............

SIGNATURE.............................................

DATE..........15/10/09...................................

NAME OF HEAD OF DEPARTENT.....Mr. S. Akomea.........

SIGNATURE.............................................

DATE..........15/10/09...................................

## DECLARATION

I have read through the University Regulations relating to plagiarism and certify that this dissertation is my own and has not been submitted to this University or elsewhere for the award of a degree and does not contain any unacknowledged works from any other source. I also declare that I have been under strict supervision for this report herein submitted.

NAME OF STUDENT:......Edward Osei Owusu..........

SIGNATURE:.............................................

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## ABSTRACT

Every successful company in the future will be wise enough to harness the full potential of the entire organization in the rapidly changing business environment. This is due to the intensity of competition in virtually all sectors of the world's economy which induces competitors to become too ingenious as companies are shaken loose from traditional ways of conducting business. While product innovation is a key contributor to long-term firm performance, new product failure rate remains high, especially in the face of intense competition. Therefore, strategic managers need a better understanding of how and why firms benefit from new product activity relative to industry competitors. The study generally looked that the impact of product innovation strategies on sales performance using Coca Cola Company as a test case. Various literatures on the topic were reviewed including both the theoretical and empirical framework of product innovation and sales performance and then attempted to link and find a fit between them and competitive strategies. Sampling techniques used in this study were stratified random and purposive sampling. Questionnaire was the main research instrument used in the study. The study showed that there is a strong correlation between sales performance and the introduction of new or product innovation. The implication for this is that a unit change in product innovation resulted in 0.9 change in sales performance. The study shows that 87.5% of respondents (in cumulative terms) rated Coca Cola's product innovation strategies as effective. This shows that with the rapid changes in tastes, technology, and competition, a company cannot rely solely on its existing products as customers and consumers want and expect new and improved products. Every company therefore needs a new-product development program to remain in competition.

# DEDICATION



This book is dedicated to my wife and children whose encouragement carried me through this MBA programme. I will always love you and continue to see you as my source of inspiration.

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Although, knowledge could be acquired but wisdom is from the Almighty God whose mercies I am provided with the strength, wisdom and direction to write this book. Scholarship is also highly enterprising as such this work would never have been accomplished without making reference to other peoples work. I therefore wish to sincerely acknowledge all these authors and authorities whose works were used as source of reference. I also appreciate the contribution made by my supervisor Dr. Kofi Poku through whose his constructive criticism had transformed my understanding of business research. Sir, I really appreciate it a lot. I also appreciate the support given to me by both management and distributors of Coca Cola Company Limited. Not forgetting my able secretary who took the pains to type and read through the manuscript and to them all, I say God bless you.

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# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

According to Tomlinson, (2002) every successful company in the future will be wise enough to harness the full potential of the entire organization in the rapidly changing business environment. This is due to the intensity of competition in virtually all sectors of the world's economy which induces competitors to become too ingenious as companies are shaken loose from traditional ways of conducting business. While product innovation is a key contributor to long-term firm performance, new product failure rate remains high, especially in the face of intense competition (Nitin, et al, (2003; Marian, (2003) and Donald, et al (2001). Therefore, marketers need a better understanding of how and why firms benefit from new product activity relative to industry competitors.

Several studies have identified product innovation success as a key contributor to long-term firm sales, financial and market performance (Magnusson, et al, (2003); Shultz, (2001); Pauwels, et al, 2004). In the same vein, Chris and Hill, (2001) cited product innovation and marketing as the two factors crucial to long-term corporate health and wealth. However, new-product failure rate is high (ranging from 33% to over 60%) and has not improved over the last decades (Boulding et al, (1997), Chan and Mauborgne, (2002). This is strengthened by Hauser, et al, (2005) who indicated that the number of new product innovation continues to grow each year, the failure rate of new products has not necessarily improved over time, continuing to exceed 80% in some industries. At the same time, only a fraction of new products are considered to be highly innovative. Moreover, a new product is not judged only on its own merits, but also on its value relative to competition, Chandy et al. (2003).

Faced with high product innovation uncertainty and pressure for financial results, managers want to focus on those innovations that persistently increase not only top-line performance, but also bottom-line and market performance for their firm relative to industry competitors (Financial Times, (2004). Indeed, managers are often rewarded based on relative performance measures (Chan and Mauborgne, (2002), and are urged to 'run faster than competitors' in good times and bad times (Chris and Hill, (2001).

In their extensive review of product innovation and performance, Capon et al. (1996) describe a variety of competing explanations for superior firm performance that can be organized in market environment and firm-strategy factors. Among those they focused on were market, firm and product characteristics, which are better predictors than process characteristics, and yet have not been analyzed as often (Hernard and Syzanki 1998). New product success also depends on the competitive conditions in the market, including market concentration (Donald, et al (2001). When faced with only a few competitors, firms can routinely monitor the competition, enabling them to react quickly (Bowman and Gatignon 1995). Such reaction may decrease the relative performance impact of new-product introductions in concentrated markets, which in turn, reduces their attractiveness to investors.

By finding new solutions to market saturation, product innovation has the potential to create new markets and transform industries. Success in product innovation is achieved by understanding the process, its payoffs, and managing both so that little gets left to chance. Thus, product innovation strategy poses a permanent challenge for any company as standardized markets with known, stable demand and little possibility of improved alternative technologies are becoming continually scarcer. Hence, product innovation currently plays a key role in business

Performance (Edgett et al., 1992; Brown and Eisenhardt,1995). As a result, it is not surprising that there is a pressing need to connect product innovation with growth and financial metrics (Hauser, et al, 2005).

### 1.2 Statement of the Problem

The right product at the right place, right price and at the right time is the number one business imperative of all consumer goods companies (Kotler and Keller, 2000). Regardless of geography, as markets become more complex and consumers become more demanding, consumer goods companies need to adapt fast to put in place processes and systems that are able to handle all the emerging challenges and also exploit market opportunities as they come up. In the carbonated soft drink market, companies face a very difficult, if not almost impossible, task in developing a competitive advantage based on differentiation or low cost strategies. The main reason is that competitors match or, even overtake differentiation and costs reductions in a very short period. This has resulted in frequent fluctuations in sales performance and hence profit margins. For instance in 2003, the Coca-Cola Bottling Company of Ghana Limited (TCCBCGL) sales were better by eight percent (8%) over the ensuing year 2004. However, in 2005 and 2006 there was improvement in sales growth by about ten percent (10%). In 2008/2009, sales growth has been on the decline. Thus, to maintain continuous sales growth TCCBCGL should understand its consumers, markets and competitors, and develop product innovation strategies that deliver superior value to customers and help the company improve its sales growth, market share, profitability, customer retention and loyalty.

## 1.3 Objectives of the Study

Generally, the study aims at finding out the impact of product innovation as a competitive strategy on sales performance using TCCBCGL-Ghana. The specific objectives for the research work are as follows:

1. To identify the types of product innovations strategies adopted by Coca Cola Company in gaining competitive advantage.
2. To investigate how product innovation strategies have been managed by Coca Cola Company in its quest to gain long –term competitive advantage from 2004 to 2008.
3. To assess sales performance before and after introduction of product innovation in the Coca cola Company from 2004-2008 of coca cola as a product.
4. To investigate how product innovation impacts sales of coca cola as a product.

## 1.4 Research Questions

Based on the above objectives the following research questions are posed to find answers to them:

1. What are the product innovation strategies adopted by Coca Cola Company in gaining competitive edge?
2. To what extend has these strategies helped improve sales performance, market share, and profit margin?
3. How has the company managed its product innovation strategies
4. Are these strategies long term or short term?

These among other questions will be posed in order to achieve the objectives of the study.

## 1.5 Hypotheses

In addition to the above research questions, the study intended to test the hypothesis stated below in order to find out how the product innovation strategies adopted by the company have impacted on their performance. The following hypothesis will therefore be tested:

H1: There is a positive relationship between product innovation and the sales performance of Coca-Cola Company.

## 1.6 Significance of the Research.



The study is expected to impact on marketing practitioners, managers of fast moving consumer goods, academia and the general public.

- The research and its findings are expected to help inform decision making in the area of product innovation as competitive strategy.
- The outcome of this study is to augment the existing store and body of knowledge on the subject and serve as a catalyst for further research on innovative ways of gaining competitive advantage by using product innovations.
- The study will be useful in the beverage industry, as a framework for effective study of product innovations and strategy.
- The study will be useful as a reference point to other researchers interested in the area. The outcome of this research will serve as a base for academicians who want to conduct further studies into product innovation strategies.
- This work will help the researcher gain a thorough insight into how product innovation strategies work in the beverage industry.

## 1.7 Overview of Research Methodology

According to Yin, (2003), a research methodology defines what the activity of research is, how to proceed, how to measure progress, and what constitutes success. The research methodology was therefore concerned with the how of how the researcher went about discovering what he wanted to know.

It focused on the population for the study, sampling and sampling techniques and the types of research applied in this research. It also dealt with the presentation of the data collected and data analysis including the tools used to analyze the data, administration of the survey instrument and the procedure adopted in analyzing the data collected.

The population of the study was identified to comprise all staff and distributors of Coca Cola Company Limited in Ghana. In all the population size was three hundred and sixty (360).

The sampling techniques used in this study were stratified random and purposive sampling. The stratified random sampling was used because the study intended to give the respondents within each stratum especially the staff equal chance to be interviewed.

It involved categorizing the members of the population into mutually exclusive and collectively exhaustive groups or strata, e.g. production staff, sales staff, accounts staff, operations staff, and staff in the human resource offices. An independent simple random sample was then drawn from each group. The lottery method was employed to achieve these results. The simple assumption underlying this method was that all the respondents were judged to be homogeneous and every individual unit in the universe stood an equal chance of being included or excluded in the final sample.

The study also purposively chose respondents whose opinions were relevant to the study. This method was chosen because the units of the sample are selected not by a random procedure, but they were intentionally picked for the study because they satisfied certain qualities which were not randomly distributed in the universe and exhibited most of the characteristics of interest to the study. This method was applied to the senior managers and distributors.

The survey method, which included questionnaires, interviews, and observations, was used in the data collection; this was because it represented the most commonly used method of collection in social sciences.

## 1.8 Limitations of the Study

Among the likely limitations that the study could encounter will be the willingness of management of Coca Cola Company to release information which will help enrich the study and establish strong validity and reliability. How this challenge was overcome is addressed in chapter three (3), under the heading: Scope and limitation of the study.

## 1.9 Organization of the Study

Basically, the study will be organized into five (5) chapters. Chapter one will look at the introduction of the research and highlight the background of the study, problem statement, purpose of the research, research questions, significance of the research, limitations of the study as well as the organization of the study. Chapter two will provide a review of existing theoretical and empirical literature whiles chapter three will deal with the research methodology and talked about the population and sampling as well as sampling methods employed and also how data collected will be analyzed.

Chapter four points out how the results of the research were presented discussed and analyzed. Chapter five will finalized the project with the researcher's conclusions and recommendations.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.0 Introduction

A review of the existing literature on the topic becomes very important. According to Fisher, (2007) the purpose of the literature review, to take a broader perspective, is to remove the need to rediscover knowledge that has already been reported which helps the study to build upon the work that has been done in the field the researcher is researching. Similarly, Leedy and Ormrod, (2005) also noted that the social scientists should ultimately know the literature about the topic very, very well. In addition to helping you pin down the research problem, a literature review has numerous benefits which includes offering new ideas, perspective, and approaches that may not have occurred to the study and then show the researcher how others have handled methodological and design issues in studies similar to the current study. This section will review both the theoretical and empirical framework of product innovation and sales performance and then attempt to find a fit between them and competitive strategies.

## 2.1: Product Innovation in Organisation

Innovation is the process of bringing new products and services to market. Innovation has the potential to create new markets and transform industries, or completely destroy them (Hauser, et al, 2005). The study had stressed the importance of a company watching its competitors closely. Whether a company is a market leader, challenger, follower, or nicher, it must find the competitive marketing strategy that positions it most effectively against its competitors. Although the number of new product introductions continues to grow each year, the failure rate of new products has not necessarily improved over time, continuing to exceed 80% in some industries. At the same time, only a fraction of new products are considered to be highly innovative. According to Cooper and Edgett, (2008), product innovation is the key to the economic development of any company, region of a country or country itself. Cooper, et al, (2001) reportedly said that as technologies change, old products decrease in sales and old industries dwindle. Inventions and innovations are the building blocks of the future of any economic unit. Success in innovation is achieved by understanding the process, its payoffs, and managing both so that little gets left to chance. As a result, it is not surprising that there is a pressing need to connect innovation with growth and financial metrics (Hauser, et al, 2005). A major difficulty in managing innovation is that managers must do so against a constantly shifting backdrop -- technologies, competitors, and markets constantly evolve.

In many industries, it has become increasingly risky not to innovate. Both consumer and industrial markets have come to expect periodic changes and improvements in the products offered (Montaguti, et al, 2002). As a result, some firms find it profitable to make innovation their grand strategy. They seek to reap the initially high profits associated with customer acceptance of a new or greatly improved product.

A convenient definition of product innovation from an organizational perspective is given by Luecke and Katz (2003), who wrote: "Product Innovation is generally understood as the successful introduction of a new thing or method. Product innovation is the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services.

This issue of definition has been discussed in detail by the American management consultants Booz, et al (1982). They suggested that there are two principal dimensions that need to be considered i.e firstly, how new is the product to the principal dimensions that need to be considered and secondly, how new is the product to the company, and how new is it to the market-place?

Amabile et al, (1996) and Ettlie, (2006), contended that innovation typically involves creativity, but is not identical to it: innovation involves acting on the creative ideas to make some specific and tangible difference in the domain in which the innovation occurs. This is re-enforced by Cooper, et al, (2001) who proposed that, all innovations begin with creative ideas and also defined innovation as the successful implementation of creative ideas within an organization. This current study is of the view that, creativity by individuals and teams is a starting point for innovation; the first is necessary but not sufficient condition for the second.

Davila, et al, (2006), however, suggested that for innovation to occur, something more than the generation of a creative idea or insight is required: the insight must be put into action to make a genuine difference, resulting for example in new or altered business processes within the organization, or changes in the products and services provided.

A further characterization of product innovation is as an organizational or management process. For example, Davila et al. (2006), write: "Innovation, like many business functions, is a management process that requires specific tools, rules, and discipline." From this point of view the emphasis is moved from the introduction of specific novel and useful ideas to the general organizational processes and procedures for generating, considering, and acting on such insights leading to significant organizational improvements in terms of improved or new business products, services, or internal processes.

Based on these varieties of viewpoints, the current study therefore sees creativity as the basis for innovation, and innovation as the successful implementation of creative ideas within an organization. In furtherance to the above, creativity may be displayed by individuals, but innovation occurs in the organizational context only.

It should be noted, however, that the term 'innovation' is used by many authors rather interchangeably with the term 'creativity' when discussing individual and organizational creative activity.



As Davila et al. (2006) commented, "Often, in common parlance, the words creativity and innovation are used interchangeably. They should not be, because while creativity implies coming up with ideas, it's the "bringing ideas to life" that makes innovation the distinct undertaking it is."

The distinctions between creativity and innovation discussed above are by no means fixed or universal in the innovation literature as observed by a considerable number of scholars in innovation studies (e.g. Hurley, and Hult, (2002) and Robertson, et al, (1995).

## 2.2 Types of Innovation

There are various levels of innovation based on the uniqueness of the idea; however, there are three major types of innovation, in decreasing order of uniqueness: breakthrough innovation, technological innovation, and ordinary innovation (Tuomi, (2002). According to him, the fewest of innovations are of the breakthrough type. These extremely unique innovations often establish the platform on which future innovations in an area are developed. Given that they often the basis for future innovation in an area, these innovations should be protected as much as possible of innovations are of the breakthrough type. These extremely unique innovations often establish the platform on which future innovations in an area are developed. Given that they often the basis for future innovation in an area, these innovations should be protected as much as possible by strong patents, trade secrets, and/or copyrights. Breakthrough innovations include such ideas as: energy drinks, fruit juices, bottled water, and iced tea among others.

The next type of innovation - technological innovation - occurs more frequently than breakthrough innovation and in general is not at the same of scientific discovery and advancement. Nonetheless, this is very meaningful innovations, as they do offer advancement in the product/market area. As they usually need to be protected. Such innovations include water dispenser, and vending machines which are a few examples of technological innovation in the beverage industry.

The final type of innovation –ordinary innovation –is the one that occurs most frequently. These more numerous innovations usually extend a technological innovation into a better product or service or one that has a different- usually better-market appeal. These innovations usually come from market analysis and pull, not technology push. In other words, the market has a stronger effect on the innovation (market pull) than the technology (technology push).

## 2.3 Source of Innovation

There are several sources of innovation. In the linear model of innovation the traditionally recognized source is manufacturer innovation. This is where an agent (person or business) innovates in order to sell the innovation. Another source of innovation, only now becoming widely recognized, is end-user innovation. This is where an agent (person or company) develops an innovation for their own (personal or in-house) use because existing products do not meet their needs.

Bowman, et al, (1995) highlighted that innovation by businesses is achieved in many ways, with much attention now given to formal Research and Development (R&D) for "breakthrough innovations." But innovations may also be developed by less formal on-the-job modifications of practice, through exchange and combination of professional experience and by many other routes. The more radical and revolutionary innovations tend to emerge from R&D, while more incremental innovations may emerge from practice – but there are many exceptions to each of these trends.

As pointed out by Christensen, (1997), whether innovation is mainly supply-pushed (based on new technological possibilities) or demand-led (based on social needs and market requirements) has been a hotly debated topic. Similarly, what exactly drives innovation in organizations and economies remains an open question.

More recent theoretical work moves beyond this simple dualistic problem, and thorough empirical work shows that innovation does not just happen within the industrial supply-side, or as a result of the articulation of user demand, but through a complex set of processes that links many different players together – not only developers and users, but a wide variety of intermediary organisations such as consultancies, standards bodies etc.(e.g. Cooper, (2004); Cooper, (2006) and Chandy, et al, 2003). Work on social networks suggests that much of the most successful innovation occurs at the boundaries of organizations and industries where the problems and needs of users and the potential of technologies can be linked together in a creative process that challenges both.

## 2.4 Drivers of Innovation

Product innovation is the result of competitive pressure: Companies innovate if their current advantages over their competitors are narrowing, and their profitability is being eroded. In a global economy with free trade, almost any advantage of a company can eventually be imitated.130 Competitors elsewhere will inevitably overtake companies that stop to innovate, and the only way to sustain a competitive advantage is to upgrade this advantage, to move to more sophisticated products and processes (Porter, 1985). Programs of organizational innovation are typically tightly linked to organizational goals and objectives, to the business plan, and to market competitive positioning (Chandy, et al, 2003).

For example, one driver for innovation programs in corporations is to achieve growth objectives.

As Davila et al. (2006) noted, "Companies cannot grow through cost reduction and reengineering alone, innovation is the key element in providing aggressive top-line growth, and for increasing bottom-line results". In general, business organisations spend a significant amount of their turnover on innovation i.e. making changes to their established products, processes and services The amount of investment can vary from as low as a half a percent of turnover for organisations with a low rate of change to anything over twenty percent of turnover for organisations with a high rate of change.

Wind, (1997), maintains that the average investment on product innovation across all types of organizations is four percent of total turnover. For an organisation with a turnover of say one billion currency units, this represents an investment of forty million units. This budget will typically be spread across various functions including marketing, product design, and information systems, manufacturing systems and quality assurance. The investment may vary by industry and by market positioning.

In a survey conducted by Booz, et al (1982), across a large number of manufacturing and service organisations found, ranked in decreasing order of popularity that systematic programs of organizational innovation are most frequently driven by:

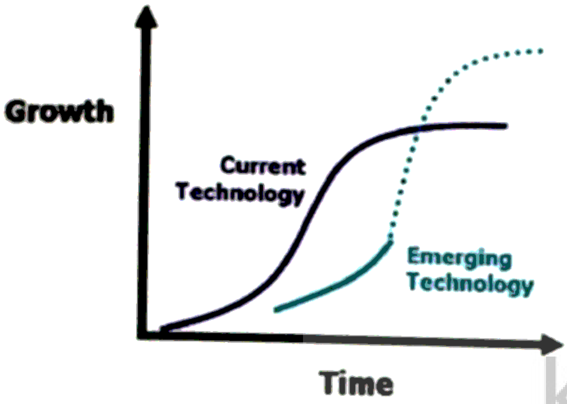
1. Improved quality
2. Creation of new markets
3. Extension of the product range
4. Reduced labour costs
5. Improved production processes
6. Reduced materials
7. Reduced environmental damage
8. Replacement of products/services
9. Reduced energy consumption
10. Conformance to regulations

This brings to light that drivers of innovation vary between improvements to products, processes and services and dispel a popular myth that innovation deals mainly with new product development. Most of the goals could apply to any organization be it a manufacturing facility, marketing firm, hospital or local government.

**2.5: Diffusion of Innovations**

Once innovation occurs, innovations may be spread from the innovator to other individuals and groups. This process has been proposed by Everett, (1995), that the life cycle of innovations can be described using the 's-curve' or diffusion curve.

**Figure 1: A graph showing the diffusion curve**






Source: Everett M. Rogers, (1995). Diffusion of Innovation

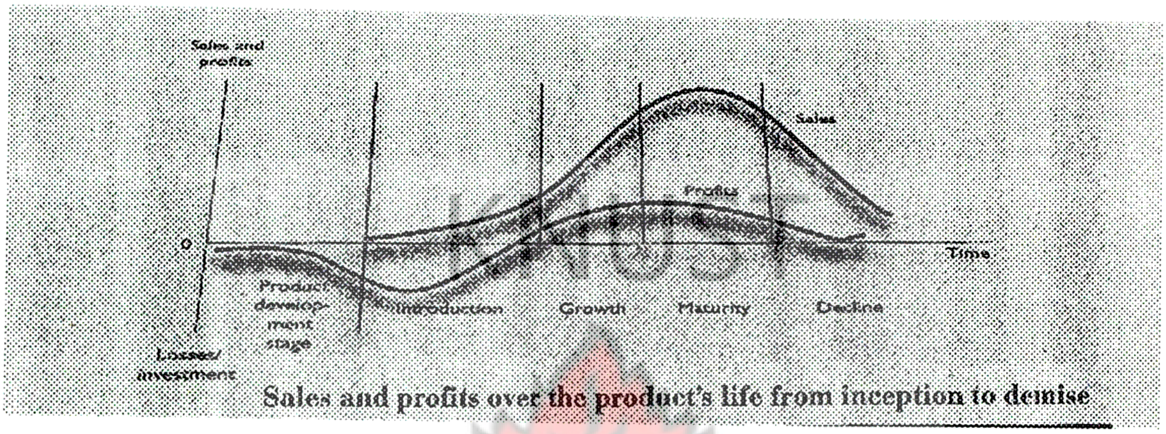
The s-curve maps growth of revenue or productivity against time. In the early stage of a particular innovation, growth is relatively slow as the new product establishes itself. At some point, customers begin to demand the product and growth increases more rapidly. New incremental innovations or changes to the product allow growth to continue. Towards the end of its life cycle growth slows and may even begin to decline. In the later stages, no amount of new investment in that product will yield a normal rate of return

The s-curve derives from an assumption that new products are likely to have "product Life". i.e. a start-up phase, a rapid increase in revenue and eventually decline. In fact the great majorities of innovations never get off the bottom of the curve, and never produce normal returns.

Innovative companies will typically be working on new innovations that will eventually replace older ones. Successive s-curves will come along to replace older ones and continue to drive growth upwards. In the figure above the first curve shows a current technology. The second shows an emerging technology that current yields lower growth but will eventually overtake current technology and lead to even greater levels of growth.

This fits in well with the product life cycle theory propounded by Levitt, (1983) in a Harvard Business Review article:"Exploit the Product Life cycle". According to him after launching the new product, management wants the product to enjoy a long and healthy life.

Figure 2: Sales and Profit over the Product's Life Cycle




Source: Kotler and Armstrong, (1995)

Figure 2 shows a typical product life cycle (PLC), the course that a product's sales and profits travel over its lifetime. Levitt, (1983) proposed five distinct stages in the PLC: Firstly, the product development begins when the company finds and develops a new product idea. During this stage, sales are zero and the company's investment costs mount.

The second stage - the introduction stage is a period of slow sales growth as the product is being introduced in the market. Profits are non-existent in this stage because of the heavy expenses of product introduction. This current study sees such high cost as a result of focused on marketing effort designed to establish a clear identity and promote maximum awareness

Thirdly, the new product reaches a stage where there is rapid market acceptance and increasing profits is the growth period.

The fourth stage is the maturity stage where there is a slowdown in sales growth because the product has already achieved acceptance by most potential buyers. Profits level off or decline because of increased marketing outlays to defend the product against competition.

The last stage is the decline stage where there is sales fall off and profits drop - the lingering effect of competition, unfavorable economic conditions, new trends etc, often explain the decline in sales.

This is inconsistent with Cooper and Edgett (2006), who indicated that not all products follow this S-shaped product life cycle. Some products are introduced and die quickly; others stay in the mature stage for a long, long time. Some enter the decline stage and are then cycled back into the growth stage through strong promotion or repositioning. Christensen and Clayton, (1997) pointed out that, the underlying rationale of product innovation is to create a new product life cycle and thereby make similar existing products obsolete. Thus, this strategy differs from the product development strategy of extending an existing product's cycle. Companies under pressure to innovate often supplement their own R&D efforts by partnering with other firms in their industry that have complementary needs.

While most growth-oriented firms appreciate the need to be innovative, a few firms use it as their fundamental way of relating to their markets. This is re-enforced by Cooper and Edgett, (2008) who indicated that few innovation ideas prove profitable because the research, development, and pre-marketing costs of converting a promising idea into a profitable product are extremely high; A study by the Booz et al (1982) provide some understanding of the risks. They found that less than 2 percent of the innovative projects initially considered by 51 companies eventually reached the marketplace. Specifically, out of every 58 new product ideas, only 12 pass an initial screening test that finds them compatible with the firm's mission and long-term objectives, only seven remain after an evaluation of their potential, and only 3 survive development attempts. Of the three survivors, two appear to have profit potential after test marketing and only one is commercially successful.

## 2.6: New Product Development Strategy

A critical challenge facing managers today is separating distractions from real opportunities and threats as they set direction through innovation and market strategy and select projects for the product portfolio. Product portfolio decisions are the manifestation of a firm's innovation and marketing strategies. The common approach to managing New Product Development (NPD) is to develop and manage a portfolio of specific projects (Mahajan et al 1993). All companies that engage in NPD face the important problem of selecting a project portfolio (Krishnan and Ulrich 2001; Loch and Kavadias 2002). Practically speaking, choosing the NPD portfolio determines the firm's strategy for the medium term future and is senior management responsibility (Cooper et al. 2001). Operationally, portfolio decisions involve two strategic components: (1) a development strategy regarding the number and rate of new product introductions (i.e., introduction intensity), and (2) a market entry strategy regarding the relative speed to market (i.e., pioneering intensity). Past research suggests that better-managed firms structure their portfolios by striking a balance in the product innovation portfolio across these strategic components (Hurley and Hult, (2002).

Development strategy is a characterization of the portfolio newness that is reflected by the scope (number and type) of new products in the portfolio and relative introduction intensity (rate of introduction). In determining the development strategy for the product portfolio, firms need to consider two opposite incentives. According to Bordley, (2003), highly diverse product lines help firms to better satisfy heterogeneous needs and wants (Connor,1981; Lancaster 1979; Quelch and Kenny 1994) and the diverse line can also deter new entering competitors leading to higher prices of remaining firms (Bananno, 1987). On the contrary, a narrow product line enables the firm to lower production costs due to scale economies (Baumol et al, 1982) and it also can lower design and inventory holding costs, and reduce complexity in assembly (Moorthy 1985).

In addition to the breadth and number of new products in the portfolio, NPD projects can also be described in terms of their degree of innovativeness. Only about 10% of all new products are radically, "new to the world products" (Booz et al, 1982; Martin 1995), however, they also suggest that these new-to-the-world products bring firms the disproportionate contribution to profitability. Due to the risk and required investment, firms are often reluctant to undertake radical innovations. Instead, firms focus more on "me-too" products (e.g. product line extensions, improvements to current products, or cost reductions). Conventional wisdom suggests there should be some balance between incremental and radical products in the portfolio to account for multiple time horizons (shorter and longer term considerations), and to increase organizational capability for learning (Wind and Mahajan 1997).

### 2.6.1: Market Entry Strategy for New Product Innovation Strategy

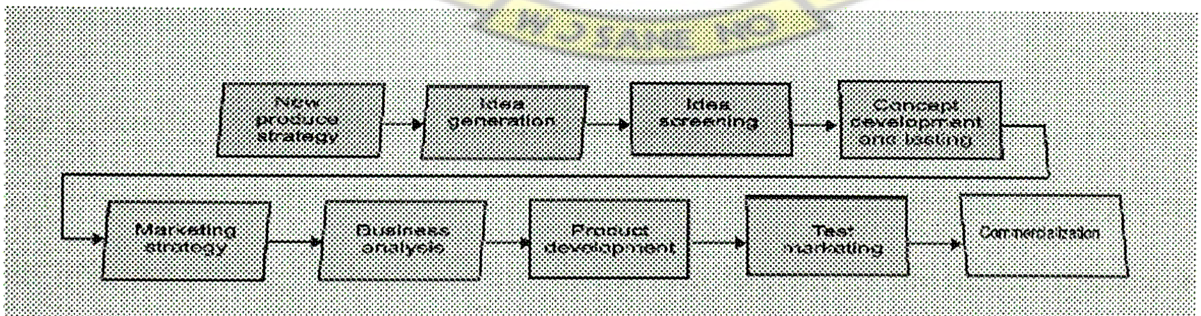
Market entry strategy is a characterization of speed-to-market and is reflected by the number and type of entry decisions (first vs. late to market) and the relative pioneering intensity. In managing a series of NPD projects, the firm decides the timing and sequence of product introduction, i.e., the relative priority of development activities (Krishnan and Ulrich 2001). This timing decision represents an interesting trade-off of cannibalization versus faster accrual of profit (Krishnan and Ulrich, 2001). Faster development cycles reduce the discrepancies between the development and launch periods. The real challenge is how to speed the development cycle without deteriorating the quality of the product and its price (Wind and Mahajan, 1997). A related issue is new product entry timing from a competitive strategy perspective (Wind and Mahajan, 1997), i.e., the question of first-mover advantage (Golder and Tellis 1993; Kerin et al, 1992). They suggested that the benefits of early entry include not only increased profitability but also competitive advantages (market share and customer mind share) associated with pioneering, first-mover advantage. An interesting conundrum is that companies sometimes place great emphasis on rapid new product introduction, rushing products to market, with no consideration of optimal time of entry. It is critical to ask whether the market is primed and ready for the new innovation.



## 2.7: New Product Development Process

The new-product development process for finding and growing new products consists of eight main steps. Some steps may be eliminated. Hultink et al., (1997): pointed out that to reduce the time that the NPD process takes, many companies are completing several steps at the same time (referred to as concurrent engineering or time to market).

Figure 3: Steps in New Product Development.




**Steps in new development**

Source: Kotler, et al, (1999)

In business and engineering, new product development (NPD) is the term used to describe the complete process of bringing a new product or service to market. There are two parallel paths involved in the NPD process: one involves the idea generation, product design, and detail engineering; the other involves market research and marketing analysis. Companies typically see new product development as the first stage in generating and commercializing new products within the overall strategic process of product life cycle management and use it to maintain or grow their market share.

According to Kotler and Keller (2009), the NPD process involves seven (7) stages which are outlined below:

1. Idea Generation is often called the "fuzzy front end" of the NPD process: Ideas for new products can be obtained from basic research using a SWOT analysis (Strengths, weaknesses, Opportunities & Threats), Market and consumer trends, company's R&D department, competitors, focus groups, employees, salespeople, corporate spies, trade shows, or Ethnographic discovery methods (searching for user patterns and habits) may also be used to get an insight into new product lines or product features. Idea generation techniques can begin when you have done your OPPORTUNITY ANALYSIS to support your ideas in the Idea Screening Phase (shown in the next development step).

2. Idea Screening: The object is to eliminate unsound concepts prior to devoting resources to them. The screeners must ask at least three questions: Will the customer in the target market benefit from the product? What is the size and growth forecasts of the market segment/target market? What is the current or expected competitive pressure for the product idea? What are the industry sales and market trends is the product idea based on? Is it technically feasible to

manufacture the product? Will the product t be profitable when manufactured and delivered to the customer at the target price?

3. Concept Development and Testing: Develop the marketing and engineering details; Who is the target market and who is the decision maker in the purchasing process? What product features must the product incorporate? What benefits will the product provide? How will consumers react to the product? How will the product be produced most cost effectively? What will it cost to produce it?

4. Testing the Concept by asking a sample of prospective customers what they think of the idea.

5. Business Analysis: Estimate likely selling price based upon competition and customer feedback, estimate sales volume based upon size of market and estimate profitability and breakeven point.

6. Market Testing: Produce a physical prototype or mock-up, test the product (and its packaging) in typical usage situations, conduct focus group customer interviews or introduce at trade show, make adjustments where necessary, and produce an initial run of the product and sell it in a test market area to determine customer acceptance.

7. Commercialization (often considered post-NPD): Launch the product, produce and place advertisements and other promotions, fill the distribution pipeline with product and critical path analysis is most useful at this stage.

Most industry leaders see new product development as a proactive process where resources are allocated to identify market changes and seize upon new product opportunities before they occur (in contrast to a reactive strategy in which nothing is done until problems occur or the competitor introduces an innovation) Kleinschmidt, and Cooper, (1991). Many industry leaders see new product development as an ongoing process (referred to as continuous development) in which the entire organization is always looking for opportunities (Montaguti, et al, (2002) **2.8: Managing**

## 2.8: Managing Product Innovation for Success.

Because so many new products fail, companies are anxious to learn how to improve their odds of new-product success. According to Nijssen, et al, (2005), one way is to identify successful new products and find out what they have in common. It was found in their works that one of the major success factors is a unique superior product, one with higher quality, new features and higher value in use.

Another key success factor is a well-defined product concept prior to development, in which the company carefully defines and assesses the target market, the product requirements and the benefits before proceeding. New products that meet market needs more closely than existing products invariably do well (Robertson, et al, (1995).

Other success factors included technological and marketing synergy, quality of execution in all stages and market attractiveness. Thus to create successful new products, a company must understand its consumers, markets and competitors, and develop products that deliver superior value to customers (Bowman, et al (1995).

According to Robertson, et al, (1995) successful new-product development may be even more difficult in the future. Keen competition has led to increasing market fragmentation - companies must now aim at smaller market segments rather than the mass market, and this means smaller sales and profits for each product. New products must meet growing social and government constraints, such as consumer safety and environmental standards.

Many companies face a problem - they must develop new products, but the odds weigh heavily against success. Cotterill, et al, (2000) suggested that the solution lies in strong new-product planning and in setting up a systematic new-product development process for finding and growing new products. Top management is ultimately accountable for the new-product success record. It must take the lead, rather than simply ask lower-level staff or the new-product ideas are likely to be unsuitable for development. Morton and Zettlemeyer (2004), highlighted that management must encourage the search for a large pool of ideas from which potential winners emerge. They went on further to say that, to facilitate the selection process, it must establish specific criteria for new-product idea acceptance, based on the specific strategic role the product is expected to play. The product's role might be to help the company maintain its industry position as an innovator, to defend a market-share position, or to get a foothold in a future new market. Or the new product might help the company to take advantage of its special strengths or exploit technology in a new way.

Another crucial decision facing top management is how much to budget for new-product development. New-product outcomes are so uncertain that it is difficult to use normal investment criteria for budgeting Nitin (2003). Stalk (1992) indicated that some companies solve this problem by encouraging and financing as many projects as possible, hoping to achieve a few winners. Other companies set their R & D budgets by applying a conventional percentage-to-sales figure or by spending what the competition spends. Still other companies decide how many successful new products they need and work backwards to estimate the required R & D investment.

Another important factor in new-product development work is to set up effective organizational structures for nurturing innovation and handling new products. Successful new-product development requires a company-wide effort. Successful innovative companies make a consistent commitment of resources to new-product development, design and new-product strategy that is linked to their strategic planning process, and set up formal and sophisticated organizational arrangements for managing the new-product development process Nitin (2003).

According to Morton and Zettlemeyer (2004) effective product innovation is guided by a well-defined new-product strategy. The new-product strategy achieves four main goals: first, it gives direction to the new-product team and focuses team effort; second, it helps to integrate functional or departmental efforts; third, where understood by the new-product team, it allows tasks to be delegated to team members, who can be left to operate independently; and fourth, the very act of producing and getting managers to agree on a strategy requires proactive, not reactive, management, which increases the likelihood of a more thorough search for innovation opportunities.

### 2.9: Competitive Response to Product Innovation

As Ulrich, et al (2004) indicated, the specter of competition looms large in all products introductions. Introducers try to predict which competitors will respond and when. Some competitors scramble to introduce products of their own. Others refrain from action, perhaps from a fear of retaliation, lack of financial resources, sloth induced by inertia, or a fear of cannibalizing existing products (Kuester, et al 1999). Given the central role of competition in the economic system, the study of competitive response is essential for any understanding of business actions. Managers need to incorporate competitive response into their financial projections as they decide how much to invest in new products or their dreams of riches could easily turn into dust. Policy makers need to be able to predict competitive response, or their interventions could be unwise. Shankar, (1997) argued that competitors are less likely to respond to the introduction of new products by larger firms than to that of smaller firms because of a fear of retaliatory behavior. However, in the context of product innovations, the study suggests that competitors are more likely to respond to larger than to smaller firms. This is based on arguments by Husig (2003); Kim, and Wilemon, (2002) and Blundell, et al, (1999) that due to the fear of losing reasonable market share and reduction in its margins firms tend to react swiftly to such innovative strategies. Indeed, the study recognizes that product introductions by large firms are almost twice as likely to provoke a reaction as those by small firms. Prior literature has also argued that competitors are less likely to respond to product introductions in smaller than in larger markets (Gruca, et al 1992). In contrast, Montaguti, et al, (2002) suggest that competitors are more likely to respond to product innovations in smaller than in larger markets if the firm introducing the innovation is large. In addition, response to product innovations is influenced by market dependence, a variable largely overlooked in prior research. It is further argued by authorities such as Nickell (1996) that competitors are more likely to respond to product innovations by firms that are more market dependent (i.e., firms that derive a larger part of their revenues from that particular market). An increase of one standard deviation in the market dependence of the firm introducing innovation makes competitor reaction almost 50% more likely Mahajan, et al, (1993).

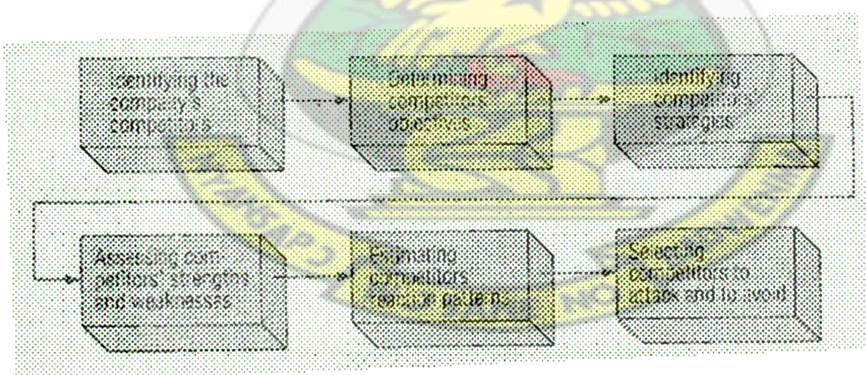
Although, competitors can also respond through other elements of the marketing mix, the study focuses on product responses because prior research has suggested that responses to competitive actions tend to be reciprocal (e.g. product responses for product actions, price responses for price actions (Axelrod 2002; Bowman and Gatignon 1995). In addition, Kuester, et al, (1999) argue that response is especially likely to be on the product dimension when it is prompted by the introduction of highly innovative products.

### 2.10: Competitor Analysis

To plan effective competitive marketing strategies, the company needs to find out all it can about its competitors. It must constantly compare its products, prices, channels, and promotion with those of close competitors (Cotterill, et al, (2000) and Dobson, et al, (2001). In this way the company can find areas of potential competitive advantage and disadvantage. And it can launch more precise attacks on its competitors as well as prepare stronger defenses against attacks.

Widespread global consolidation "a flood of new products", "price hikes" "new, more restrictive laws and regulations" and "increasing consumer segmentation" strongly support the idea that companies will always have to be innovative in the spheres of their operations. Change - in a multitude of forms - has come fast and furiously to the beverage business in recent years. Surviving and thriving in this volatile environment requires that beverage companies employ focused, effective solutions in areas such as CRM, supply chain management and distribution management. Thousands of new items are introduced each year as companies seek to gain competitive advantage and drive top-line growth, yet the success rate typically remains quite low. This has been true in the Ghanaian setting where over the last five year, companies like Coca Cola have introduced various pack sizes and flavours to meet the changing and shifting needs of consumers as a way of defending their market share and growing their profits. Pepsi Cola Ghana has also followed in the trail by branching into bottled water as well as adding new flavours to their product lines. Competitive pressures, increasingly demanding consumers and shortened product lifecycles will likely continue to push up the number of product introductions in the Ghanaian market. This will broaden the choice of products for the consumer and also empower his bargaining stance. An additional factor comes in the form of changing consumer trends and lifestyles. As a result of their increasingly complex, fast- paced lifestyles, consumers no longer fit neatly into marketing segments, but are "individuals" who jump between many segments during the week, and even during the course of the day. This new environment makes long-accepted marketing techniques obsolete, leaving many executives struggling to understand the new lifestyle needs of consumers in order to remain relevant in the marketplace. These changing dynamics are accentuated in a business environment that is characterised by economic uncertainty and volatility, requiring companies to rethink their current business strategies in an effort to become increasingly adaptable and flexible.

**2.11: Figure 4: Identifying the Company's Competitors**



Source: Pearce and Robinson, (2007)

Normally, it would seem a simple task for a company to identify its competitors. Coca-cola knows that Pepsi-Cola is its major competitor. At the most obvious level, a company can define its competitors as other companies offering a similar product and services to the same customers at similar prices. Thus, Coca Cola might see Pepsi Cola as a major competitor, but not other Companies (Dobson, et al (2001). Steiner (2004), proposed that assessing a firm's competitive position improves its chances of designing strategies that optimize its environmental opportunities. Development of competitor profiles enables a firm to more accurately forecast both its short-and long-term growth and its profit potentials.

Once appropriate criteria have been selected, they are weighted to reflect their importance to a firm's success. Then the competitor being evaluated is rated on the criteria, the ratings are multiplied by the weight, and the weighted scores are summed up to yield a numerical profile of the competitor (Fredman, 2002). This type of competitor profile is limited by the subjectivity of its criteria selection, weighting, and evaluation approach. Nevertheless, the process of developing such profiles is of considerable help to a firm in defining its perception of its competitive positions. Moreover, comparing the firm's profile with those of its competitors can aid its managers in identifying factors that might make the competitors vulnerable to strategies the firm might choose to implement. However, authorities such as Boylaud and Nicoletti (2000); Cotterill, et al (2000), and Dobson (2001) further argue that companies actually face a much broader range of competitors. More broadly, the company can define competitors as all firms making the same product or class of products. In that case Coca Cola Ghana would see itself as competing against all other soft drink makers. Even more broadly as perceived by Dobson, et al (2001), indicated that competitors might include all companies making products that supply the same service or products. In this case Coca Cola Ghana would see itself competing against not only other carbonated soft drink manufacturers but also against the makers of fruit juices, energy drinks, bottled water, bottled tea and cocoa drinks and even alcoholic beverages as they all first and foremost seek to quench taste before any other added benefits are offered. In furtherance to this, marketing researchers such as Özcan (2001), observed that finally, and still more broadly, competitors might include all companies that compete for the same consumer. Based on these arguments scholars such as Mazzarotto (2001) in his paper "Competition Policy towards Retailers": Size, Seller Market Power and Buyer Power, Centre for Competition and Regulation (CCR) Working Paper advised Companies to avoid "competitor myopia." A company is more likely to be "buried" by its latent competitors than its current rivals. The more one firm's strategy resembles another firm's strategy, the more the firms compete. It needs to know each competitor's product quality, features, and mix; customer services; pricing policy; distribution coverage; sales force strategy; and advertising and sales promotion programs. And it must study the details of each competitor's R&D, manufacturing, purchasing, financial and other strategies. According to Özcan (2001) many companies identify their competitors' from two (2) dominant views namely: the Industrial point of view and the market point of view.



### 2.11.1: The Industry Point of View of Competition

Many companies identify their competitors from the industry point of view (Özcan, 2001). An industry is a group of firms which offer a product or class of products that are close substitutes for each other. In a given industry, if the price of one product rises, it causes the demand for another product to rise. In the beverage industry, for example, if the price of coffee rises, this leads people to switch to tea or lemonade or soft drinks. Thus coffee, tea, lemonade, and soft drinks are substitutes, even though they are physically different products. A company must strive to understand the competitive pattern in its industry if it hopes to be an effective player in that industry.

### 2.11.2: The Market Point of View of Competition

Instead of identifying competitors from the industry point of view, the company can take a market point of view. In that case, competitors are companies that are trying to satisfy the same customer need or serve the same customer group. From an industry point of view, Coca-Cola might see its competition as Pepsi and Accra Brewery Limited, Voltic Ghana Limited and other soft drink manufacturers. From a market point of view, however, the customer really wants "thirst quenching". This need can be satisfied by iced tea, fruit juice bottled water, or many other beverages. In general, the market concept of competition opens the company's eyes to a broader set of actual and potential competitors, and it leads to better market planning. However, many researchers argue that the key to identifying competitors is to link industry and market analysis by mapping product/market segments (Sayman and Raju, 2004).

## 2.12: Competitive Strategies

According to Datamonitor, (2005), having identified and evaluated the major competitors, the company must now design broad competitive marketing strategies that will best position its offer against competitors. No one strategy is best for all companies. Each company must determine what makes the most sense given its position in the industry and its objectives, opportunities, and resources. Even within a company, different strategies may be required for different businesses or products. Johnson & Johnson uses one marketing strategy for its leading brands in stable consumer markets and a different marketing strategy for its new high-tech health care businesses and products (Murray, 2006a).

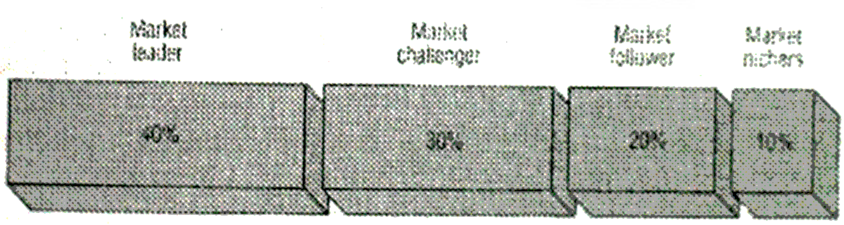
### 2.12.1: Competitive Positions

Firms competing in a given target market will, at any point in time, differ in their objectives and resources. Some firms will be large, others small. Some will have great resources; others will be strapped for funds. Some will be old and established others new and fresh. Some will strive for rapid market share growth, others for long-term profits. And the firms will occupy different competitive positions in the target market.

Porter, (1985) suggests basic competitive positioning strategies that companies can follow – three winners and one loser which included; overall cost leadership; Differentiation; Focus among others. Companies that pursue a clear strategy – one of the above – are likely to perform well. The firm that carries off that strategy best will make the most profits. But firms that do not pursue a clear strategy – middle of the road – do the worst. As argued by Boylaud and Nicoletti (2001) and Sayman and Raju (2004) companies must adopt a different classification of competitive positions, based on the role firms play in the target market – that of leading, challenging, following, or niching.

Suppose that an industry contains the firms shown in the figure 6 below.

Figure 5: Competitive Positions




Source: Kotler and Armstrong (1991)

Forty percent of the market is in the hands of the market leader, the firm with the largest market share. Another 30 percent is in the hands of a market challenger, a runner-up that is fighting hard to increase its market share. Another 20 percent is in the hands of a market follower, another runner-up that wants to hold its share without rocking the boat. The remaining 10 percent is in the hands of market nichers, firms that serve small segments not being pursued by other firms.



### 2.12.2: Market-Leader Strategies

Most industries contain an acknowledged market leader, the firm with the largest market share. It usually leads the other firms in price changes, new product introductions, distribution coverage, and promotion spending. The leader is a focal point for competitors, a company to challenge, imitate, or avoid. Some of the best-known market leaders are Coca-Cola (soft drinks), Sears (retailing), McDonald's (fast food), and Gillette (razor blades). A leading firm's life is not easy. It must maintain a constant watch. Other firms keep challenging its strengths or probing for its weaknesses. The market leader can easily miss a turn in the market and plunge into second or third place. A product innovation may come along and hurt the leader. Or the leading firm might grow fat and slow, losing against new and peppier rivals. Leading firms want to remain number one. This calls for action on three fronts. First, the firm must find ways to expand total demand. Second, the firm must protect its current market share through good defensive and offensive actions. Third, the firm can try to expand its market share further, even if market size remains constant.

### 2.12.3: Market-Challenger Strategies

Firms that are second, third, or lower in an industry are sometimes quite large (AC Nielsen, 2004). These runner-up firms can adopt one of two competitive strategies. They can attack the leader and other competitors in an aggressive bid for more market share (market challengers). Or they can play along with competitors and not rock the boat (market followers). The study now focuses on competitive strategies for market challengers.

A market challenger must first define its strategic objective. Most market challengers seek to increase their profitability by increasing their market shares. But the strategic objective chosen depends on the competitor. The challenger can attack the market leader, a high-risk but potentially high-gain strategy which makes good sense if the leader is not serving the market well. To succeed with such an attack, a company must have some sustainable competitive advantage over the leader – a cost advantage leading to lower prices or the ability to provide better value at a premium price (Murray, 2006b). When attacking the leader, a challenger must also find a way to minimize the leader's response. Otherwise its gains may be short- lived. The challenger can avoid the leader and instead attack firms its own size, or smaller local and regional firms. Many of these firms are underfinanced and will not be serving their customers well. Several of the major beer companies grew to their present size not by attacking large competitors, but by gobbling up small local or regional competitors (Marian, 2003).

### 2.12.4 Market-Follower Strategies

Not all runner-up companies will challenge the market leader. The effort to draw away the leader's customers is never taken lightly by the leader. If the challenger's lure is lower prices, improved service, or additional product features, the leader quickly matches these to diffuse the attack. The leader probably has more staying power in an all-out battle. A hard fight might leave both firms weakened. Thus, the challenger must think twice before attacking. Therefore, many firms prefer to follow rather than attack the leader.

A follower can gain many advantages. The market leader often bears the huge expenses involved with developing new products and markets, expanding distribution channels, and informing and educating the market. The reward for all this work and risk is normally market leadership. The market-follower, on the other hand, can learn from the leader's experience and copy or improve on the leader's products and marketing programs, usually at a much lower investment. Although the follower probably will not overtake the leader, it can often be as profitable.

Most firms decide against stealing each other's customers. Instead they present similar offers to buyers usually by copying the leader. Market share show a high stability. This is not to say that market followers are without strategies. Each follower tries to bring distinctive advantages to its target market – location, services financing. The follower is a major target of attack by challengers. Therefore the market follower must keep its manufacturing costs low and its product quality and services high. It must also enter new markets as they open up.

### 2.12.5 Market-Nicher Strategies

Almost every industry includes firms that specialize in serving market niches. Instead of pursuing the whole market, or even large segments of the market, these firms target segments within segments, or niches (Kotler and Keller, 2000). This is particularly true of smaller firms because of their limited resources. Nichers try to find one or more market niches that are safe and profitable. An ideal market niche is big enough to be profitable and has growth potential. It is one that the firm can serve effectively. Perhaps most importantly, the niche is of little interest to major competitors. And the firm can build the skills and customer goodwill to defend itself against an attacking major competitor as the niche grows and becomes more attractive. The key idea in nichemanship is specialization. The firm must specialize along market, customer, product, or marketing mix lines. Niching carries a major risk in that the market niche may dry up or be attacked. That is why many companies practice multiple niching. By developing two or more niches, the company increases its chances for survival.



## 2.13: Firm Performance Metrics

Sales has been proposed as the most important measure of business performance on which managers should focus (Reichheld, 2003), and is a measure of firm performance that is often closely associated with the marketing function. Similarly, gross profit (sales revenue minus cost of selling) is an indicator of the firm's value chain, specifically measuring a firm's ability to convert inputs into valuable outputs (Bell et al. 2002; Ittner and Larcker 1998). The long-term metric of financial performance is a firm's market-adjusted abnormal return (i.e., the rate of return minus the average rate of return of the stock market). This is forward-looking and captures the net present value of future rents after accounting for risk. This measure is the most widely-used metric in finance literature to measure a firm's financial performance ( Kothari and Warner, (2006). Since shareholders are the owners of the firm, they are an important constituency. That is, their interests should be included in making business decisions (Fahy and Day, (2000). It is a common practice that boards of directors' link a large portion of a top executive's compensation to the firm's stock return (Guay, 1999). Clearly, a firm's performance , sales and profit, is a key source of increasing the shareholder's return.

How to measure organizational performance has been a persistent source of debate and critique (Scherbaum et al, 2006). The literature below contains a very wide range of performance or outcome measures used in the context of examining the linkage between innovation and organizational performance However, often the measures used appear to have been selected on the basis of what was possible to collect.



Therefore the sub sections are:

- customer satisfaction measures – these measures are seen as critical mediators between product innovation and ultimate financial performance
- added value and productivity measures – these relate to how effectively the new product innovations are working.
- turnover and sales based measures – these cover how much the organisation is turning over or selling.
- profitability measures – these are measures of overall outcome which also take into account investments and other inputs



### 2.13.1 Customer satisfaction measures

Customer satisfaction measures are often used to assess business performance, especially in servi ce sectors where other outcomes are difficult to measure. Hooley et al (2005) reported that while customer satisfaction is a better performance measure for some sectors, the measure is difficult to compare across organizations as methodologies for conducting these surveys vary between organizations. The DTT's Benchmark Index and diagnostic tool uses a range of measures of customer satisfaction or rather customer dissatisfaction especially when there is new product introduction in the market, It infers customer satisfaction by calculating the number of complaints divided by orders and the number of complaints divided by the number of customers. This makes the number of complaints, as detailed in Becker and Huselid (2003), relative to the size of the company and the number of interactions it has with customers. This means that the measure can be compared across organisations and sectors. It is these previously satisfied customers who are most likely to return and use the company's products again. Therefore, seeking customer feedback from all customers after the introduction of new product may be a more effective way of establishing overall satisfaction, rather than simply measuring negative feedback. However, this may be difficult to benchmark between organisations unless a common survey methodology is used, and it is likely to involve data collection costs.

### 2.13.2 Productivity based measures

Productivity growth relies on a stream of inventions and innovations to improve working practic es and to make them more efficient. When new products are introduced, the best way to increase productivity using this driver is to invest in staff training and development (Crawford, and Di Benedetto, 2006). As suggested by Ge and Ding,

(2005) competition provides an incentive for firms to adopt best practice techniques, innovations and increase labor productivity hence competition reduces slack and makes a stream of innovations critical to business success.

### 2.13.3 Profitability based measures of New Products

Profitability ie the institution's reported profits or returns, is in many ways the ultimate bottom line measure. Huselid (1995) argues that profitability is distinct from productivity because the former incorporates costs, not just sales (but in fact some productivity formulae do include costs.

Although some measures of profit may be relatively easy for businesses to calculate with the financial information readily available and an understanding of what the measure means, he felt that as with other accounting measures, profitability measures could be manipulated and therefore need to used and compared over time very carefully. It be useful measure of the effectiveness of product innovation in some circumstances, but the profit of an organisation can be affected by a whole host of factors other than product innovation, for example market demand and trading conditions (Farley, 2004).



**2.14 Sales Performance in the Carbonated Soft drink Industry.**

Companies can change at an alarming rate in a very short space of time, so it is vital that it keeps up-to-date with any changes to its market, and how those changes can affect its sales and other performance variables (Cummings, (2006). The global off-trade soft drinks market amounted to 344 billion litres in 2004, up 5% on 2003. The US remained the largest national market despite ongoing maturity and sluggish volume performance. China experienced the fastest growth in off-trade volume sales of soft drinks among major markets in 2004. There are immediate difficulties in defining sales performance, which has meant different things to different researchers and practitioners. Performance, which in a literal sense means the way that something functions, or the results of activity over time, is measured differently in different organizations. Leveraging the knowledge and experience of the authorities such as Cummings, (2006); Sweet and Heritage, (2000) and in discussing the issues with the Institute of Sales & Marketing Management (ISMM) and the Sales Training Association (STA), five drivers of sales performance were identified:

1. Leadership, including strategy, decision making, attitudes toward learning, improving, coaching.

2. Motivation, including goal orientation and discipline, enthusiasm, planning, attitudes.

3. Skills, including communication, negotiation, customer relationships, presentation.

4. Process, including company's sales systems, information, records, preparation, follow through and delivery.

5. Marketplace, including understanding of the needs of customers, the market, their own products and those of their competitors.

The academic literature on sales performance is not voluminous (Cummings, (2006). What is available is diverse in terms of different approaches, models and angles. Custom and practice focuses on sales performance in terms of the amount of sales revenue generated, but in recent years many companies have started to use broader measures including product innovations, return on investments, shareholders value, market share etc (Sweet, and Heritage, (2000).

### 2.14.1 Company sales performance

In a 2006 Harvard Business Review edition (Anon, 2006), sales performance was presented as a combination of four things. First of all, the salesperson's capability to find, win and keep customers is considered important. But there are three other categories in the HBR list.

Second, the sales managers' skills including strategizing, coaching and motivation should be examined. One study of 477 sales agents in the insurance industry has found that individualized support is particularly positively related to sales performance (MacKenzie et al., 2000). Third, HBR outlined the support systems necessary for good performance, including recruitment and development, performance management, opportunity management and account management. Ironically, a recent commercial study of sales processes in the US found that of 1,275 companies surveyed, only 45 per cent thought that they had sales processes and only 45 per cent of those who thought they had them were monitoring them to make sure that they contribute to better selling (Cummings, 2006). Last but not least, HBR included the sales ''organisational climate'' as a contributor to performance (Anon, 2006).

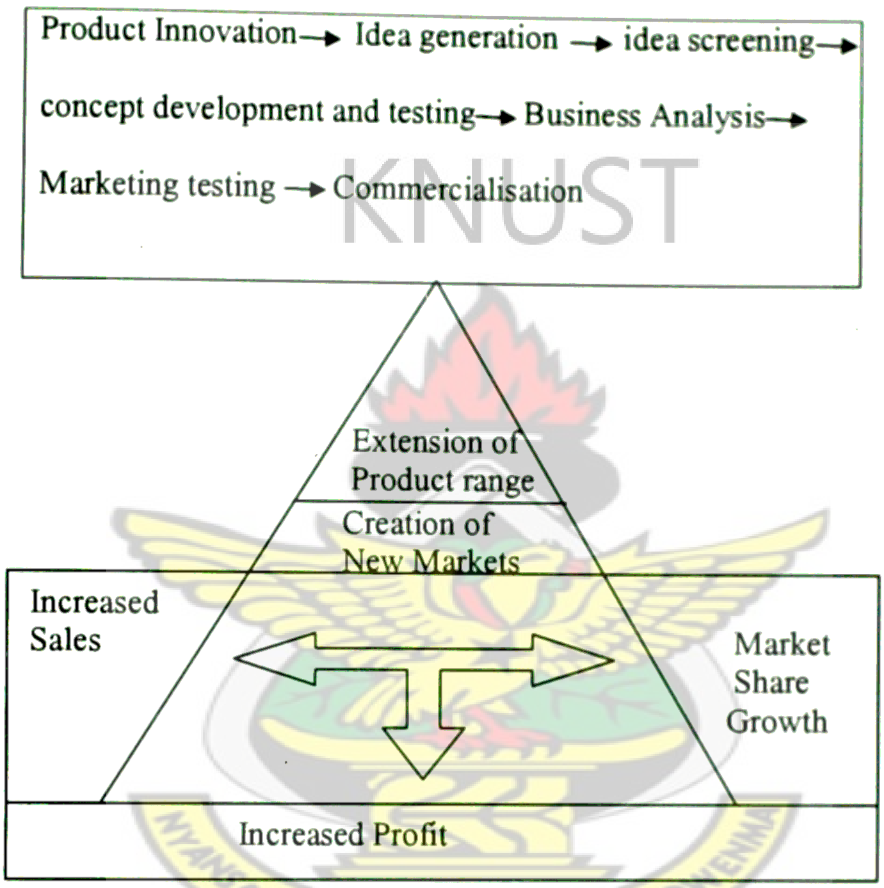
### 2.14.2 Benchmarking sales performance

Benchmarking is loosely described as a ''management technique for improving the operations of departments or organizations'' (Mann et al, 1998). It involves a department or organization rating itself against others regarded to have better business practices, in other words, the best in class. The comparison should enable the department to identify factors to perform well or better than others. It is a systematic, continuous process. It involves measurement of the company's own processes, comparison with the reference group, analysis and evaluation to identify improvement factors, broad goal setting for improvements, and monitoring performance (Mann et al., 1998). There are a lot of literature about benchmarking as a tool of quality management, cost reduction, process improvement and product innovation (Smith et al, 1993). A more holistic approach to benchmarking sales performance was taken in an experiment in Australia in an electrical products distribution company with 1,200 employees. It found support for benchmarking as a way of improving sales performance.

To summarise the literature review, it seems reasonable to assume that aspects of motivation, skills and behaviours affect corporate sales performance, and these factors have been built into this benchmarking model. The quality of sales management and sales support processes might contribute to overall sales capability in the company, so the benchmark covers performance in this area, too. Although previously under-explored, customer, market conditions and product innovations might be a moderating factor in sales performance, but there remain deep difficulties about a methodology for benchmarking these, so this has not been explored (Mann, et al, (1998).

## 2.15: Conceptual Framework of Product Innovation on Sales Performance.

According to Kumekpor, (2002) the conceptual framework is the building block upon which the current study is built. The study placed much emphasis on the goals of product innovation, and then attempted to link it with its associated benefits.




**Source: Researcher's Own Construct, July, 2009.**

Product innovation starts with the goals of achieving improved quality of products, creation of new markets and thereby increase market share. This translates into customer satisfaction, market share growth, increased sales increased profits. However, for such goals to be attained, an innovative organization must have, at its helm, top management that gives attention to new products, which are seen as the life blood of the company. Their vision for innovation is clearly communicated to, and its value shared by staff at all levels of the organization. A clear strategy as guiding force, backed by top management support, ensures that teams consistently perform. Top management not only believes wholeheartedly but also devotes sufficient resources to new-product development. A strongly innovative organization is also committed to its people (staff), investing continually in helping them to acquire and maintain the necessary skills for innovation.

As Morton and Zettelmeyer, (2004) suggested, the organization must also embrace the product champions who, against all the odds, strive to take projects to completion They, in turn, rely on the executive champion, whose authority is invaluable in fighting off the political battles that interfere with new-product progress. Furthermore, information and communication systems are designed to facilitate learning and to ensure that information flows quickly to critical individuals responsible for making or implementing new-product development decisions. Real innovation is a risky activity, so firms must foster an entrepreneurial culture and climate for it.

# CHAPTER THREE

# METHODOLOGY

## 3.0 Introduction

This chapter is more about the primary research phase of the study which is more practically focused and brings about the technical problems of carrying out the research. According to Yin, (2003), a research methodology defines what the activity of research is, how to proceed, how to measure progress, and what constitutes success. Kumekpor, (2002) also defines it as the methods, procedures and techniques used in an attempt to discover what we want to know. Research methods are, therefore, concerned with the how of how we go about discovering what we want to know. This chapter therefore focuses on the population for the study, sampling and sampling techniques and the types of research applied in this research. The chapter also presents the data collection and data analysis including the tools used to analyze the data, administration of the survey instrument and the procedure adopted in analyzing the data collected.



## 3.1 Population

This current research which is a case study in nature is limited to the Coca Cola Company Limited Ghana. Yin (2003), defined population as the total number of all units of the phenomenon to be investigated that exists in the area of investigation. i.e 'all possible observations of the same kind'. The population of the study therefore comprised all staff and distributors of Coca Cola Company Limited in Ghana. As at April, 2009, the defined population comprises: senior officers (40), junior ranks (230), distributors (80), and senior managers (10). In all the population size was three hundred and sixty (360). This was confirmed from the head of human resource department in the Kumasi area office during the pre-test survey.

Senior management specifically those at strategic levels were chosen because they were in the position to provide the necessary techniques, strategies and feedback in the use of product innovation as a tool for gaining competitive advantage in this intense competitive beverage industry. In addition, they were in a position to provide responses as to how these strategies have helped in the areas of profit margin, sales growth and improvement in market share among others. What is more, they were the very people who took strategic decisions on changes in market trends, analyse sales growth, Return on assets, Return on investment, Return on capital employed, new product innovation and new product service. The senior staff and junior ranked staff were included in the sample as they are at the operative end of all these strategies, implementing and supervising in the field and therefore have a first-hand feedback from both customers and consumers which can enrich this study.

Since the purpose of this study is to gain a better understanding of competitive strategies adopted by TCCBCGL, the distributors were also purposively selected in order to gain quick insight into their operations including prospects and challenges in the industry for them. This was necessary because it will enable the study come out with the necessary gaps through which recommendations could be put forward for future policy implications. Furthermore, the distributors were targeted because they are the main source who can compare and contrast whether the introduction of new product by the Coca-Cola Company Ltd has given it a competitive edge in the market place.

### 3.2 Sampling and Sampling Techniques

The main interest in sampling is to extend the results of analysis based on the sample to the universe from which the sample was drawn. Saunders et al (2007) proposed that sampling is of central importance in research and that the characteristics of the sample should closely reflect those of its universe. Care was therefore taken in order to ensure that the sample selected was, as far as practicable, representative of its universe. The process of selecting the sample, to a great extent, affects the degree to which a sample is representative of the universe from which it is selected (Kumekpor, 2002). It therefore becomes necessary, to devise appropriate methods of selecting samples that give satisfactory average results, as well as, make it possible to estimate the degree of representativeness. Yin (2003) proposes that an important requirement of most sampling procedures, therefore, is that the selection process should be subjected to the operation of the law of chance rather than the use of subjective judgement. If the selection process is governed by the law of chance, then it is reasonable to infer that results of analysis based on such a sample will also be governed by the law of chance. Based on this premise, the sampling techniques used in this study were stratified random and purposive sampling. The stratified random sampling was used because the study intended to give the respondents within each stratum especially the staff equal chance to be interviewed. This technique was chosen because it was deemed to be able to provide more precise estimates if the population being surveyed is more heterogeneous than the categorized groups, it also enabled the researcher to determine the desired levels of sampling precision for each group, and provided administrative efficiency.

It involved categorizing the members of the population into mutually exclusive and collectively exhaustive groups or strata, e.g. production staff, sales staff, accounts staff, operations staff, and staff in the human resource offices. An independent simple random sample was then drawn from each group. The lottery method was employed to achieve these results. The following steps employed were to ensure that the simple was representative of the population. First, a list of all the employees within the defined ranks was gathered and arranged in a convenient order and a serial number assign to each unit. The same serial number was written on pieces of paper to correspond to the number of units gathered from the company. These were placed in a box and later picked one after the other by a neutral person until the total sample size was obtained. The simple assumption underlying this method was that all the respondents were judged to be homogeneous and every individual unit in the universe stood an equal chance of being included or excluded in the final sample. In addition, the study intended to eliminate biasness so that no individual would have any other chance to be selected more than any other member.

The study also purposively chose respondents whose opinions were relevant to the study. This method was chosen because the units of the sample are selected not by a random procedure, but they are intentionally picked for the study because of their characteristics or because they satisfy certain qualities which are not randomly distributed in the universe and they exhibited most of the characteristics of interest to the study.

The following was the break-down of the samples selected from each group: ten (10) senior managers, eighty (80) Distributors, fifteen (15) senior officers and seventy (70) junior ranks. This brought the total sample size to one hundred and seventy five (175).

In a perfectly representative sample, the mean of the individual units comprising the sample should be equal to the mean of the units comprising the universe from which the sample was selected. This, however, is hardly the case in actual practice. There is normally always a difference between the mean of the sample units and the mean of the units of the original universe. Consequently, if a number of samples is taken from the same universe, each sample is likely to have a different sample mean. The reliability of the mean of a sample depends upon the size of the sample; the variability of the units of the sample and the degree of bias in the selection process (Fisher 2007). In general, the larger the sample and the less the variability of the sample units, the nearer the sample mean is likely to be to the mean of the universe. Therefore, the more reliable are estimates based on the sample.

The estimate of how much a sample result is likely to differ from the universe from which it was selected is known as the standard error of the sample. It is simply the standard deviation of the sample means from the universe. It is calculated as

S.Em=3 square root of N-1: Where 3 is the standard deviation; N is the sample size

The larger the standard error, the less reliable is the mean of the sample. This means that the reliability of estimates based on sample results decreases with larger sizes of the standard error of the sample. As a general rule, the standard error of a sample decreases with increase in the sample size (Kumekpor, 2002).

### 3.3 Types and Sources of Data

The types of data that was gathered included both quantitative and qualitative data. According to Fisher (2007), in every case, descriptive research examines a situation as it is. It does not involve changing or modifying the situation under investigation, nor is it intended to determine cause and effect relationships. Among the quantitative data that were collected included pricing strategies, market share, sales growth etc. Kumekpor (2002), indicated that qualitative research encompasses several approaches to research that are, in some respects, quite different from one another. Yet all qualitative approaches have two things in common. First, they focus on phenomena that occur in natural settings i.e, in 'real world'. And second, they involve studying those phenomena in all their complexity. The qualitative data that were gathered included data on customer preference, feedbacks, market trends etc.

Kumekpor (2002), suggested that most research questions are answered using some combination of secondary and primary data. Where limited appropriate secondary data are available, the study will have to rely mainly on data you will collect yourself. Based on this, a combination of both primary and secondary sources of data was applied. Ghauri and Gronhaug (2005), and Robson (2002), suggested that primary sources of data refer to data that will be collected expressing specific purpose. The primary data was obtained from field. The benefit of obtaining a primary data is that exact information wanted is obtained and is more reliable. Secondary data include both raw data and published summaries. The secondary data applies to already collected data compiled for other purposes. However it should be related to the topic under study. The secondary data that were employed in the study were obtained from newspapers, textbooks and relevant websites on product innovation as competitive strategies. These were mostly gathered from certified establishments notably the Kwame Nkrumah of Science and Technology – Kumasi- Main Library, British council, and from the coca cola bottling company of Ghana Kumasi office. The study made sure that the information gathered was suitable for the research.

### 3.4 Research Instruments.

Survey method was used in the data collection. This is because surveys represent the most commonly used method of data collection in the social sciences. In general, surveys are methods of data collection in which information is gathered through questioning (oral or written) (Yin, 2003). The commonly used instruments in social sciences research include questionnaires, interviews and observations. Questionnaire will be used in collecting the data from management and distributors. In this current research questionnaire was used as a general term to include all techniques of data collection in which each person is asked to respond to the same set of questions in a pre determined order (deVaus, 2002).

The questionnaires were administered to the ten (10) senior managers in TCCBCGL, all the eighty (80) distributors of the company, and fifteen (15) senior officers, seventy (70) junior officers were interviewed respectively. The questions were made up of closed ended and open ended types. Distributors who are semi literate were assisted in the answering of the questionnaire. The questionnaire was well structured encompassing a cover letter, instructions and the main body. These were relevant to neutralize doubts, suspicions, misconceptions, and mistrust respondents might have on the study. Some of the questionnaires were administered through mail with pre-paid stamps whilst others were administered personally; depending on proximity and literacy level of the respondents.

### 3.5 Single case-study Approach.

Robson (2002) defines case study as a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence. Yin (2003) also highlights the importance of context, adding that, within a case study, the boundaries between the phenomenon being studied and the context within which it is being studied are not clearly evident. The case study strategy is of particular interest to the study because it wished to gain a rich understanding of the context of the research and the processes being enacted as perceived by Morris and Wood, (1991).The case study strategy also has considerable ability to generate answers to the question 'why' as well as the 'what' and 'how' questions (Saunders et al, 2007). For this reason the case study strategy is most often used in explanatory and descriptive research. Yin (2003), distinguishes between four (4) case strategies based upon two (2) discrete dimensions:

- Single case v. multiple case
- Holistic case v. embedded case



A single case is often used where it represents a critical case or, alternatively, an extreme or unique case. Conversely, a single case may be selected because it is typical or because it provides the study with an opportunity to observe and analyse a phenomenon that few have considered before. Inevitably, an important aspect of using a single case is defining the actual case (Kumekpor, 2002). A case study strategy can also incorporate multiple cases, that is, more than one case. The rationale for using multiple cases focuses upon the need to establish whether the findings of the first case occur in other cases and, as consequences, the need to generalize from these findings. For this reason Yin, (2003) argues that multiple case studies may be preferable to a single case study and that, where you choose to use a single case study, you will need to have a strong justification for this choice. The study made use of a single case study because the size of the study area was sizable enough to make generalizations

## 3.6 Justifications for choosing the study area.

Coca Cola Company Limited was chosen because it is one of the major producers and players in the carbonated soft drink market in the country and has a considerable number of sellers and consumers. In addition, it was observed that it invests a lot especially in the areas of product innovation as a tool in gaining competitive advantage via frequent changes in its product strategies. Again, the study area was chosen due to access to data, proximity and the recognition the company has worldwide.



## 3.7 Data presentation and Analysis.

A well designed questionnaire containing all the necessary checks and controls is useless if the fieldwork is slovenly carried out (Kumekplor, (2002). Robson (2002), argues that data in a raw form, that is, before these data have been processed and analysed, convey very little meaning to most people. These data therefore need to be processed to make them useful, that is, to turn them into information. Marshall and Rossman (1999) suggested that data analysis should center on data in the form of words and mathematical inferences. They stated that both qualitative and quantitative data analysis concerns three (3) flows of activity; data reduction, data display and conclusion drawing/verification. Data reduction activity involves the process of selecting focusing, simplifying, abstracting and transforming the data. Data display involves the consideration of the reduced data displaying it in an organized, compressed way so that conclusions can be easier to draw. The last activity was to decide what these mean, check the regularities, patterns, explanations, possible configurations, casual flows and positions. The use of statistical program for the social scientists (SPSS) was also employed to run the data. These were presented in the form of tables, graphs, charts and words. In addition, regression analysis was used in running the figures drawn from the company.

### 3.8 Scope and Limitations of the study.

The study was limited to only product innovation as competitive strategy on sales performance in the carbonated soft drink market using Coca Cola Company as the test case. The major limitation of the study was that we could not have access to the full financial data. Sales were therefore calculated in crates/cartons/cases instead of cash. Another limitation was that some of the distributors were illiterate and did not want to participate; the researcher took a letter from Coca Cola Company asking them to corporate which they accepted. Again, the company could not provide data to cover a ten year period as the researcher would have wished to have. This was because the company was undergoing restructuring and organization in the early 2000's data before that period could not be traced.

### 3.9 Brief Description of the Coca Cola Company

The Coca-Cola Bottling Company of Ghana Limited (TCCBCGL) was set up as a joint venture between the following partners on March 7, 1995:

- Coca-Cola Export Corporation - 25%
- Africa Growth Fund - 20%
- Government of Ghana - 55% with the Management contract granted to The Coca-Cola Company.

Upon further re-structuring and acquisition, the current ownership structure changed initially in 2000 to: Equatorial Coca-Cola Bottling Company- 68%, Government of Ghana - 32%.

In year 2003, the Equatorial Coca-Cola Bottling Company of Barcelona, Spain bought over the Ghana Government shares and assumed 100% ownership. And this shareholding structure has remained till date.

- Mission Statement: The mission of TCCBCGL is to "deliver high quality products and services that meet the needs of our customers and consumers through highly trained and motivated human resource. To this end, we will manufacture and market beverages/products which comply with the Coca-Cola Company's specifications and the requirements of the consumers and endeavor to exceed them whilst we improve our shareholders' value".
- Administrative Setup: Administratively, TCCBCGL is headed by a General Manager/Chief executive officer who is assisted by eight Heads of Departments namely: Finance, Technical, Human Resource, Commercial/Marketing, Supply Chain and Logistics, Internal Control, Public Affairs and Communications and an Administrative Plant Manager in Kumasi. The company employs about 960 workers and has about 55,000 customers, with over 8,000 Mini-Table operators and 80 independent Mini-Depot Operators, each of which employs at least 4 persons. Equally, the Company outsources other non-core operations such as long distance haulage, legal, janitorial services etc to outside bodies.
- Products Range: The company manufactures ten brands (10) brands of products namely: Coca-Cola, Fanta, Dasani, Sprite, Krest, Schweppes, BonAqua, Minute Maid, and Burn. Eighteen (18) flavors are currently bottled under the above mentioned brands, namely: Coca-cola, Fanta Orange, Fanta Lemon, Fanta Fruit Cocktail, Fanta Pineapple,Sprite, Krest Bitter Lemon, Krest Ginger-Ale, Krest Soda Water, Krest Tonic Water, Schweppes Tonic Water, Schweppes Bitter Lemon, Schweppes Soda Water, BonAqua drinking water, Dasani Mineral Water, Minute Maid fruit juices and Burn energy drinks.

- Operations: The TCCBCGL operates two plants, Accra and Kumasi, made up of 5 production lines: four in Accra plant and one in Kumasi plant. From a sixty percent (60%) market share in 1995, the company in 2005 controlled eighty six percent (86%) of the beverage industry in Ghana and in 2008 had 94% of the market. A market leader in its own right, TCCBCGL has established extensive marketing and distribution networks since 1995 throughout the country. To date, the company has created 55,000 new outlets; 8,000 Mini-Tables and placed 13,500 Electric Coolers in trade. It has established 10 Distribution Centers throughout the country and assisted individual Entrepreneurs to set up 80 Mini-Depots and MDC's (Manual Distribution Centres) which are independently managed.

- Social Responsibility & Community Relations Activities: TCCBCGL has made tremendous contributions in the following areas:

1. Education

    - Donation to the Otumfuo Education Trust Fund ($10, 000. 00).

2. Health/Environment

    - Medical College, University of Ghana , Legon, Endowment Fund
    - Assistance to the Ghana AIDS Commission
    - Refreshment during vaccination exercise for children against childhood diseases
    - US$ 1m Waste Water Treatment Plant (Accra)
    - US$ 0.8m Waste Water Treatment Plant (Kumasi)
    - Awareness Seminars organized by EPA
    - Support for Ramsar Site - Sakumono Lagoon
    - Workplace HIV programmes

3. Facilitate Foreign Investment in Ghana

- Co-sponsor of Trade Mission to Ghana (Jesse Jackson Trade Mission)
- Sponsor of Africa/African-American Summit – 2007/2008.

4. Sports

- Beverage Sponsors for the Ghanaian Soccer League (2005-2008)
- Top Four Football Competition Sponsors (2005-2006)
- Grassroots soccer tournament for under 14 and 17 years old (2006 – 2009)

5. Affiliation

- TCCBCGL is a corporate member of Chartered Institute of Administration; Institute of Public Relations, Ghana; Association of Ghana Industries (AGI) and Ghana Employers Association (GEA).
- The company also subscribes to the UN Global Compact which is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles embedded in the areas of: Human Rights, Labour Rights, Environment and Anti-Corruption practices

# CHAPTER FOUR

# DATA ANALYSIS, DISCUSSIONS AND FINDINGS

## 4.1 Introduction

According to Twumasi, (2001) analysis means a critical examination of material in order to understand its parts and its relationship and to discover its trends. It means the separation of the research data into its constituent parts. After the separation, the researcher must study the nature of the material to determine its essential features and their relations. This chapter presents the results of the study and discusses the findings of the study. The analysis focuses essentially on the impact of product innovation on sales performance particularly in the light of managing challenges of this contemporary strategy. The analysis is presented in the form of tables, charts and graphs. Descriptive statistics in the form of frequency distribution and percentages will also be shown. In addition, the analysis will include parameters such as expenditure on promotions, market share etc.

## 4.2 Response Rate

Out of the one hundred and seventy-five (175) respondents sampled, one hundred and sixty (160) responded to the questionnaires. Of the remaining fifteen (15) of the questionnaires that were not analysed, six (6) of them were not returned and nine (9) had badly written answers which presented readability challenges, some were also full of inaccuracies and inconsistencies. This represents 8.6% of the respondents, which is the margin of error. This means that our response rate was 91.4%.

### 4.3 Demographic Information of Respondents

In developing new product innovation, there is the need to consider most importantly the demographic composition of customers who will buy and sell the new products in order for strategic managers to come out with well informed decision about the products. Among the variables considered were gender composition of distributors, their educational status, and business experience with the Coca-Cola Company Limited.



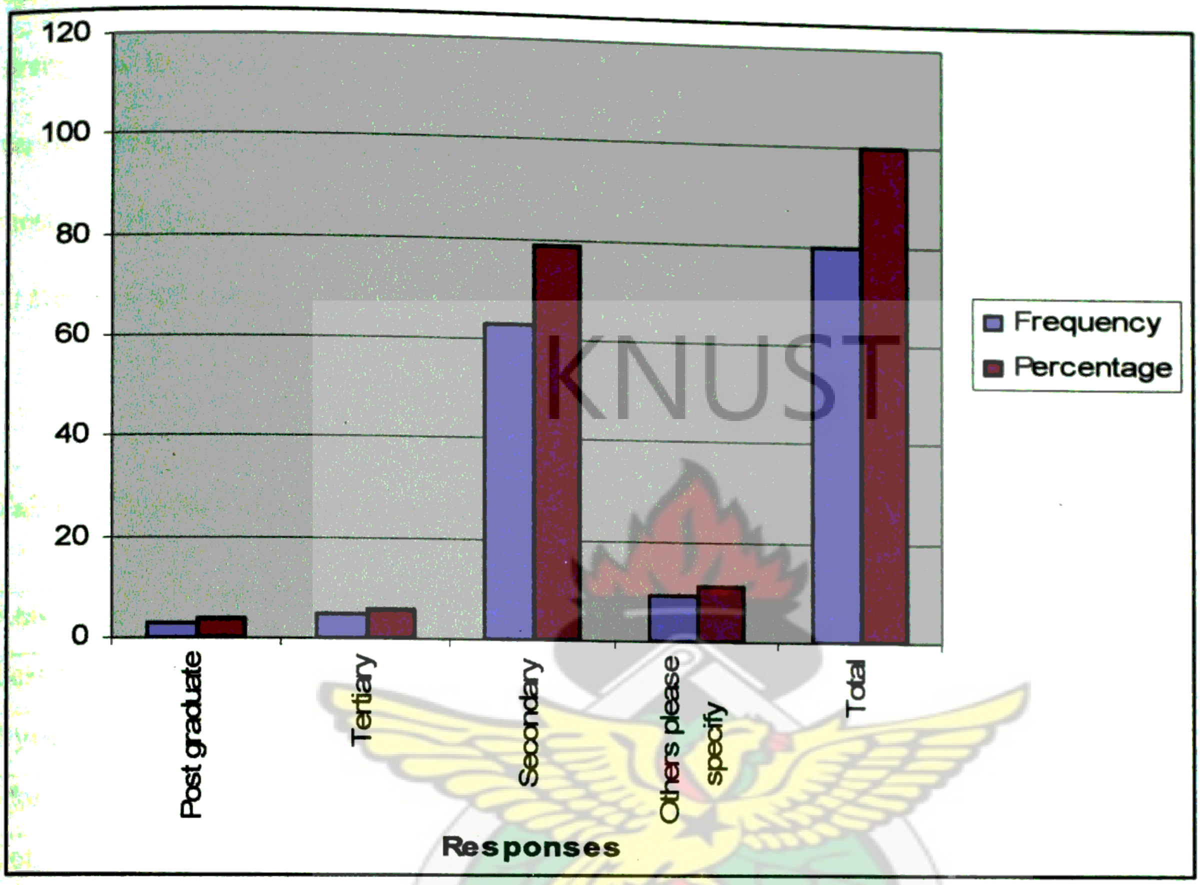
**Table 1: Gender Composition of Distributors**

| Responses | Frequency | Percentage |
|---|---|---|
| Male | 12 | 20 |
| Female | 68 | 80 |
| Total | 80 | 100 |

Source: Fieldwork, June, (2009)

Table 1 shows the gender composition of the distributors of Coca Cola Company Limited and it revealed they were being dominated by females as it was shown by eighty (80%) percent. Only twenty percent (20%) of them were males. In an informal interview with the senior managers in the sales department, it came out that such female participation, as a phenomenon, was a natural occurrence as most Ghanaian traders are women.

**Graph 1: A graph showing educational Status of Distributors of Coca Cola Bottling Company of Ghana as at June, 2009.**




Source: Fieldwork, June, (2009)

In finding out the educational status of distributors, it was revealed that only four percent (4%) and six percent (6%) had postgraduate and tertiary certificates respectively. The greater majority of them had secondary school qualification. This represents seventy-nine percent (79%) of the distributors sampled. Thus the educational status of most of Coca Cola distributors was on a lower side. The implication here is that most customers might not understand the marketing and sales strategies of the company, most importantly for new products, to enable them pass them on and translate them into sales. Therefore for the Coca-Cola Company to effectively increase the sale of its products it needs to strengthen its redistribution channels and its management. This can be done through six interconnected factors: People, work processes, managerial structure, information and knowledge, decision and reward. This means that management should organize training programmes for distributors on managerial, marketing and sale programmes etc if it is to strengthen its position in the sale of its products. Such training programmes could assume various forms, including classroom training, mentoring, cross – training, business meetings, team meetings, skilled – based workshops and seminars, job rotation, job enlargement and enrichment, to mention just a few.



**Table 2. Number of Years Respondents had been in the Distribution of Coca Cola Products**

| Responses | Frequency | Percentage | Cumulative |
|---|---|---|---|
| Less than 5 years | 3 | 4 | 4 |
| 5 years - 10 years | 60 | 75 | 79 |
| More than 10 years | 17 | 21 | 100 |
| Total | 80 | 100 | |

Source: Fieldwork, June, (2009)

The study shows that the Coca-Cola Company has been able to sustained or increase the level of satisfaction and retention of their customers, which is manifested by the number of years that distributors have been with them. The results further confirmed that distributors had confidence and respect for the company. In an interview with one of the management, he said "satisfying and providing the needed apparatus to distributors should be a primary goal of the marketing strategy which will obviously be translated into profitability". He demonstrated that customer satisfaction leads to customer loyalty and positive repeat of purchase intentions. The study confirmed that most of the distributors had been with the Coca Cola system for between 5years to ten (10) years and ten (10) years and above. Only four (4%) percent were less than 5years.

**4.4 Objective 1:**

**To identify the types of Product Innovation strategies adopted in Coca Cola Company Limited between 2002-2008.**



Among the product innovation strategies in Coca Cola Company Limited are as outlined:

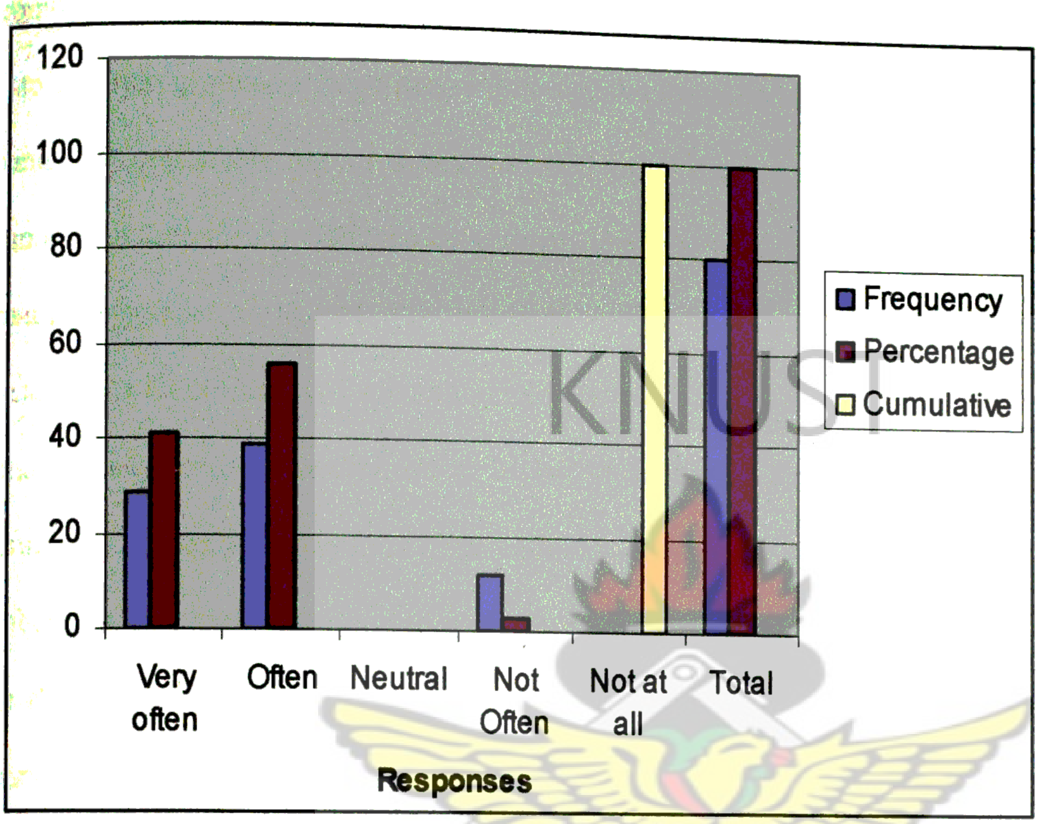
- Pack size innovations: Here Coca Cola Company provides different sizes of the same product to fit various pockets in terms of affordability and also to provide for occasion consumption. e.g 1litre pack, 1.5litre pack, 0.5litre pack, 0.3litre pack, 0.2litre pack etc.

- Flavour innovations: where Coca Cola Company develops variants of a particular brand e.g fanta orange, fanta lemon, fanta cocktail, fanta pineapple, fanta strawberry etc

- Packing innovations: This is a strategy aimed at making its packaging handy and easily transportable by packing its products in 1x6pack; 1x12pack; 1x24pack; 1x4pack

- Entirely new products: New package and New flavour

**Graph 2: A graph exhibiting how Distributors rated the Number of times the Coca Cola Company brings New Products onto the Market.**




Source: Fieldwork, June, (2009)

One of the most prevalent questions within strategic management is how firms are able to come out with new innovative strategies that allow them to gain superior competitive performance compared to their competitors. In finding out the frequency at which the Coca Cola Company introduces new products onto the market, it was realized that collectively more than ninety-seven percent (97%) of respondents gave a very high rating. This is evidential as management had introduced varieties of products since 2002 ranging from Coke light, Coca Cola diet, Dasani drinking water, fanta cocktail, fanta pineapple, Five Alive fruit juice, Burn energy drink. None (0) of the respondents remained neutral on the issue whilst almost three percent (3%) indicated that it is not often introduced. The study had stressed the importance of a company watching its competitors closely. Whether a company is a market leader, challenger, follower, or nicher, it must find the competitive marketing strategy that positions it most effectively against its competitors. This involves the process of splitting customers, or potential customers, in a market into different groups, or segments, within which customers share a similar level of interest in the same or comparable set of needs satisfied by a distinct marketing proposition. Success in innovation therefore is achieved by understanding the process, its payoffs, and managing both so that little gets left to chance. This has been true in the Ghanaian setting where over the last five years Coca Cola Company has introduced various pack sizes and flavours to meet the changing and shifting needs of consumers as a way of defending their market share and growing their profits. Competitive pressures, increasingly demanding consumers and shortened product lifecycles will likely continue to push up the number of product introductions in the Ghanaian market. This will broaden the choice of products for the consumer and also empower his bargaining stance. An additional factor comes in the form of changing consumer trends and lifestyles. As a result of their increasingly complex, fast- paced lifestyles, consumers no longer fit neatly into marketing segments, but are "individuals" who jump between many segments during the week, and even during the course of the day. The study opines that such varieties of products will mean the company will be able to serve different segments within the markets as such products will meet the needs of the different consumers within the markets. The study is consistent with Hauser, et al, (2005) who stressed that innovation has the potential to create new markets and transform industries, or completely destroy them. Coca Cola company Ghana had really enjoyed the latter. This is so because since 2002 to date the company has been dominating in the carbonated soft drink industry in the area of market share. In 2002 it had 94.20%; in 2003 it virtually remained the same. However, it increased to 95.30% and 96.10% in 2004 and 2005 respectively. Since then it had seen no significant growth till 2008 when it improved to 97.10%.

It was revealed that consistently Coca Cola Ghana had been putting a lot of money in promoting its new products since the aforementioned period. This is shown in table 4.

## 4.5 Objective 2:

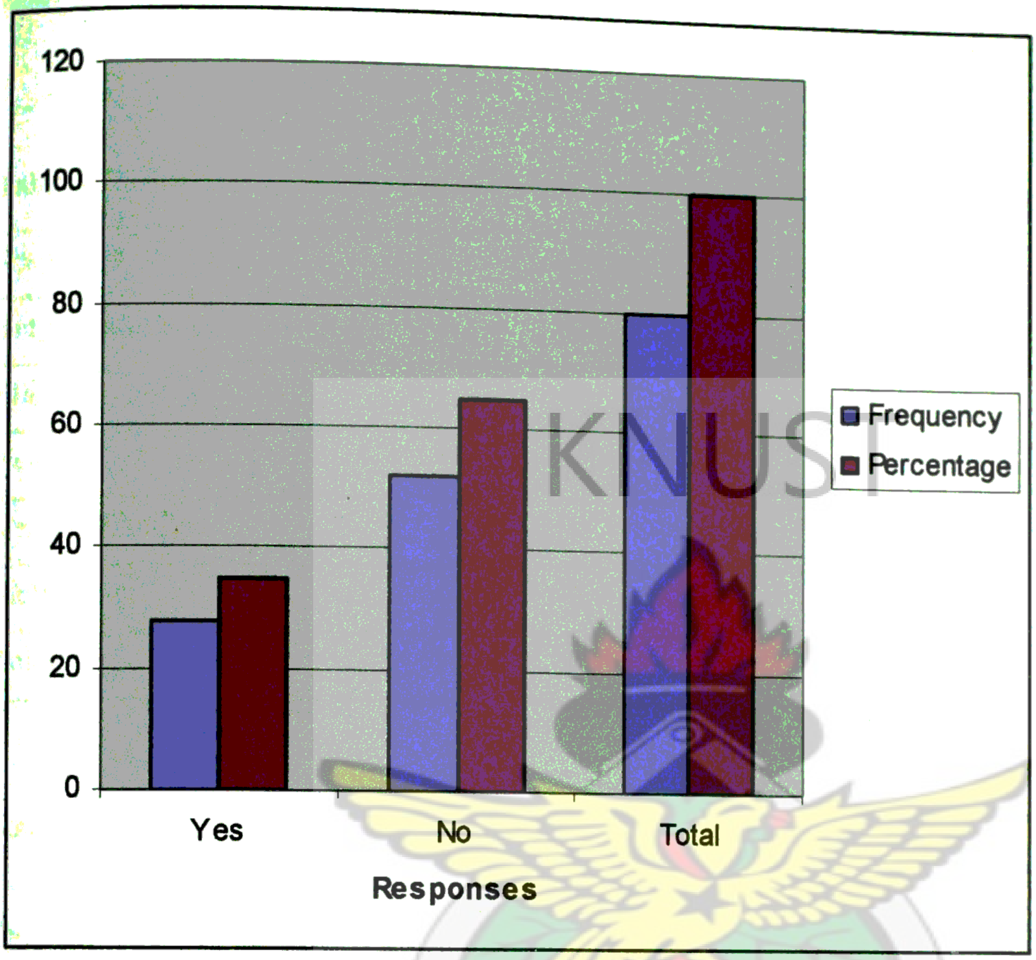
**To investigate how product innovation strategies have been Managed by Coca Cola Company Limited in its quest to gain long-term competitive advantage from 2002 to 2008.**



Among some of the measures and steps used in managing the success or otherwise of new products are as explained below:

- Out of stock situation in outlets: Thus outlets carrying its products in the desired quantities, which is normally three (3) days of consumers' needs.
- Numeric distribution: is the number of outlets in a given marketplace who carry or sell a particular brand, divided by the total number of outlets in the marketplace.
- Market share gained: Market share is the portion or percentage of sales of a particular product or service in a given region that are controlled by the company. Market share is used by businesses to determine their competitive strength in a sector as compared to other companies in the same sector.
- Customer feedbacks mechanisms: Customers view and perception on the new products are solicited and fed into an array of new ideas, sifted and the feasible ones adopted for improvement or change.

**Graph 3: A graph depicting the Amount of Resources on Product Innovation in Coca Cola Ghana Limited**




Source: Fieldwork, June, (2009)

Another crucial decision facing top management is how much to budget for new-product development. It was realized that greater proportion of the respondents rated the budget allocated for new product innovation as very adequate. New-product outcomes are so uncertain that it is difficult to use normal investment criteria for budgeting Nitin, (2003). Stalk, (1992) indicated that some companies solve this problem by encouraging and financing as many projects as possible, hoping to achieve a few winners. Other companies set their R & D budgets by applying a conventional percentage-to-sales figure or by spending what the competition spends.

Still other companies decide how many successful new products they need and work backwards to estimate the required R & D investment.

**Table 3 Rating the Effectiveness of Coca Colas' Product Innovative Strategies**

| Responses | Frequency | Percentage | Cumulative |
|---|---|---|---|
| Very effective | 32 | 40 | 40 |
| Effective | 38 | 47.5 | 87.5 |
| Neutral | 8 | 10 | 97.5 |
| Very ineffective | - | - | 97.5 |
| Ineffective | 2 | 2.5 | 100 |
| Total | 80 | 100 | |



Source: Fieldwork, June, (2009)

As suggested by Cotterill, et al, (2000) to plan effective competitive marketing strategies, the company needs to find out all it can about its competitors. It must constantly compare its products, channels, and promotions with those of close competitors and then be able to come out with efficient product innovation strategies. The study shows that 87.5% of respondents (in cumulative terms) rated Coca Cola's product innovation strategies as effective. Only 2.5% rated its introduction as ineffective. The interpretation here is that with the rapid changes in tastes, technology, and competition, a company cannot rely solely on its existing products as customers want and expect new and improved products. This implies that every company therefore needs a new-product development program to stay in competition.

### 4.6 Problems encountered by Staff on New Product Innovation

It was established from the findings that most of the time respondents did not understand the values of the new products; in otherwords what the new product stands for. Again, the promotional materials for new products always delay in coming for effective marketing. The implication here is that the company may not achieve the set objectives for the new products when the people who are supposed to promote them do not understand the core values of the products and cannot give the products the needed marketing support due to administrative bottlenecks

**Table 4. Expenditure on Promotion (Amounts in Old Ghana cedis)**

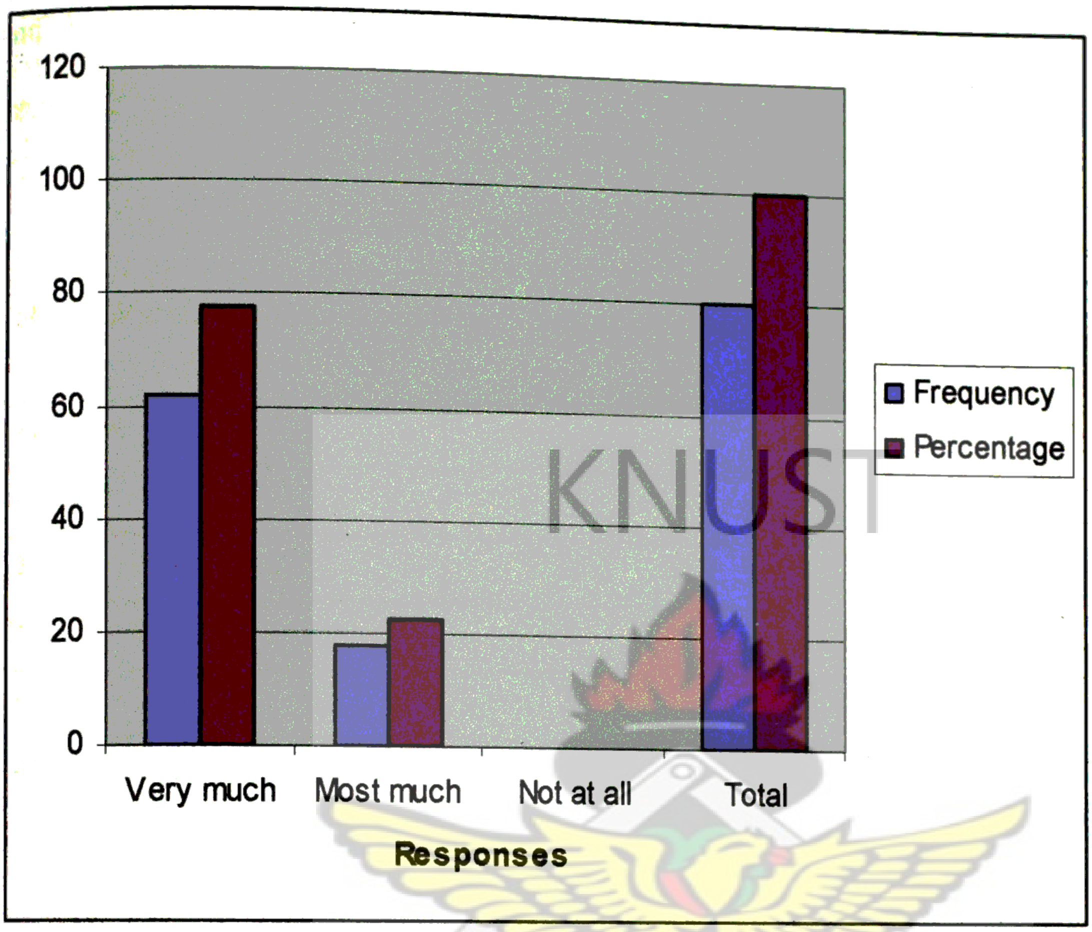
| Year | Amount | Percentage Change |
|---|---|---|
| 2002 | 1,779,955,080 | - |
| 2003 | 2,197,942,860 | 18.70 |
| 2004 | 2,736,860,600 | 20.00 |
| 2005 | 3,260,634,780 | 15.95 |
| 2006 | 3,758,680,000 | 13.29 |
| 2007 | 3,877,273,540 | 3.01 |
| 2008 | 4,691,671,560 | 17.27 |

Source: Fieldwork, June, (2009)

It shows that expenditure on promotions had been increasing at a decreasing rate since 2002 till date. This re-enforces Wind, (1997), who maintained that the average investment on product innovation across all types of organizations is four percent of total turnover. This expenditure will typically be spread across various marketing communication functions including marketing, product design, advertising, personal relations function, billboards etc. This shows that the Coca

Cola Company finds it profitable to make innovation their grand strategy. They seek to reap the initially high profits associated with customer acceptance of a new or greatly improved product. One of the major reasons for putting in such promotional expenditure is against a constantly shifting backdrop of technologies, competitors, and markets which constantly evolve. This signifies that companies must do more than make good products and as such must inform consumers about product benefits and carefully position products in consumers' minds, that is promotions become more important as competition increases. Coupled with this is the fact that companies should be able to tell the market about the products and then suggest uses and how the products work. The table also shows that expenditure on promotions had been increasing at a decreasing rate; however, there was a heavy slump in 2007 because no new products were introduced in that year.

**Graph 4: A graph showing the Effect of New Product Innovation on Customer Growth.**




Source: Fieldwork, June, (2009)

The study intended to find out how new product innovation had impacted on customer growth in the major distribution centers and it was revealed that more than seventy-seven percent (77%) indicated that it had had much impact on their customer growth. More than twenty-two percent (22%) said there is little impact on their customer growth. This means that Coca Cola Company develops products that are customer centered. Thus to create successful new products, a company must understand its consumers, markets and competitors, and develop products that deliver superior value to customers as suggested by Bowman, (1995). Thousands of new items are introduced each year as companies seek to gain competitive advantage and drive top-line growth. This has been true in the Ghanaian setting where over the last five year, companies like

The Coca Cola Company has introduced various pack sizes and flavours to meet the changing and shifting needs of consumers as a way of defending their market share and growing their profits.

**Table 5: Rating the number of times Competitors introduce New Products**

| Responses | Frequency | Percentage | Cumulative |
|---|---|---|---|
| Very often | 9 | 11 | 11 |
| Often | 13 | 16 | 27 |
| Neutral | 18 | 23 | 50 |
| Not often | 38 | 47 | 97 |
| Not at all | 2 | 3 | 100 |
| Total | 80 | 100 | |

Source: Fieldwork, June, (2009)

The study tried finding out the rate at which Coca Cola's competitors introduced product innovations in the market and it was realized that forty-seven percent (47%) of the respondents indicated not often. This was followed by twenty-three percent (23%) who remained neutral. Among the notable and direct competitors are Pepsi Ghana Limited producers of Mirinda, Pepsi cola, Seven up and Accra Brewery who also produces Club Cola, Club ginger ale, Club Tonic, Club soda water, and Club orange among others

**Table 6. Distributors rating on the Prices of Coca Cola Products**

| Responses | Frequency | Percentage |
|---|---|---|
| Very expensive | 39 | 49 |
| Expensive | 41 | 51 |
| Very cheap | 0 | 0 |
| Cheap | 0 | 0 |
| Total | 80 | 100 |



Source: Fieldwork, June, (2009)

A company sets not a single price, but rather a pricing structure that covers different items in its line. This pricing structure and strategies usually change as the product passes through its life cycle. According to Kotler and Armstrong (1991), the introductory stage is challenging. Many companies that invent new products set high prices initially to "skim" revenues stage by stage from the market. It was revealed from the study that most of the respondents rated the prices of Coca Cola's products as expensive. This formed fifty-one percent (51%) of respondents. What is more, forty-eight percent (48%) of them even rated the products as very expensive. None (0), said that the prices of Coca Cola products were cheaper as compare to competitors prices such as Pepsi, and Accra Brewery. The findings show that most of the respondents were not content with the prices as majority indicated that Coca cola products are luxury to have. It is suggested that rather than setting a high initial prices to skim small but profitable market segments, Coca Cola should set a low initial price in order to penetrate the market quickly and deeply to attract a large number of buyers and win a large market share. In addition, management of Coca Cola should develop market-penetration pricing strategy to enable it boost its market share. In product-line pricing, management must determine the price steps to set between the various consumers. The price steps should take into account cost differences, consumer evaluations of their different features, and competitors' prices.

**Table 7: Customer Satisfaction and New Product Innovation by Coca-cola Company**

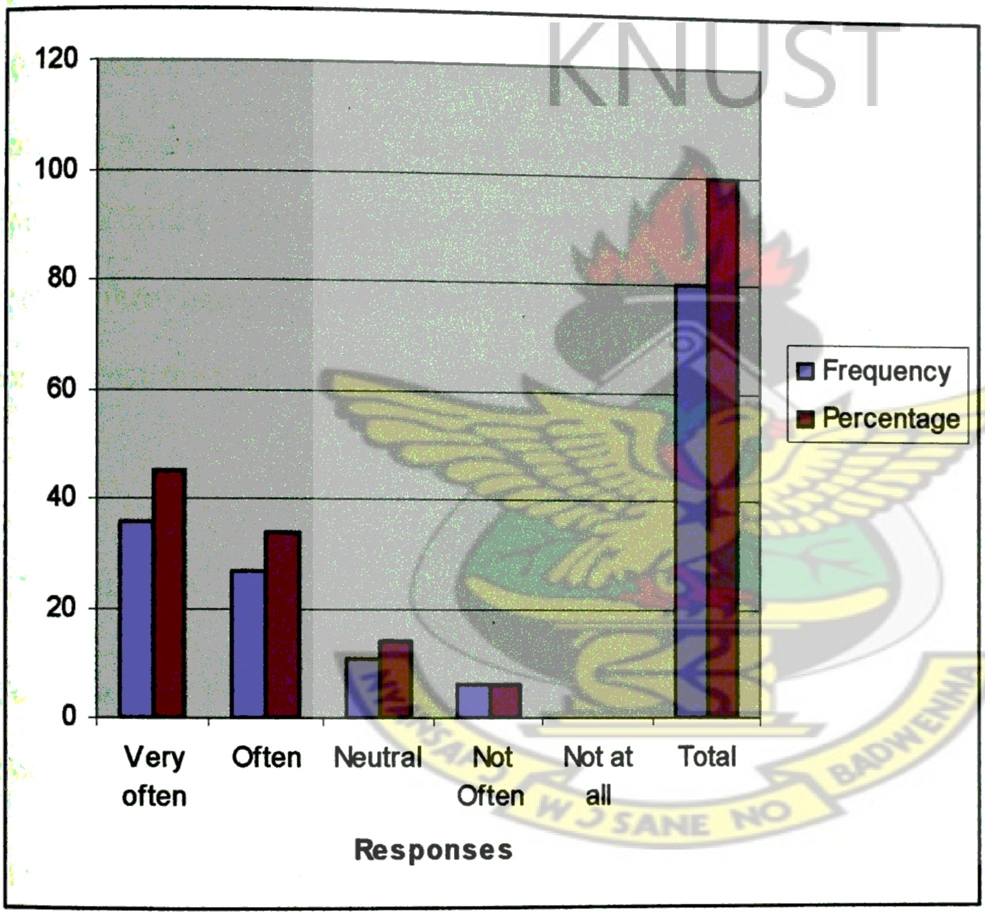
| Responses | Frequency | Percentage |
|---|---|---|
| Yes | 63 | 79 |
| No | 17 | 21 |
| Total | 80 | 100 |

Source: Fieldwork, June, (2009)

Customer satisfaction is a common measure of customer retention and growth. The study shows that out of the eighty (80) distributors sampled, seventy-nine percent (79%) of them indicated that their customers were satisfied when there is new product introduction. Only twenty-one percent (21%) of the distributors indicated that some of their customers were not satisfied when there is new product innovation. However, the study contended that Coca Cola Company should judge which specific customer segment will respond profitably to new product innovation. It was also revealed that there were mixed reactions when there were new product introduction. Whilst some of the distributors said their customers complained about the fact that they needed to increase their working capital and store space to accommodate the new products; others said it provided them an opportunity to expand their portfolio and thereby provide their consumers with a variety to choose from thus increasing their turnover.

The Coca Cola Company responds to these feedbacks through sales promotion mechanisms, which inform and educate customers on the fact that new product introductions are to help them (customers) to increase their turnover as well as profits as they are tended to satisfy variety of tastes.

**Graph 5: A graph showing the rate at which Customers Switch from Competitor Products To Coca Cola products.**




Source: Fieldwork, June, (2009)

According to Hansen and Bush, (1999) companies are focusing on creating lifelong customers; consequently, achieving competitive advantage through product innovation requires an understanding from the customers' perspectives. In every customer oriented organizational setting, customer might experience various degrees of satisfaction. For instance if the introduction of new products performance falls short of expectations, the customer is dissatisfied. In addition, if performance matches with expectations, the customer is satisfied, but if performance exceeds expectations the customer is highly satisfied or delighted. If the customer is dissatisfied the likelihood of switching to competitors products is very great more especially when other service such as service delivery, customer relations among others are not attended to. It was established from the study that seventy-nine percent (79%) of distributors' customers often switched from competitors' products to Coca cola products when it introduces new product onto the market. This could as well be one of the dominant factors underlying Coca Cola dominion in the carbonated soft drink industry in Ghana. Notwithstanding this break-through some of them indicated that it is not often observed. This indicates that there is still opportunity for the company to strengthen its customer retention strategies.



**4.7 Objective 3**

**To assess sales Performance before and after the Introduction of Product Innovation in the Coca Cola Company from 2004-2008**

It was revealed from the study that various products had been introduced in the company such as Coke light, fanta lemon, fanta orange etc. Sales had been increasing since 2002; however, there was a sharp growth in 2004-2008. This is evidential as sales had been increasing from 3, 153,099 crates, in 2002 to 4, 727,979 crates in 2003. In 2004, there was a sales growth of 5,423,187 crates. In 2008, sales performance stood at 7,611,132 crates.

(Source: Coca-Cola Company Annual Journal, 2008).

## 4.8 Objective 4

**To Investigate How Product Innovation Impacts The Sales of Coca Cola products.**

**Table 8**

Coefficients[a]

| | Unstandardized Coefficients | | Standardized Coefficients | | | 95.0% Confidence Interval for B | |
|---|---|---|---|---|---|---|---|
| | B | Std. Error | Beta | | | Lower Bound | Upper Bound |
| (Constant) | 1171222.099 | 682367.992 | | 1.716 | .147 | -582860.666 | 2925304.865 |
| Expenditure on Product Innovation | .090 | .012 | .956 | 7.310 | .001 | .058 | .122 |

a. Dependent Variable: SALES

| Model | R | R Square | Adjusted R Square |
|---|---|---|---|
| 1 | .956[a] | .914 | .897 |

Source: Fieldwork, June, (2009)

FROM THE ABOVE OUTPUT THE REGRESSION EQUATION IS: SALES=1,171,222.099+0.914PI. This shows that there is a strong correlation between sales performance and expenditure on the introduction of new product innovation. The implication for this is that is a unit change in the expenditure of product innovation will result in 0.9 change in sales performance. The autonomous variable in the above equation was 1,171,222.099. In otherwords, sales performance will remain the same at 1,171,222.099 when there is no expenditure on product innovation. The coefficient of determination is 0.914; therefore, about 91.4% of the variation in the sales data is explained by Expenditure on Product innovation. The regression equation appears to be very useful for making predictions since the value of $r^2$ is close to 1.



### 4.9 Analysis of Staff of Coca Cola Company Limited

Table 9: Working Experience of Staff of Coca Cola Company Ghana Limited.

| Responses | Frequency | Percentage |
|---|---|---|
| 1 - 3 years | 4 | 5 |
| 4 - 6 years | 16 | 20 |
| 7 - 9 years | 24 | 30 |
| 10 years and more | 36 | 45 |
| Total | 80 | 100 |

Source: Fieldwork, June, (2009)

The study considered the working experience of the staff of Coca Cola Company to be very important to the study. This is so because, it will enable management come out with better policy formulation on implementation of product innovation strategies. It was revealed that about ninety-five percent (95%) of the staff had worked for four (4) years and over in the Company. The implication of this is that Coca Cola Company had not compromised on the quality of its human capital which represents the combined intelligence, skills and expertise that gives the organisation its distinctive character. The human elements of the organisation are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated and harnessed can ensure the long-term survival of the organisation.

**Table 10 Research and Development on Customers**

Strongly agreed (1); Agreed (2); Neutral (3); (Disagreed (4); Strongly disagreed (5)

| STATEMENT | RESPONSES | | | | | TOTAL |
|---|---|---|---|---|---|---|
| RESEARCH AND DEVELOPMENT ON CUSTOMER | 1 | 2 | 3 | 4 | 5 | |
| The Coca Cola Bottling Company of Ghana Limited (TCCBCGL) constantly analyses commitment level to serve its customer needs | 4 | 2 | 3 | 1 | 0 | 10 |
| TCCBCGL measures customer satisfaction frequently and systematically | 7 | 1 | 2 | 0 | 0 | 10 |
| TCCBCGL knows competitors well | 5 | 5 | 0 | 0 | 0 | 10 |
| All functional managers visit our current and potential customers regularly | 1 | 2 | 1 | 2 | 4 | 10 |
| TCCBCGL carries out frequent studies on its customers in order to know what products and services they will need in the future | 5 | 4 | 1 | 0 | 0 | 10 |
| Investigation and market study results are used as a source of information for taking decisions | 3 | 7 | 0 | 0 | 0 | 10 |
| TCCBCGL contacts its customers periodically in order to learn their perceptions as to the quality of its products and services | 1 | 8 | 1 | 0 | 0 | 10 |
| TCCBCGL regularly gathers market data to be used directly in their new product development plans | 4 | 6 | 0 | 0 | 0 | 10 |
| TCCBCGL is able to detect changes in its customers' preferences rapidly | 1 | 4 | 4 | 1 | 0 | 10 |
| The sales force informs management about TCCBCGL customers and competitors. | 3 | 5 | 2 | 0 | 0 | 10 |
| TCCBCGL encourages its customers to make comments and even complaints as to the product offering, as that will help TCCBCGL accomplish its work better | 2 | 3 | 3 | 2 | 0 | 10 |
| TCCBCGL regularly analyses the marketing plans of its competitors | 3 | 6 | 1 | 0 | 0 | 10 |
| TCCBCGL frequently evaluates the possible effects of environmental change on its customers | 2 | 5 | 2 | 1 | 0 | 10 |
| TCCBCGL measures the service level supplied to its customers routinely and regularly | 3 | 4 | 1 | 2 | 0 | 10 |

Source: Fieldwork, June, (2009)

In gaining competitive advantage companies must be able to come out with the many types of information that company decision makers need to know about their competitors. This information must be collected, interpreted, distributed, and used. While the cost in money and time of gathering competitive intelligence is high, the cost of not gathering it is higher. Yet the company must design its competitive intelligence system in a cost-effective way. The competitive intelligence system first identifies the vital types of competitive information and the best sources of this information. Then the system continuously collects information from the field (sales force, channels, suppliers, market research firms, trade associations) and from published data (government publications, speeches, articles). On the issue of research and development, none (0) of the management team strongly disagreed with the statements. In all the responses given, more than seventy percent (70%) supported the statements. However, some of the responses received dissatisfaction from respondents such as management constantly analyses commitment level to serve its customer needs; functional managers visiting current and potential customers regularly; detect changes in customers' preferences rapidly among others.

To estimate sales, the company should look at the sales history of similar products and should survey market opinion. It should estimate minimum and maximum sales for the expected costs and profits for the product which are estimated by Research and Development, manufacturing, accounting, and finance departments. The planned marketing costs are included in the analysis. The company then uses the sales and costs figures to analyze the new product's financial attractiveness.

Once management decides on its product concept and marketing strategy, it can evaluate the business attractiveness of the proposal. Business analysis involves a review of the sales, costs, and profit projections to find out whether they satisfy the company's objectives. If they do, the product can move to the product development stage. Companies under pressure to innovate often supplement their own R&D efforts by partnering with other firms in their industry that have complementary needs. While most growth-oriented firms appreciate the need to be innovative, a few firms use it as their fundamental way of relating to their markets.

**Table 11: Internal Communication in Coca Cola Ghana Limited**

Strongly agreed (1); Agreed (2); Neutral (3); (Disagreed (4); Strongly disagreed (5)

| STATEMENT | RESPONSE | | | | | TOTAL |
|---|---|---|---|---|---|---|
| INTERNAL COMMUNICATION | 1 | 2 | 3 | 4 | 5 | |
| Interdepartmental meetings are held for discussion of market tendencies and future evolution is aware of this information in a short time | 3 | 3 | 2 | 1 | 1 | 10 |
| TCCBCGL manages to supply the different departments or members of the firm with reports regularly | 4 | 6 | 0 | 0 | 0 | 10 |
| Top management regularly discusses the strengths, weaknesses and strategies of the competitors | 7 | 3 | 0 | 0 | 0 | 10 |
| Sales personnel regularly shares information with the firm regarding the competitors' strategy | 2 | 7 | 1 | 0 | 0 | 10 |

Source: Fieldwork, June, (2009)

Developing the right product innovation strategy overtime requires a blend of time and flexibility. Firms must stick to a strategy but must also find new ways to constantly improve it. The study revealed that sixty percent (60%) of the respondents supported the fact that management organises departmental meetings with the aim of discussing market trends. However, whilst twenty percent (20%) remained neutral on the issue; twenty percent (20%) did not support the statement. In addition, none (0) disagreed that reports on market intelligence are not disseminated among departments. The table also shows that management constantly discusses the strength, weaknesses and strategies of its competitors and also shares information regarding competitors' strategies. Given the central role of competition in marketing, the study of competitive responses is essential for any understanding of business actions. Managers therefore need to incorporate competitive response into their financial projections as they decide how much to invest in new products or their dreams of riches could easily turn into dust. Policy makers need to be able to predict competitive response, or their interventions could be unwise.

**Table 12 Environmental Scanning**

Strongly agreed (1); Agreed (2); Neutral (3); (Disagreed (4); Strongly disagreed (5)

| STATEMENT | RESPONSES | | | | | TOTAL |
|---|---|---|---|---|---|---|
| **ENVIRONMENTAL SCANNING** | **1** | **2** | **3** | **4** | **5** | |
| TCCBCGL uses the feedback supplied by customers to improve quality | 9 | 1 | 0 | 0 | 0 | 10 |
| If a competitor launches a campaign directed to its customers, TCCBCGL develops a response to counteract it rapidly | 7 | 2 | 1 | 0 | 0 | 10 |
| The firm reacts to changes in the environment rapidly | 4 | 3 | 2 | 0 | 0 | 10 |
| In the planning and development of new products, TCCBCGL starts from what is valuable for the customers | 3 | 7 | 0 | 0 | 0 | 10 |
| TCCBCGL keep the promises made to its customers | 2 | 5 | 1 | 2 | 0 | 10 |

Source: Fieldwork, June, (2009)

On the issue of environmental scanning, only twenty percent (20%) did not support the fact that the company keeps the promises it makes to its customers. Apart from this all the statements received positive support from respondents. This implies that Coca Cola Company Limited uses the feedbacks provided by its customers with the aim of improving its service quality delivery and as well have competitive edge in the carbonated drink industry.

# CHAPTER FIVE

# SUMMARY OF FINDINGS, CONCLUSIONS, RECOMMENDATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

## 5.0 Introduction

The chapter five brings out the summary of the findings, conclusions and then presents the recommendations based on the discussions that came up after the analysis of the data collected from the field. Even though, the recommendations could be of benefit to academia, firms, existing or prospective, within the industry, it is specific for Coca Cola Company Limited. It attempts to provide the material for the bringing up of strategic managers who tend to take strategic decisions on product innovation in line with modern business practice.



## 5.1 Summary of findings

- The study revealed that the distribution of Coca Cola products and by extension the industry as a whole were being dominated by females as it was shown by eighty (80%) percent of the Coca Cola Company distributors being females. Only twenty percent (20%) of them were males. It came out that such female participation, as a phenomenon, was a natural occurrence as most Ghanaian traders are women.

- It was revealed that only four percent (4%) and six percent (6%) had postgraduate and tertiary certificates respectively. The greater majority of them had secondary qualification. This represents seventy-nine percent (79%) of the distributors sampled. What this implies is that the educational status of most of Coca Cola distributors were comparatively on the lower side. However, for the Coca-Cola Company to effectively increase the sale of its products, it needs to improve the capabilities and capacities of the managers of its redistribution channels. To succeed in the implementation of new product innovation strategy, there is the need for a firm to build its human capital which should comprise six interconnected factors: People, work processes, managerial structure, information and knowledge, decision and reward. This means that management should organize training programmes for distributors on managerial, marketing and sale programmes etc if it is to strengthen its position in the sale of its products. Such training programmes could assume various forms, including classroom training, mentoring, cross – training, business meetings, team meetings, skilled – based workshops and seminars just a few.

- Among the product innovation strategies in Coca Cola Company Limited were: Pack size innovations; Flavour innovations; and Packing innovations; and totally new products.

- The study shows that Coca-Cola has been able to sustained or increase the level of satisfaction and retention of their customers, which is manifested by the number of years distributors have been with them. The results further confirmed that distributors had confidence and respect for the company. The study showed that most of the distributors have been with the Coca Cola system for between 5years to ten (10) years and ten (10) years and above. Only four (4%) percent were less than 5years.

- In finding out the frequency at which Coca Cola Company is able to introduce new products onto the market it was realized that collectively more than ninety-seven percent (97%) gave a very high rating. This is evidential as management had introduced varieties of products since 2002 ranging from Coke light, Dasani drinking water, fanta cocktail, fanta pineapple, five Alive fruit juice, Burn energy drink. This has been true in the Ghanaian setting where over the last five year, Coca Cola company have introduced various pack sizes and flavours to meet the changing and shifting needs of consumers as a way of defending their market share and growing their profits. Competitive pressures, increasingly demanding consumers and shortened product lifecycles will likely continue to push up the number of product introductions in the Ghanaian market. The study opines that such varieties of products will mean the company will be able to serve different segments within the markets as such products will meet the needs of the different consumers within the markets.

- It shows that expenditure on promotions had been increasing at a decreasing rate since 2002 till date. This shows that Coca Cola Company found it profitable to make innovation their grand strategy and sought to reap the initially high profits associated with customer acceptance of a new or greatly improved product. One of the major reasons for putting in such promotional expenditure is that managers do so against a constantly shifting backdrop -- technologies, competitors, and markets constantly evolve. This signifies that Coca Cola Company Limited must do more than make good products and as such must inform consumers about product benefits and carefully position products in consumers' minds.

- It was revealed that more than seventy-seven percent (77%) indicated that product innovation strategies had had much impact on their customer growth. More than twenty-two percent (22%) said there is little impact on their customer growth. This means that Coca Cola Company develops products that are customer centered. Thus to create successful new products, a company must understand its consumers, markets and competitors, and develop products that deliver superior value to customers which Bowman, (1995) suggested. Thousands of new items are introduced each year as companies seek to gain competitive advantage and drive top-line growth, yet the success rate typically remains quite low. This has been true in the Ghanaian setting where over the last five year, companies like Coca Cola have introduced various pack sizes and flavours to meet the changing and shifting needs of consumers as a way of defending their market share and growing their profits.



- It was revealed from the study that most of the respondents rated the prices of Coca Cola's products as expensive. This formed fifty-one percent (51%) of respondents. What is more, forty-eight percent (48%) of them even rated the products as very expensive. None (0), said that the prices of Coca Cola products were cheaper as compare to competitors prices such as Pepsi Ghana Limited, Accra Brewery Limited etc. The findings shows that most of the respondents were not content with the prices as majority indicated that Coca cola products are luxury. It is suggested that rather than setting a high initial prices to skim small but profitable market segments, Coca Cola should set a low initial price in order to penetrate the market quickly and deeply to attract a large number of buyers and win a large market share. In addition, management of Coca Cola should develop market-penetration pricing strategy to enable them boost its market share. In product-line pricing, management must determine the price steps to set between the various consumers. The price steps should take into account cost differences, consumer evaluations of their different features, and competitors' prices.

- It was established from the study that seventy-nine percent (79%) of distributors' customers often switched from competitors' products to Coca cola products when it introduces new product onto the market. This could as well be one of the dominant factors underlying Coca Cola dominion in the carbonated soft drink industry in Ghana. Notwithstanding this break-through some of them indicated that it is not often observed. It should continue to pursue this as a strategy fused with others to be ahead of competition.

- The study shows that out of the eighty (80) distributors sampled, seventy-nine percent (79%) of them indicated that their customers were satisfied when there is new product introduction. Only twenty-one percent (21%) of the distributors indicated that some of their customers were not satisfied when there is new product innovation. However, the study contended that Coca Cola Company should judge which segment and which specific customer will respond profitably to new product innovation.

- The study showed that there is a strong correlation between sales performance and expenditure on the introduction of new product innovation. The implication for this is that a unit change in the expenditure of product innovation will result in 0.9 change in sales performance. The autonomous variable in the above equation was 1,171,222.099. In otherwords, sales performance will remain the same at 1,171,222.099 when there is no change in expenditure on product innovation. The coefficient of determination is 0.914; therefore, about 91.4% of the variation in the sales data is explained by Expenditure on Product innovation. The regression equation appears to be very useful for making predictions since the value of $r^2$ is close to 1. This is evidential as sales had been increasing from 3,153,099 crates, in 2002 to 4,727,979 crates in 2003. In 2004, there was a sales growth of 5,423,187 crates. In 2008, sales performance stood at 7,611,132 crates.

- The study considered the working experience of staff of the Coca Cola Company to be very important. This is so because the caliber of staff will enable management come out with better policy formulation techniques and better implement product innovation strategies. It was revealed that about ninety-five percent (95%) of the staff had worked for four (4) years and over. The implication for this is that Coca Cola Company could not compromise on the quality of its human element which represents the human factor in the organisation - the combined intelligence, skills and expertise that gives the organisation its distinctive character.



- On the issue of research and development, none (0) of the management team strongly disagreed with the statements. In all the responses given, more than seventy percent (70%) supported the statements. However, some of the responses reflected dissatisfaction from respondents such as management constantly analyses commitment level to serve its customer needs; functional managers visiting current and potential customers regularly; detect changes in customers' preferences rapidly among others. This means that companies under pressure to innovate often supplement their own R&D efforts by partnering with other firms in their industry that have complementary needs. However, most growth-oriented firms appreciate the need to be innovative, a few firms use it as their fundamental way of relating to their markets.

- The study revealed that sixty percent (60%) of the respondents supported the fact that management organises departmental meetings with the aim of discussing market trends. However, whilst twenty percent (20%) remained neutral on the issue; twenty percent (20%) did not support the statement. In addition, none (0) disagreed that reports on market intelligence are not disseminated among departments. It also showed that management constantly discusses the strength, weaknesses and strategies of its competitors and also shares information regarding competitors' strategies.

- On the issue of environmental scanning, only twenty percent (20%) did not support the idea that the company's kept its promises to its customers. Apart from this all the statements received positive support from respondents. This implies that Coca Cola Company Limited uses the feedbacks provided by its customers with the aim of improving its service quality delivery and as well has competitive edge in the carbonated drink industry.

- Among some of the measures used in managing product innovation were gauging out of stock situation in outlets; Numeric distribution; Market share gained; Customer feedbacks mechanisms.

- It was realized that greater proportion of the respondents rated the budget allocated for new product innovation as very adequate. New-product outcomes are so uncertain that it is difficult to use normal investment criteria for budgeting.

  Other companies set their R & D budgets by applying a conventional percentage-to-sales figure or by spending what the competition spends. Still other companies decide how many successful new products they need and work backwards to estimate the required R & D investment.

- The study shows that 87.5% of respondents (in cumulative terms) rated Coca Cola's product innovation strategies as effective. Only 2.5% rated its introduction as ineffective. This shows that with the rapid changes in tastes, technology, and competition, a company cannot rely solely on its existing products. Customers want and expect new and improved products. In this regard every company needs a new-product development program.

- It was established from the findings that most of the time staff did not understand the values of the new products; in otherwords what the new product stands for to enable them propagate them to the customers of the company in particular and the consuming public in general. Materials for the promotion of the new products, the research revealed delays for effective marketing communication.



## 5.2 Conclusions

In sum, the study revealed that there is a strong correlation between sales performance and the introduction of new or product innovation. The implication for this is that a unit change in product innovation resulted in 0.9 change in sales performance. This shows that product innovation strategy has the potential to create new markets and transform industries. Success in product innovation is achieved by understanding the process, its payoffs, and managing both so that little gets left to chance. Thus, product innovation strategy poses a permanent challenge for any company as standardized markets with known, stable demand and little possibility of improved alternative technologies are becoming continually scarcer. For the Coca Cola Company to improve sale it needs to strengthen its ability in the area of redistribution. To succeed in new product innovation strategy, there is the need to build and improve the skills and competences of its distributors through training programmes which could assume forms such as classroom training, mentoring, business meetings, team meetings, skilled – based workshops and seminars etc.

## 5.3 Recommendations for future Policy Implications

Based on the above conclusions, the following recommendations are put forward for future policy implications:

- For Coca Cola Company to improve sales it needs to strengthen its ability in the area of redistribution. To provide guidelines for action a product innovation strategy can be developed making use of the available human resource. To succeed in new product innovation strategy, there is the need to build and improve the distributors' skills and competencies which could be developed through training. Such training programmes could assume various forms, including classroom training, mentoring, cross – training, business meetings, team meetings, skilled – based workshops and seminars, to mention a few.

- The study suggested that varieties of products will mean that the company will be able to serve different segments within the markets as such products will meet the needs of the different consumers within the markets. Product innovation therefore is a good strategy that must be pursued but with professionalism.

- This study recommended that companies must do more than just make good products but should also inform consumers about product benefits and carefully position products in consumers' minds. That is promotions become more important as competition increases and where a company's objective is to build new product introduction.

- In addition, management of Coca Cola Company should develop products that are customer centered. Thus to create successful new products, a company must understand its consumers, markets and competitors, and develop products that deliver superior value to customers.

- It is suggested that rather than setting a high initial prices to skim small but profitable market segments, Coca Cola should set a low initial price in order to penetrate the market quickly and deeply to attract a large number of buyers and win a large market share. In addition, management of Coca Cola should develop market-penetration pricing strategy to enable them boost its market share. In product-line pricing, management must determine the price steps to set between the various consumers. The price steps should take into account cost differences, consumer evaluations of their different features, and competitors' prices.

- In gaining competitive advantage companies must be able to come out with the main types of information that company decision makers need to know about their competitors. This information must be collected, interpreted, distributed, and used. While the cost in money and time of gathering competitive intelligence is high, the cost of not gathering it is higher. Yet the company must design its competitive intelligence system in a cost-effective way. It should also estimate minimum and maximum sales for the expected costs and profits for the product which are estimated by Research and Development, manufacturing, accounting, and finance departments.

- Given the central role of competition in marketing, the study of competitive response is essential for any understanding of business actions. Managers therefore need to incorporate competitive response into their financial projections as they decide how much to invest in new products or their dreams of riches could easily turn into dust. Policy makers need to be able to predict competitive response, or their interventions could be unwise.

## 5.4 Suggestions for further Research

Future researchers interested in this area of product innovation could also look into the following topics:

- Developing competitive strategies in the carbonated soft drink industry using the same or sister company as a test case.
- The techniques in assessing the impact of product innovation on sales performance in the carbonated soft drink industry.
- Cost - benefit analysis of new product introduction in the carbonated soft drink industry.
- The human factor in the success of product innovation as a competitive strategy.
- Company's responses to product innovation strategies by competing firms.

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KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY-KUMASI

Dear Sir/Madam,

I am a post graduate student from the above institution undertaking a research on the topic 'Product Innovation as a Competitive Strategy on Sales Performance: A case study of The Coca Cola Bottling Company of Ghana and will be very grateful if you can kindly answer the questions below for me. It is purely for academic exercise and all information provided will be kept confidentially.

Thank you for accepting to answer the questionnaire.



QUESTIONNAIRE FOR DISTRIBUTORS

A.PERSONAL DATA

1. Please indicate your gender status.

a. Male b. Female

2. What was your last educational qualification?

a. Post-graduate b. Tertiary c. Secondary d. Others, please specify

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3. For how long have you been in the business of selling coca cola?

(a) Less than 5 years (b) 5-10 years (c) More than 10years

B. PRODUCT INNOVATION STRATEGIES ADOPTED BY COCA COLA BOTTLING COMPANY OF GHANA.

4. Could you please outline some of the product innovation strategies of Coca cola that you are familiar with.

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5. Does Coca Cola inform you when there are changes in its product innovation strategies?

(a).Yes (b). No

6. How do they communicate such changes?

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7. How often does coca cola bring new products onto the market?

(a) Very often (b) Often (c ) Neutral (d) Not often (e) Not at all

8. In your own opinion, are these strategies helpful in the sale of its products?

(a) Yes (b) No

Please give reason(s) for your choice of answer in question 8.

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9. How has the introduction of new product innovation by Coca Cola improved your customer growth?

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10. Do you know some competitors (other companies that sell similar products as coca cola) of the Coca Cola Company?

(a) Yes (b) No



11. If Yes, kindly name two (2) of them with three (3) product each to their names.

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12. How often do competitors of the coca cola company introduce product innovations in the market?

(a) Very often (b) Often (c ) Neutral (d) Not often (e) Not at all

C. CUSTOMER SATISFACTION

13. Are your customers happy when Coca Cola introduces new product innovation?

(a). Yes (b). No

Please provide reason(s) for your choice of answer in question 13.

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14. How do your customers react when such innovative products are introduced?

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15. Does Coca Cola respond to these reactions?

(a). Yes (b). No

16. How does Coca Cola do this?

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17. How often do your customers switch from competitors products to Coca Cola products when there is a product innovation by Coca Cola Company?

(a). Very often (b). Often (c) Neutral (d). Not often (e) Not at all

18. Do these product innovative strategies improve your sales performance?

(a). Yes (b). No

Please explain your choice of answer in question 18.

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19. Would you consider recommending to Coca Cola the need to continuously introduce new products?

a. Yes

b. No

Please give reason(s) for your choice of answer in question 16.

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20. Do you have any other suggestion(s)?

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KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY-KUMASI

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Thank you for accepting to answer the questionnaire.



**QUESTIONNAIRE FOR MANAGEMENT**

(A) PERSONAL DATA

(1) Please indicate your gender status.

(a) Male (b) Female

(2)How long have you been working with Coca Cola Bottling Company of Ghana?

(a) 1 - 3 years (b) 4 - 6 years (c) 7 – 9 years (d) 10 years and more

(B) PRODUCT INNOVATION ADOPTED IN COCA COLA GHANA

(3) Could you please outline some of the product innovation strategies that management often adopt in Coca Cola?

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Please indicate the extent to which you agree to these statements.

Strongly agreed (1); Agreed (2); Neutral (3); (Disagreed (4); Strongly disagreed (5)

| STATEMENT | RESPONSES | | | | | TOTAL |
|---|---|---|---|---|---|---|
| RESEARCH AND DEVELOPMENT ON CUSTOMER | 1 | 2 | 3 | 4 | 5 | |
| The Coca Cola Bottling Company of Ghana Limited (TCCBCGL) constantly analyses commitment level to serve its customer needs | | | | | | |
| TCCBCGL measures customer satisfaction frequently and systematically | | | | | | |
| TCCBCGL knows competitors well | | | | | | |
| All functional managers visit our current and potential customers regularly | | | | | | |
| TCCBCGL carries out frequent studies on its customers in order to know what products and services they will need in the future | | | | | | |
| Investigation and market study results are used as a source of information for taking decisions | | | | | | |
| TCCBCGL contacts its customers periodically in order to learn their perceptions as to the quality of its products and services | | | | | | |
| TCCBCGL regularly gathers market data to be used directly in their new product development plans | | | | | | |
| TCCBCGL is able to detect changes in its customers' preferences rapidly | | | | | | |
| The sales force informs management about TCCBCGL customers and competitors. | | | | | | |
| TCCBCGL encourages its customers to make comments and even complaints as to the product offering, as that will help TCCBCGL accomplish its work better | | | | | | |
| TCCBCGL regularly analyses the marketing plans of its competitors | | | | | | |
| TCCBCGL frequently evaluates the possible effects of environmental change on its customers | | | | | | |
| TCCBCGL measures the service level supplied to its customers routinely and regularly | | | | | | |
| INTERNAL COMMUNICATION | | | | | | |
| Interdepartmental meetings are held for discussion of market tendencies and future evolution is aware of this information in a short time | | | | | | |
| TCCBCGL manages to supply the different departments or members of the firm with reports regularly | | | | | | |
| Top management regularly discusses the strengths, weaknesses and strategies of the competitors | | | | | | |
| Sales personnel regularly shares information with the firm regarding the competitors' strategy | | | | | | |
| ENVIRONMENTAL SCANNING | | | | | | |
| TCCBCGL uses the feedback supplied by customers to improve quality | | | | | | |

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|---|---|---|---|---|---|---|
| If a competitor launches a campaign directed to its customers, TCCBCGL develops a response to counteract it rapidly | | | | | | |
| The firm reacts to changes in the environment rapidly | | | | | | |
| In the planning and development of new products, TCCBCGL starts from what is valuable for the customers | | | | | | |
| TCCBCGL keep the promises made to its customers | | | | | | |

**(C) MANAGING PRODUCT INNOVATION IN COCA-COLA COMPANY LTD**

(4) What measures has management put in place in order to monitor the success of new products?



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(5) Do you consider these measures effective?

(a) Yes (b) No

Please provide reason(s) for your choice of answer.

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(6) How do you manage the route to the market for new products?

(a) Direct (b) Indirect (c) Others specify…………..

(7) Do you think the right amount of resources (money, people, logistics etc) is put behind new products?

(a) Yes (b) No

Please provide reason(s) for your choice of answer in question 7.

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**(D) THE EFFECTIVENESS OF COCA COLA'S PRODUCT INNOVATION STRATEGIES**

(8) How do you rate the effectiveness of Coca Cola product innovation strategies?

(a) Very effective (b) Effective (c ) Neutral (d) Very ineffective (e) Ineffective

(9) How have these innovative strategies (e.g. introduction of Coke light) impacted on sales performance?

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(10) What are some of the problems staff experience when there is an introduction of new products?

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(11). In your own opinion do you think strategies adopted by management improve sales performance?

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(12).Would you consider recommending to Coca Cola the need to continuously improve its product innovation strategies or otherwise?

a. Yes

b. No

Please, explain your choice of answer for question 13.

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(13). Do you have any other suggestion(s) on how the company can improve its sales?

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**INTERVIEW GUIDE FOR STAFF**

1. Please indicate your position and department in TCCBCGL.
2. Does Management seek your opinion when formulating new strategies?
3. Management always takes staff through on the applications of new product innovation strategies.
4. Are Product innovation strategies adopted by Management of Coca Cola often customer centered?
5. Management of Coca Cola often comes out with new product innovation strategies based on changes in market trends.
6. Do you know some of the strength(s) of the product innovation strategies adopted by Coca Cola?
7. What are some of the weakness (es) you could identify in Coca cola's product innovation strategies?
8. TCCBCGL obtains ideas from its customers in order to improve its products.
9. Management is able to detect changes in industrial trends.
10. Product innovation strategies have positive impact on key performance indicators such as Return on Investment, sales performance, profit margins etc.