EFFECTIVENESS OF PRODUCT STRATEGY IN THE KENYAN BEVERAGE INDUSTRY

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DECLARATION

This management project is my original work and has not been presented for a degree award in any other university.

Signed: ....

LUCY S.NYAKIORE

Date: 10TH NOVEMBER, 2004

This management project has been submitted for examination with my approval as university supervisor.

Signed: ....

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Date: 10TH NOVEMBER, 2004

My soul is an oak tree,

Deeply rooted in its valves,

Thirsting for knowledge,

Never faltering,

Staying strong and firm.

DEDICATION

To my mother: **Mrs. Martha Moraa Nyakiore**

Who

Has always been there for me

And

Taught me the value of education.

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ABSTRACT

This study was conducted between April and September, 2004. The population of interest included all the beverage industry firms in Kenya. The Kenyan Beverage industry was classified into two categories and the sample was drawn from these categories which were: Alcoholic beverage industry and Non-alcoholic beverage industry.

A frame work of 50 beverage firms was used in this study (see appendix 3). The study was statistical with two major objectives mainly: To determine which aspects of product strategy managers in the Kenyan beverage industry consider being effective in realizing product strategy objectives and to identify the factors that affect the use of product strategy in the beverage industry.

A structured Questionnaire was used to collect data (see appendix 2). The findings were as follows: All the aspects of product strategy as studied in this research were found to be of great importance towards achieving effective product strategy objectives, for most of the firms which participated in this research. All the aspects scored a mean of above four and this clearly indicated that they were all important. From the study, effectiveness of packaging purposes scored mean scores of 4.95, 4.80, 4.60 and 4.09 for maintaining quality, Aesthetics, customer satisfaction and value adding purposes respectively. The mean scores for customer satisfaction, customer loyalty, profitability margins and corporate image purposes were 4.91, 4.84, 4.16 and 4.54 respectively with respect to effectiveness of product quality purposes. With regards to effectiveness of branding purposes, the mean scores for customer satisfaction, customer loyalty, customer awareness and quality were 4.91, 4.64, 4.77 and 4.86 respectively. (See tables 4, 6 and 8).

The second objective looked at the factors affecting the use of particular product strategy. From the research, the factors affecting the use of market leader strategy were market share, cost of production, sales turnover, product quality and profitability margins with proportions of 65.9%, 1.1%, 54.5%, 36.4% and 65.9% respectively (see table 11). The proportions affecting leadership challenging strategy were 25.0%, 20.5% 52.3% and 31.8% for product quality, packaging, competition and organization behavior respectively (see table 12).Product following strategy was mainly affected by sales turnover, production capacity, Cost of production, life cycle stage, threat of product substitute and product differentiation with proportions of 3.2%, 56.8%, 65.9%, 29.5%, 34.1% and 34.1% respectively. For Me-too strategy, the factors affecting its use were image, competition and cost of production with proportions of 56.8%, 45.5% and 22.7% respectively (tables 13 and 14).

As seen from the study, all the attributes researched were of great importance and hence it is highly recommended that organizations should enforce these attributes towards achieving effective product strategy.

CHAPTER ONE

INTRODUCTION

1.1 Background

The essential vehicle for the provision of customer satisfaction is the product or services that the company offers in the market place. The array of decisions associated with that offer becomes the base ingredients in the development of the total marketing plan. All other marketing mix decisions need to be integrated with those of product strategy, since they are about how to promote, price and distribute the product.

With advancing technology and increasing productivity, the future growth of the economy will depend greatly on the efficiency and effectiveness of the marketing programs. Despite the huge size and rising cost of these programs, little research effort has been devoted to measuring and explaining the relative importance of various marketing strategies. One unfortunate consequence of this lack of research is a dearth of information, concepts and theories to guide in management decision-making. Especially needed is a pragmatic explanation of the role of non-price competitive strategy in the behavior of the business firm .With the decline of Caveat Emptor and the growing of the marketing concept, the product strategy is becoming an increasingly important dimension of competitive strategy. The nature and extent of the product strategy affects the sales, market share, costs and profits of many businesses, Anderson (1968). In his paper, Anderson further argued that potential buyers' appeal to a particular product will be increased by reduced risks promised by an effective promotional strategy. He concluded that an ineffective promotional strategy will be as a result of a high product retail price, infrequently purchase of the product, buyers visualizing the product as being complex and the buyer's knowledge on the product is low.

Product strategy should not be limited to the physical composition of the products. The firm manufactures a physical object but consumers make purchase choices between physical objects, which they evaluate as offering different propensities to convey valued benefits. The physical object is consumed not for itself, but for what it can do to meet one of the consumer's needs. It follows that the consumer's perception of the product should be the cornerstone of all company thought about its product range, and that product perception will only be influenced by the physical properties (taste, texture, colour, smell, etc), but also be affected by the individual's perception of any associated services. The package, the brand name and the generalized image might also be important, as could a whole range of social and cultural associations that had come to be attached to the product.

Once it is acknowledged that a simple physical definition of product meaning is insufficient then much more complex and potentially variable, psychological definitions are needed. Ultimately, each customer could have a unique perception. Generalizations are required and it could be argued that the firm's competence in arriving at adequate generalizations of their product perceptions is among its most important activities. The long-term health of many organizations, both consumer and industrial, is intimately tied to their ability to innovate - to provide existing and new customers with a continuing stream of new products and services. Under modern conditions of competition, it is becoming increasingly hazardous not to innovate; the firm that does not maintain a program of managed innovation can quickly find itself well behind competition.

A survey of 125 companies by Hopkins and Bailey (1971) indicated that the median percentage of major new products and services whose performance fell short of expectations was 20 percent for industrial-product manufacturers, about 18 percent for service industries, and about 40 percent for consumer-product manufacturers. Good statistics on new-product failure are not readily available or comparable, but in another widely referenced study, Booz, Allen and Hamilton (1971) reported that , of the 366 new products in 54 prominent companies, approximately a third were not successful. In some areas, products such as consumer products, their failure rate is even higher, with 50 to 60 percent of the products failing in national introductions or in major test markets (A.C. Nelsen, Inc., 1971, 1979: Silk and Urban, 1978).

In addition, there are many reasons to believe that successful new-product development will be even harder in the future than it has been in the past. These factors include the shortage of new-product ideas, the fragmentation of markets, increasing social and governmental constraints, capital shortages, and shorter product life cycles. Thus management faces a dilemma: it must develop new products to survive, yet the odds are heavily weighted against their success. The solution lies in developing new products in a systematic, scientific way that controls and reduces the risk of failure.

1.2 The Research Problem

The product decision is an important marketing decision for a manager because it is both extremely costly, requiring substantial investments in Research and Development, design, manufacturing, promotion and distribution and it is also very difficult to change.

According to Udell (1968) the economic theory of competitive behavior emphasizes pricing and places relatively little emphasis on product promotion and distribution. Udell further argues that the marketing executives of various manufacturing firms have a very different perception of the relative importance of the various factors of marketing strategies.

According to Kotrba (1966), most marketers today are concerned with how to stimulate or expand selective demand and establish product distinctiveness. Traditionally, sellers have strived to create distinctiveness for their products through two basic marketing programs – Product Differentiation and Market Segmentation. Kotrba (1966), further states that product differentiation is highly dependent on some unusual aspects of the sellers' product, advertising media, selling message, package design, or selling location. He continued by looking at market segmentation as being a more modern strategy alternative as viewed by some marketers. Market Segmentation is "based upon developments on the demand side of the market and represents a rational and more precise adjustment of product and marketing effort to consumers or user requirements. In his conclusion, Kotrba (1966) came up with a list of factors illustrating specific concepts of strategy selection and these were: Size of the market, Consumer Sensitivity, Product life cycle, Types of product, Number of competitors and typical competitor Strategies.

Lambert (1970), observed that only limited research has been focused on developing taxonomy to distinguish products that may have a reverse sloping demand functions from those with convectional demand curves. Why do the extrinsic and intrinsic qualities of some products seem to be judged by price while others are not? Lambert (1970), observed that an understanding of the product characteristics, which lead many consumers to prefer higher priced brands of certain products and low priced brands of others would be very valuable to marketing executives in deciding where to position the prices of their brands in relation to the prices of competing brands.

Each year firms introduce new products into the market, which are often researched as to potential market success, cost versus selling price and efficiency of production (Hamelman and Mazze, 1972). Hamelman and Mazze continued to argue that once a product is launched, it blends in with existing products and becomes part of the firms' total product line. One result of these product introductions can be an over population of products for the firm. Therefore, an organized approach is needed to periodically review all of the firm's products in order to identify those which are no longer earning revenue in proportion to the efforts and resources required to produce and sell them.

In Kenya, most of our industries are faced with the traditional model of innovation which as Kotler (1988) suggests, "calls for the Research and Development departments to get a bright idea and research it, then have an engineering team to design it and the design turned to the manufacturing department to produce and then over to the sales to sell it". This serial model of innovation has led to many problems. The manufacturing team can send the design back to the engineers saying they cannot produce it at the targeted cost; the engineers will then spend time redesigning the product. When the sales force show the product to the consumer, they will realize that it cannot be sold at the targeted price since consumer needs and wants have not been met. The sales people will be mad at the engineers. The Research and Development people will call the sales force a bunch of incompetents who cannot sell and mutual blaming could be rife.

Being an important facet in marketing strategy, product strategy seems to have been neglected. How it can be effectively applied and the factors affecting it have not been extensively studied. Marketing strategy has focused in the studies of price strategy and to some extent, promotion and distribution strategy. Hence, the study at hand aims at identifying which factors influence effective product strategy and if managers within the Kenyan beverage Industry use the various product strategies effectively in their decision making.

1.3 Objectives of the study

1. To determine which aspects of product Strategy managers in the Kenyan Beverage industry consider as being effective, in realizing product strategy objectives.
2. To identify the factors that affects the use of product strategy in the beverage industry.

1.4 Importance of the Research

The beve age industry is an important section within the country's economy. It is therefore expected that this study will be beneficial to the following:

(a) Marketers – Since product functions are still evolving in the beverage industry, it is hoped that the knowledge generated from the study will enable firms within the industry to improve on their product strategy so as to sharpen on their competitiveness.

(b) Academicians – It is hoped that the research will in its unique way be a contribution to m arketing knowledge and will provide a basis for future research on other marketing strategy variables.

(c) Consumers – The research is expected to reveal effective product strategy factors that the beverage industry can embrace so as to win their customers. Hence consumers are expected to benefit by getting improved product quality for their money.

(d) Other stakeholders – If the study contributes to the improvement of effective product st ategy in the beverage industry as expected, then the level of profitability will improve. This will in turn enable the firms within the industry to meet their obligations with regards to their various stakeholders.

1.5 Overview of the Report

This report is divided into five chapters. The first chapter introduces the study. It gives the background information of the issue under study, the research problem and objectives of the study.

Chapter two is a review of the literature to the area of study. It covers literature based on conceptual and empirical works of other researchers regarding the problem at hand.

Chapter three deals with the method of data collection and the research design. Discussion of the relevant population of the study, the sampling procedure and the data collection method are given in this chapter.

The fourth chapter deals with analysis of the data collected from the study and reporting of the findings.

Chapter five is the final chapter which highlights the summary findings of the study, discussions of the findings, conclusions, limitations of the study and provides recommendations for future research.

CHAPTER TWO

LITERATURE REVIEW

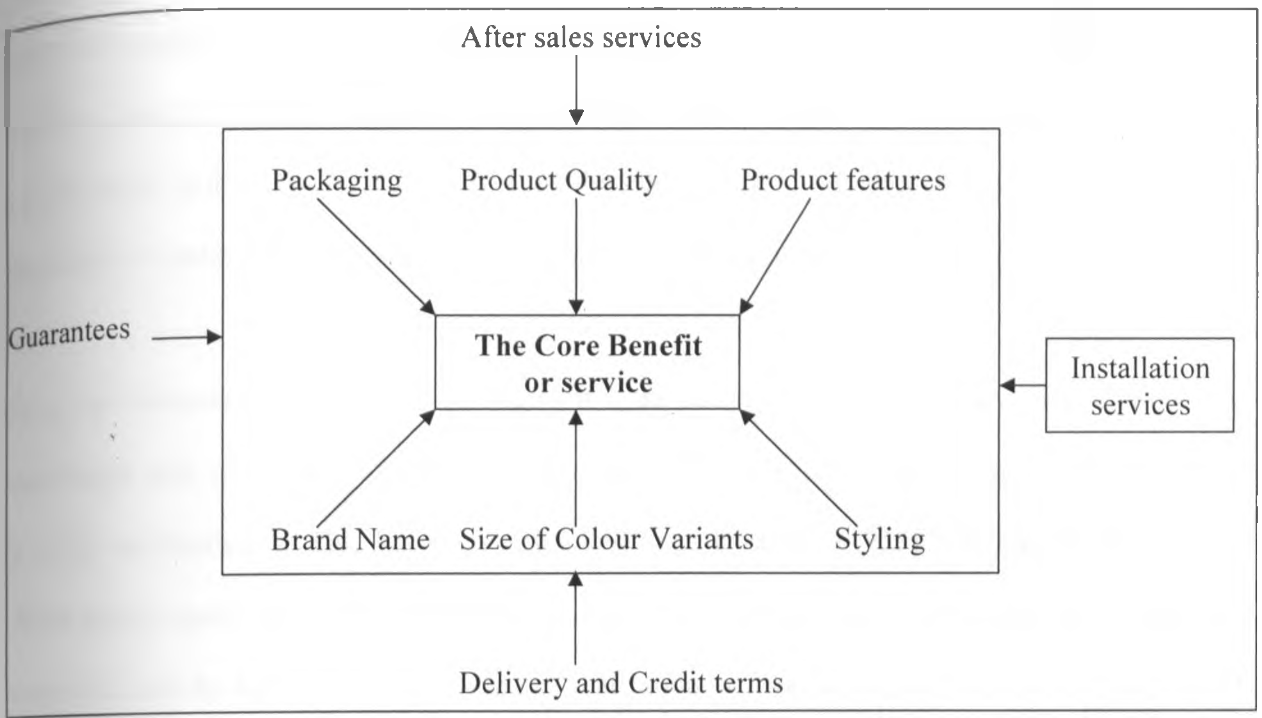
2.1 Product Strategy

2.1.1 Theory of Product Strategy

The product decision interacts intimately with other marketing-mix decisions. For example, the price charged for a product is a function of how much people are willing to pay for it, and that depends on how closely the product meets consumers preferences. The greater the distance between the product and consumers' ideal products, the lower the price at which the product will sell. On the other hand, if the product is close to what consumers want, then the price can be higher. Product choice also affects the way it is promoted. What is said in an advertising campaign depends both on what want and on what the product offers. What advertising media are used depends on which segments are being targeted and that is a function of product design as well. Product choices determine distribution channel choices because, again different channels to different market segments are used. Finally, those other marketing-mix variables may help "position" the product for the consumer.

What is a product?

The term product is usually referred to both physical goods and to intangibles. In discussing the nature of the product, Kotler (1988) suggests that three distinct elements need to be considered: The product attributes its benefits and the nature of the support services as illustrated in the figure on page 9:



SOURCE: Adapted from Kotler (1988)

Product attributes are associated with the core product and include such elements as features, styling, quality, brand name, packaging, size and colour variants.

Product benefits are the elements that consumers perceive as meeting their needs - this is sometimes referred to as the 'bundle of potential satisfactions' that the product represents. Included within this bundle are the product's performance and its image.

The marketing support services consist of all the elements that the organization provides in addition to the core product. This typically includes delivery, installation, guarantees, after-sales service, and reputation.

The relative importance of each of these three elements can of course vary significantly from one product category and brand to another. Recognition of this importance leads in turn to two distinct views of the product: First that the product is simply a physical entity, which has a precise specification; and secondly, that it is a far broader concept, which consists of anything, be it favourable or unfavourable, that a buyer receives in the exchange process.

From the viewpoint of the product strategist, it is the second of these two views which is the most meaningful and which is encapsulated in the idea delete space of the product as a 'bundle of potential satisfactions'. This has been elaborated upon by about (1955) who has emphasized that 'What people really desire are not products but satisfying experiences.' This view has in turn been expanded upon by Levitt (1976) who argues that products need to be seen in terms of the benefits they provide rather than the functions they perform.

Views such as this provide strong support for the suggestion that in developing product strategy, the strategist needs to give explicit recognition both to the objective and the subjective elements of the product. The objective element in the form of, for example, the physical specification and price are often easily copied by a competitor. The subjective element, however, which consist of among other things the image and reputation is generally more difficult to copy and in many markets they provides the most effective basis for differentiation. In practice, of course, the objective and subjective dimensions are interrelated: a strong image and positive reputation, for example, develops largely as the result of high quality and reliability. It is therefore the recognition of this sort of interrelationship that is at the heart of effective product strategy, since it is the combination of the two which delivers 'value' to the customer.

2.1.2 The Dimensions of Product Strategy

Effective product strategy is to a very large extent based on an understanding and application of two major concepts, the product life cycle and portfolio analysis.

Product Life Cycle: Its contribution to product strategy

The product life cycle (PLC) is one of the best -known but least understood concepts in marketing. The ideas that underpin the concept are straightforward, suggesting that sales following a product's launch are initially slow but then increases as awareness grows. Maturity is reached when the rate of sales growth levels off and repeat purchasers account for the majority of sales. Ultimately, sales begin to decline as new products and new technologies enter the market leading eventually to the product being withdrawn.

Although a considerable amount has been written about the product life cycle and how it might or should be used, surprisingly few empirical studies of the concept's real scope for application within an organization's product policy have been conducted. It is perhaps because of this that the literature on the life cycle still tends to lean towards one extreme or the other, with some arguing that life-cycle analysis offers a strong foundation for effective product strategy, while others dismiss the idea as being conceptually attractive but pragmatically worthless. Prominent among those within this second category are Dhalla and Yuspeh (1976) who, in an article entitled 'Forget the Product Life Cycle', argued that the product life cycle is conceptually and operationally flawed.

What then is the status of the product life cycle and what contribution might it be expected to make to product strategy? Quite obviously, it is not a model with universal applicability, but rather an ideal type from which insights into the general behavior of most product forms can be deduced, but which in its application requires a possibly high degree of caution. This is reflected in a comment by Thomas (1987) who suggests that:

as a means to an end - that end being more sensitive management of the product over time, no sensible product manager should ignore the intellectual inheritance represented by the product life cycle literature. Using the product cycle concept is a means to creating an optimal life cycle, rather than being controlled by it. Sales history is a fundamental tool of the product manager, but sales history is not the only variable controlling the future of the product.

This general line of argument has also been pursued by Michael Porter (1980) who has highlighted the significance of the context in which the product life cycle is applied. Porter argues that the nature of the industry and its evolution from embryonic to declining is at least of equal importance as the stage of the product's life cycle.

The role of Portfolio Analysis in product Strategy

The second key contributor to effective product strategy is portfolio analysis and management. The starting point involves recognizing that portfolio analysis provides a firm foundation both for developing and evaluating marketing plans. The data required, for example, for the growth-share and market-attractiveness/business position type matrices help not only in the process of allocating resources, but also in deciding upon the current and future mix and balance of the organization's portfolio. This in turn provides the basis for identifying the contribution that each strategic business unit (SBU) is capable of making to short-term and long-term strategy and, where this contribution is perceived to be inadequate, for adjustments to be made.

For Haspeslagh (1982), the principal role of portfolio analysis within product strategy is that of resource allocation and, subsequently, a series of decisions regarding each product and, in particular, whether to adopt a custodial, harvesting, penetration, phased withdrawal, divestment, acquisition, or new product development stance.

In many ways, this view of portfolio analysis represents a neat summary of its potential role and contribution. Portfolio displays are not intended as strategic answers to the resource allocation problem, but are instead designed to help in the process of communication and decision making at brand management and strategic management levels.

2.1.3 Product Strategy Techniques

There are two sets of techniques: perceptual-mapping procedures and preference/choice models. The former considers the structure of individual's perceptions of products in a given product class, while the later focuses on the linkage between perceptions, preferences, and /or choice.

(a) Perceptual Mapping

As an aid in understanding how consumers think about products in existing markets, a group of procedures called perceptual mapping is used. In perceptual maps, products are represented (mapped) by locations in a space of several dimensions (such as "value for the money," gentleness,' and "effectiveness"), which distinguishes among the products.

Perceptual theory suggests that although consumers can be questioned about literally hundreds of different product attributes, they generally use a small number (two to four) when they think about a particular product or product class. Thus an objective of perceptual-mapping procedures is to identify the relevant dimensions and to locate the positions of existing and potential new products along these dimensions. Although a number of approaches have been suggested for the perceptual-mapping task, most fall into one of two categories: attribute-based procedures (factor analysis) and similarity- based procedures (multidimensional scaling).

(b) Preference/Choice Models

There are three widely used preference models: expectancy value, preference regression, and conjoint analysis.

Expectancy-value Models - Wilkie and Pessemier (1973) reviewed the development and use of expectancy-value models in marketing. These models are based on a compositional or buildup principal, where an object's total utility is the weighted sum of its perceived attribute level and the associated value ratings as judged explicitly by the respondent. For predicting use of a new product or concept, the expectancy-value approach is low in cost and easy both to administer and to evaluate. Furthermore, it gives a quick early guide to the likely success of the product.

However, it has several disadvantages. First, it is not as accurate as other methods in predicting preference. Secondly, it deals with the attributes themselves, rather than the underlying perceptual dimensions. Thirdly, it is subject to halo effects (Beckwith and Lehmann, 1975), in which an individual rates his most-preferred product high on all scales, biasing the results.

Preference Regression - On the surface, preference regression looks a lot like expectancy -value model. However, there are several important differences: Overall preferences for alternative products are measured directly and used as dependent variables; importance of weights are inferred from consumer-preference ratings; importance of weights are assumed homogeneous across a response group; and perceptual or evaluation dimensions (resulting from, say, a factor analysis) are used rather than the attribute items in the analysis.

In the preference-regression process, factor analyses of the original attribute ratings are performed first to obtain evaluation dimensions. The individuals' evaluations of each product (the factor scores) are made and regressed against the rank order of preferences. Because of insufficient degrees of freedom for estimation at the individual level, the regression is usually ran across a group of individuals perceived to be homogeneous in the importance they place on evaluation dimensions.

Advantages of the preference-regression approach are : It is easy to use because most installations have regression packages; it is more accurate than the expectancy- value approach, and the derived importance weights can be used to guide both product-design modification and advertising-copy development.

Disadvantages of preference regression are: A linear-model form usually used, so non-linear-threshold -saturation effects are not handled well; it should be used with the basic attributes because of intercorrelations; and important weights are average weights and do not reflect differences at the individual level.

Conjoint Analysis - Conjoint analysis is a set of methods designed to predict consumer preferences for a multiattribute product. The respondent is asked to react to a total product profile, and then the resulting total preference score is decomposed into a set of utilities for each of the attributes. The procedure treats combinations of attributes set at discrete levels.

Conjoint analysis has several important limitations. First, no statistical inference procedures exist, which is a serious drawback for fitting a mode form. Secondly, the procedure assumes that the appropriate experiment factors (the product attributes or features) are known in advance, are small in number, and are constant across respondents. Thirdly, when the dimensions of choice are psychological - or, at least, not easily quantifiable - the procedure is difficult to use. Finally, the approach assumes that either the rank-ordered or paired-comparison data about individual preferences provide reliable information about likely consumer actions. Products are often designed to maximize share of first preference, where that preference is predicted from the individual's estimated utility functions.

Model-based Procedures for Product Design

Perceptor

The perceptor model and measurement methodology was developed for the design and positioning of new, frequently purchased consumer products. The main idea is the specific linkage of the distance from an ideal brand to trial-repeat estimates for a new product in an existing market. As such the structure provides a basis for evaluating, refining and selecting among alternative product concepts.

The perceptor model is an intuitively appealing model that is easy to use. However, it has several problems, which limit its value. First, the concept of relating share and draw to squared distance from an ideal point is not without its critics. In his later works, Hauser and Urban (1977) used a multinomial log it approach to model individual choice, which suggested a different method of developing individual-choice behavior based on utility theory. However, the data-collection procedure for perceptor is some what simpler than the utility-theory-based model. The perceptor approach is also limited by the fact that it is deterministic and that analysis is performed at the market level. Again, later works (Urban and Hauser, 1980) focused more on the issues of individual-measurement and benefit segmentation. Finally, the estimation of the long-run repeat rate with short-run switching probabilities, while innovative, ignores changes in those probabilities over time (Kalwani and Silk, 1980).

Shoker and Srinivasan's linmap Procedure

Shocker and Srinivasan (1974) proposed a four-stage procedure to identify new-product alternatives that address specific firm objectives. At the heart of the procedure are a consumer-choice model, relating product choice to distance to the individual's ideal brand. Linmap, a linear-programming procedure that jointly derives individual ideal points and attribute importance weights, and a firm's objective function, which guides the search for new-product opportunities.

The four stages of the procedure are: Identifying the market; representing the products in the attribute space; estimating utility functions and likely product choices, and identifying the best new opportunity.

2.2 Product Strategy and Strategic Marketing

Because the product is at the very heart of marketing strategy, the need to manage it strategically is of paramount importance, since how well this is done is the key both to the organization's overall financial performance and to the gaining and retaining of market share. The question of *how* to manage the product strategically is not necessarily answered easily, however, and for many firms involves a careful balancing of costs, risks and returns. In doing this, explicit consideration needs to be given to competitors and in particular to the probable implications of any moves that they are likely to make.

In many cases, time is a critical dimension of product strategy and exerts a significant influence on any marketing manager's freedom of movement. In the long term, say five to 10 years, products can be changed radically in almost all industries and can therefore make a major contribution to corporate objectives. In the short term, however, the product is often much more inflexible. In the shorter term, the strategist's flexibility is consequently more limited and restricted to a series of minor and often cosmetic changes. For this reason, innovation tends not to be a major element of short-term marketing strategy. Instead, the strategist is limited to a series of package and label changes, new varieties, accessories, options, and combinations of products that inject a degree of newness into the market.

In developing an effective product strategy, a variety of factors need to be considered. The first, and in many ways the most important, is the question of the *type* of product strategy that is to be pursued. Is it, for example, to be broadly offensive or broadly defensive? If it is to be offensive the strategist needs to consider not just how this is to be translated into action, but also its feasibility and the costs and risks that are associated with it . We can identify four types of product strategy: A market leader product strategy; leadership challenging product strategy; product following strategy; and a me-too product strategy.

The question of which strategy to pursue cannot be made in isolation, but requires a detailed understanding both of the organization's current position and capabilities, and of each competitor's stance and likely response pattern when challenged. The starting point should therefore be an assessment of the organization current portfolio. Such an assessment can be carried out in one of several ways, including using the product life cycle and techniques of portfolio analysis. Based on this sort of analysis, Drucker (1963) recommends classifying products in one of the six ways: tomorrow's breadwinners; today's breadwinners; products that are capable of making a contribution assuming that drastic action is taken; yesterday's breadwinners; the also-rans; and the failures. This approach to classification then provides the basis for posing three questions; First , Should we continue to market the product ?; Secondly, If so, should the strategy and level of resource allocation be changed in a minor way ?; Thirdly, Should there be a major rethink of the product's strategy (e.g. a re-launch, a repositioning, or a major styling change) ?

2.3 Factors affecting Product strategy

In answering these questions, the strategist needs to consider a variety of factors, but most important is how the product is perceived by consumers and distributors; its probable future sales pattern; the scope that exists for repositioning or extending the life of the product; the availability of resources; the returns that are being generated currently; the ways in which returns are likely to increase or decrease in the future; possible competitive moves that will affect consumes' perceptions of the product : and the nature of any competing demands for the resources currently being absorbed by the product. In addition, consideration needs to be given to the relative rates of product and market growth, and whether the product is growing at a faster or slower rate than the overall market. Regardless of whether the growth rate is faster or slower, the strategist needs to consider first why this is the case and second the strategic implication.

2.4 Problems in Product Strategy

The fundamental decision in formulating a marketing mix concerns the product of an organization. Without something to satisfy target market wants and needs, there would be nothing to price, distribute, or communicate. In essence, the ultimate profitability of an organization depends on its product or service offering(s). Accordingly, issues in the development of a product and service strategy are special interest to all levels of management in an organization.

The three basic kinds of offering-related decisions facing the marketing manager concern include: Modifying the product mix, positioning the product, and branding the product. In certain ways, offering decisions are extensions of product-market matching strategies. Like other marketing-mix decisions, offering decisions must be based on consideration of organizations and marketing objectives, organization resources and capabilities, customer needs and wants, and competitive forces in the market place.

2.4.1 Modifying the Product Mix

The first offering-related decision confronting the manager is whether to modify the offering mix. Rarely, if ever, will an organization's offering mix stand the test of changing competitive actions and buyer preferences, or satisfy an organization's desire for growth. Accordingly, the marketing manager must continually monitor target markets and offerings to determine when new offerings should be introduced and existing offerings modified or eliminated.

Modifying, Harvesting and Eliminating Products

Modifying offerings is a common practice. Firms must be on the lookout for new ways to improve the value their offerings provide consumers in terms of quality, functions, features, and /or price. Modification decisions typically focus on trading up or trading down the offering. *Trading up* involves a conscious decision to improve an offering - by adding new features and higher-quality materials or augmenting the offering with attendant services and raising the price. *Trading down* is the process of reducing the number of features or quality of an offering and lowering the price.

The elimination of offerings as a specific decision is given less attention than new-offering or modification decisions. However, the elimination decision has grown in importance in recent years because of the realization that some offerings may be an unnecessary burden in light of potential opportunities. *Harvesting* is the strategic management decision to reduce the investment in a business entity in the hope of cutting costs and/or improving cash flow. Harvesting should be considered when ; the market for the offering is stable; the offering is not producing good profits; the offering has a small or respectable market share that is becoming increasingly difficult or costly to defend from competitive in roads; and the offering provides benefits to the organization in terms of image or "full-line" capabilities, despite poor future potential.

2.4.2 Positioning the Product

A second major offering-related decision confronting the manager concerns the positioning of offerings. *Positioning* is the act of designing an organization's offering and image so that it occupies a distinct and valued place in the target customer's mind relative to competitive offerings. There are a variety of positioning strategies available, including positioning by; attribute or benefit; use or application; Product or service user; product or service class; competitors; and price and quality.

The challenge facing a manager is deciding which positioning strategy is most appropriate in a given situation. The choice of a strategy is made easier when the following three questions are considered. First, who are the likely competitors, what positions have they staked out in the marketplace, and how strong are they? Second, what are the preferences of the target consumers sought and how do these consumers perceive the offerings of competitors ? Finally, what position, if any, do we already have in the target customer's mind? Once answered, attention can then be focused on a series of implementation questions: What position do we want to own ?; What competitors must be outperformed if we establish the position? And, do we have the marketing resources to occupy and hold the position?

The success of a positioning strategy depends on a number of factors. First, the position selected must be clearly communicated to targeted customers. Second, as the development of a position is lengthy and often expensive process, frequent positioning changes should be avoided. Finally, and perhaps most important, the position taken in the market place should be sustainable and profitable.

2.4.3 Branding the Product

Branding offerings is a third responsibility of marketing managers. A brand name is any word, "device" (design, sound, shape, or colour), or combination of these that are used to identify an offering and set it apart from competing offerings. The major managerial implication of branding offerings is that consumer goodwill, derived from buyer satisfaction and favourable associations with a brand can lead to *brand equity* - the added value a brand name bestows on a product or service beyond the functional benefits provided. This value has two distinct advantages for the brand owner. First, brand equity provides a competitive advantage. A second advantage is that consumers are often willing to pay a higher price for a product or service with brand equity. Brand equity, in this instance, is represented by the premium a consumer will pay for one brand over another when the functional benefits provided are identical.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This study was a statistical one and was investigating the effectiveness of product strategy in the Kenyan Beverage industry. More specifically the study investigated the aspects of product strategy managers in the Kenyan beverage industry consider being effective and to identify the factors affecting the use of product strategy.

3.2 Population

The population of interest in this study included all the beverage firms in Kenya recognized by Kenya Bureau of Standards.

3.3 Sample Design

This was to be selected by proportionate stratified random sampling method to ensure adequate numbers of each of the following categories were represented in the sample:

(i) Non-alcoholic beverages

(ii) Alcoholic beverages

Sampling frame was obtained from Kenya Bureau of Standards, from which a sample size of 50 firms was to be studied.

3.4 Data Collection Method

The data was being collected through a structured questionnaire (see appendix 2). The questionnaire consisted both of open and closed ended questions, which was divided into two sections. The first ection of the questionnaire was to collect the classification data, while the second section consisted f specific questions aimed at obtaining data for the objectives of the study. In each firm two presentatives were administered. One was the marketing manager and the other one was the oduction manager through a drop and pick later method. Where clarification was needed I availed yself for the same.

5 Data Analysis Method

ta collected was analyzed through mean scores and percentages. Mean score was used to termine the aspects of product strategy that were effective which was the first objective of this dy. Both Mean Scores and Percentages analysis were used to address the second objective ncerned with identifying factors affecting the use of product strategy.

CHAPTER FOUR

DATA COLLECTION AND ANALYSIS

4.1 Introduction

This chapter highlights how the questionnaire was scored and the data analyzed. The data gathered in the study are analyzed in this chapter using descriptive statistics.

The results in this chapter are divided into two major sections in which the first section looks at the effectiveness of the product strategy, while the second section looks at the importance of the different factors affecting product strategy.

4.2 Effectiveness of Product strategy

This section addresses the first objective of the study which aims at determining the aspects of product strategy managers in the Kenyan beverage industry consider as being effective.
The kind of data collected was statistical and was through a five point scale where five was equal to a very great extent/very important and one was equal to no extent at all/not very important. The data was analysed through point scores in which the first point of the score was scored one, the second score, scored two and the last score was scored five.

Question 1 looked at the importance of the product attributes generally as it would affect product strategy, questions 2 and 3 looked at the proportionality of the products packed and which packages were commonly used. Question 4 and 5 looked at the importance and effectiveness of packaging and question 6 looked at consumer satisfaction towards each firm's product.

Question 10 and 11 looked at the importance and effectiveness of quality towards product strategy, and Questions 12 to 18 looked at the importance and effectiveness of branding. Effectiveness of labeling towards product strategy was covered in questions 19 to 21 and question 23 looked at the reasons for which firms priced their products. Question 25 looked at some of the major hindrances faced by different companies in their efforts to set up effective product strategy.

The results of this section are as tabulated below.

Table 1: Importance of product attributes towards meeting effective product Strategy.

ATTRIBUTES	MEAN	STANDARD DEVIATION
Quantity	4.70	1.02
Branding	4.43	0.87
Packaging	4.50	0.87
Labeling	4.64	0.56

From the study, table 1 above indicates that all the product attributes were important having scored a mean of above four. All the same quality scored the highest mean at 4.7 followed by labeling at 4.64. Packaging and branding followed closely with a mean score of 4.5 and 4.43 respectively. From these mean scores, it is evident that all the four attributes have to be considered if product strategy is to be effective. It is very hard to isolate the four attributes as they work together towards achieving effective product strategy.

Table 2: Proportions of packaging materials used.

PACKAGING MATERIAL	PERCENTAGE
Bottle	34%
Paper	21%
Polythene	2%
Plastic	29%
Tin	12%
Sachets	2%
TOTAL	**100**

Bottle was the most commonly used packaging material with a mean score of 34.0% followed closely by plastic at a mean score of 29.0%. Polythene and the sachets appeared not to be common with a mean score of only 2% each as shown in table 2 above. However, most respondents attributed to the use of the bottle as being cheap, more durable and portable. Polythene on the other hand could easily be damaged especially if not well handled. Sachets were on the decline from the market especially with the ban of the same by the Government of Kenya.

Importance of packaging purposes

According to the research, all packaging purposes appeared to be important with all of them scoring a mean score of above four as depicted in table 3 overleaf. However, customer satisfaction scored the highest mean score at 4.93 followed closely by quality maintenance at 4.86 and aesthetics at 4.82. Value adding was the least at 4.23 though was also an important purpose towards packaging.

Table 3: Importance of packaging purposes

PURPOSE	MEAN	STANDARD DEVIATION
Maintain quality	4.86	1.05
Add value	4.23	0.98
Customer satisfaction	4.93	0.25
Aesthetics	4.82	0.51

Table 4: Effectiveness of packaging purposes

PURPOSE	MEAN	STANDARD DEVIATION
Maintain Quality	4.95	0.20
Add value	4.09	0.98
Customer satisfaction	4.60	0.57
Aesthetics	4.80	0.47

From table 4 above, all the four packaging purposes went to a great extent towards realizing effectiveness of packaging, with all the purposes scoring above four. All the same, quality maintenance scored the highest mean score at 4.95, followed by aesthetics at 4.80, and value adding scoring the lowest at 4.09. However, in all of these purposes, packaging was considered to be important and was viewed as a very essential attribute in making the product look more compact and portable, hence making it more convenient to the consumer.

Table 5: Importance of product quality purpose

PURPOSE	MEAN	STANDARD DEVIATION
Customer satisfaction	4.86	0.44
Customer loyalty	4.77	0.48
Profitability margins	4.16	0.96
Corporate image	4.66	0.59

Table 5 shows the importance of product quality purpose with all the product quality purposes coming out strongly scoring above four. Customer satisfaction scored the highest mean score at 4.86 and was closely followed by customer loyalty at a mean score of 4.77. Profitability margins scored the lowest mean at 4.16.Most companies argued that they were in business and what mattered most was customer satisfaction, since after all the customer was the king.

Table 6: Effectiveness of product quality purposes.

PURPOSE	MEAN	STANDARD DEVIATION
Customer satisfaction	4.91	0.35
Customer loyalty	4.84	0.40
Profitability margins	4.16	1.08
Corporate image	4.54	0.59

From the study, it was evident that all the product quality purposes went to a great extent in achieving effective product strategy with all the purposes scoring above four. Customer satisfaction scored the highest mean score at 4.91 followed by customer loyalty at 4.84 as clearly indicated from table 6 above. Customer satisfaction was of great importance since it proved consumers confidence towards the company's products. Generally product quality was considered to be important towards achieving effective product strategy.

Importance of branding purposes

Table 7 below is a summary on importance of branding purposes. Quality scored the highest mean score at 4.98 followed closely by customer satisfaction at 4.95. Customer loyalty and awareness both had a mean score of 4.68. From this study, it was clearly evident that all the four branding purposes were all of great importance having scored a mean score of above four. Generally speaking, branding was viewed as important in meeting the stiff market competition.

Table 7: Importance of branding purposes

PURPOSE	MEAN	STANDARD DEVIATION
Customer satisfaction	4.95	0.30
Customer loyalty	4.68	0.54
Customer awareness	4.68	0.29
Quality	4.98	0.15

Table 8: Effectiveness of branding purposes.

PURPOSE	MEAN	SD
Customer satisfaction	4.91	0.47
Customer loyalty	4.64	0.39
Customer awareness	4.77	0.42
Quality	4.86	0.49

In all of these purposes, branding was considered to be important with all the purposes having scored a mean score of above four. However, customer satisfaction scored the highest mean score at 4.91 followed closely by quality at 4.86 with customer loyalty scoring 4.86(table 8 above).

Basically, consumers will tend to be more satisfied with brands that meet their needs while at the same time displaying their expected quality.

Table 9: Product pricing purposes.

PURPOSE	PERCENTAGE
Conveying image	38.6%
Communicating value	86.3%
Recover costs	72.7%
Meet competition	77.3%

In pricing products, the most common purpose was to communicate value which scored highest at 86.3% and was closely followed by the purpose to meet competition at 77.3%. The purpose to convey image was the least at 38.6%.Most organizations priced their products with the aim of communicating value as summarized in table 9 above. Highly priced goods at a premium are of a much more superior quality/value as compared to lower priced products. Most of them were not interested with the purpose of conveying image since it's not the image that sells but the value of the product.

Hindrances encountered in setting up effective product strategy

From the study and as shown from table 10 below, most companies were of the opinion that government taxes was the most major hindrance towards setting up of effective product strategy scoring 72.7% and was followed by stiff competition at 68.2%. Government taxes and levies have kept on going up over the years making it too expensive for these companies to produce goods/services effectively. Due to high government taxes they are forced to increase prices for their products hence making it difficult for the consumer to purchase their products due to lower purchasing power. Dynamic market trends at 18.2% did not seem to be a hindrance to most organizations since they were able to cope up by strategizing accordingly to meet the challenges.

Table 10: Hindrances encountered during the setting up of effective product Strategy.

FACTORS	PERCENTAGE
Dynamic market trends	18.2%
High cost of production	50%
Government taxes/levies	72.7%
Reduced consumer purchasing power	34.1%
Stiff competition	68.2%

4.3 Factors Affecting the Use of Product Strategy

This section addresses the second objective of the study which aims at identifying the factors that affect the use of particular given product strategies. The kind of data collected in this section was mainly descriptive data and was analysed through percentages. Question 26 looked at the factors affecting the use of particular product strategies and the findings of this section are as tabulated below:

Table 11: Market leader strategy

FACTORS	PERCENTAGE
Market share	65.9%
Cost of production	1.1%
Sales turnover	54.5%
Product quality	36.4%
Profitability margins	65.9%

From the research, it was evident that market leader strategy was mainly affected by market share and profitability margins at 65.9% followed by sales turnovers at 54.5%. Cost of production did not have much effect at only 1.1 %(table 11 above). This was because for one to use the market leader strategy, they had to have a respectable market share volume and market share value while enjoying reasonable profitability margins due to high competition levels in the market. Cost of production was not an issue to the firms using this strategy because they could easily absorb these costs as a result of greater market share value and volume

Table 12: Leadership challenging strategy

FACTORS	PERCENTAGE
Product quality	25.0%
Packaging	20.5%
Competition	52.3%
Organization behavior	31.8%

Table 12 above shows that the use of leadership challenging strategy was mainly as a result of stiff competitions in the market with a score of 52.3%. Most companies using this strategy were forced to use leadership strategy as a last resort, especially when competition in the market gets unbearable such that they are pushed to come up with a new product (innovators), so that they can be followed by others. Packaging at 20.5% did not carry so much weight in this area since it was not a very important factor to market leaders.

Table 13: Product following strategy

FACTORS	PERCENTAGE
Sales turnover	43.2%
Production capacity	56.8%
Cost of production	65.9%
Product life cycle stage	29.5%
Threat of product substitute	34.1%
Product differentiation	34.1%

Table 13 is a summary of the factors affecting product following strategy, from which the use of product following strategy was greatly attributed to the cost of production at 65.9%, closely followed by production capacity at 56.8%. Product life cycle stage had minimal influence towards the use of product following strategy with a score of 29.5%. Product followers are said not to be innovative and are always conscious especially when it comes to profit maximization, such that they have to wait and see what happens. Most of them are spectators and they only come in when they know that the cost of producing a particular product will not be so high.

Table 14: Me-too strategy.

FACTORS	PERCENTAGE
Image	56.8%
Competition	45.5%
Cost of production	22.7%

This strategy proved not to be so common with most of the companies since out of the forty- four respondents, only nine companies responded to this question. However, image had the greatest influence towards the use of Me-too strategy at a score of 56.8% followed by competition at 45.5% and cost of production at 22.7% as indicated from table 14 above .It was attributed to "copy cats" i.e. to firms which were not original in their innovations. For those who responded, most of them attributed their use of the strategy to corporate image. They only use the strategy when they are not able to compete in the market but want to maintain their reputation in the market.

CHAPTER FIVE

CONCLUSION

1 Introduction

his final chapter covers the summary, discussions, conclusions, limitations of the study, commendations for future research and recommendations for policy and practise.

2 Summary, Discussions and Conclusions

his section looks at the summary, discussions and conclusions of the study. The order of the esentation is in terms of the objectives addressed in the study.

he first objective of this study was set to determine which aspects of product strategy managers in e Kenyan beverage industry consider being effective in realizing product strategy objectives. A uestionnaire divided into two sections was used. The first section of the questionnaire addressed e first objective. The number of firms that responded to the Questionnaire was forty-four. Other formation was gathered from the secondary data and the analysis was mainly through mean scores, ercentages and tabulation.

his study was considered pertinent due to the fact that product strategy is becoming a current opical issue, because of how product decisions interact intimately with other marketing mix ecisions.

t is important to note that all the product attributes contribute towards effective product strategy ointly. The four products attributes which are quality, branding, packaging and labeling cannot be olated when it comes to the use of effective product strategy. All the four attributes scored a mean score of above four. The quality purposes were all deemed as important and this was attributed to the fact that quality was the selling mark for all the beverage products. Consumers were willing to pay a higher premium for a higher quality beverage as it met their needs fully.

Product quality has emerged as one of the most important concepts in marketing strategy. It is based on the belief that improving product quality leads to competitive advantage. Differentiation, product positioning and segmentation often take the form of providing consumers with higher quality products than competitors. Building long term customer satisfaction also relies heavily on improving product quality.

Packaging was of great importance towards effective product strategy in that it aimed at ensuring maximum customer satisfaction and maintained quality of the products. Most beverages are packaged to increase their keeping quality hence maintain quality for a longer time. The quality is maintained through certain additives and chemical processes. This went along way in meeting the consumers' needs hence satisfying their desires through aesthetics as the product looked more appealing to consumers.

Branding on the other hand helped in conveying the quality of the beverage and this was mainly done through various brand names which consumers were familiar with. Brand name is any word that is used to identify a product and sets it a part from competing products. Consumers were said to have certain connections between the brand names and quality. The major managerial implication of branding products is that consumer good will, derived from buyer satisfaction and favourable associations with a brand can lead to brand equity that is the added value a brand name bestows on a product beyond the functional benefits provided.

The second objective of the study was set to determine the factors that affect the use of product strategy in the beverage industry. Section two of the questionnaire addressed this second objective. To determine these factors, a strategist needs to consider a variety of causes but most important is how the product is perceived by consumers and distributors, its probable future sales pattern, the scope that exists for repositioning or extending the life of the product, the availability of resources, and the returns that are being generated currently. Other factors will include the ways in which returns are likely to increase or decrease in the future, possible competitive moves that will affect consumers' perceptions of the product and the nature of any competing demands for the resources currently being absorbed by the product. In addition, consideration needs to be given to the relative rates of product and market growth, and whether the product is growing at a faster or slower rate than the overall market.

The market leader strategy was mainly affected by market share volume and value, cost of production, sales turnover, product quality and profitability margins. The most important factors for this strategy ware profitability margins and market share since the two factors work hand in hand. Product quality, packaging, competition and organization behavior were the factors responsible for the use of leadership challenging strategy, and product following strategy was affected by production capacity, cost of production, and threat of product substitute and product differentiation. Me- too strategy was mainly affected by corporate image.

Market leader strategy was the most commonly used product strategy by most of the firms which responded to the questionnaire. This is because it is the most effective strategy for companies which already have a greater market share volume and value. Such firms are already established and enjoy greater profitability margins in the market since they already have the grip of the market. Sales turnover was another factor that affected their business since they are able to know if they are gaining or loosing their loyal customers from their sales.

Leadership challenging strategy is mainly used by companies which enjoy being innovators. Such a strategy can only be successful if there has been a comprehensive new product development testing or else the strategy can be a total failure. Companies employing this strategy are very competitive such that they do not feel comfortable or complacent with what they have in the market and hence stiff competition would easily kick them out of business if they do not come up with a new product or brand line.

Product following strategy on the other hand was mainly used by firms afraid of being innovators but instead act as followers once a new product has been developed. This way the company is able to study the strengths and weaknesses of the company coming up with the new product and improve on their weaknesses. Hence this gives them a better competitive edge against their rivals (innovators) and they are able to capture the market with a bang. To them cost of production will be the most important factor as they would wish to minimize on cost of production while maximizing on the profitability margins due to the stiff competition outside

However the question of which strategy to pursue cannot be made in isolation, but requires a detailed understanding both of the organization's current position and capabilities, and of each competitor's stance and likely response pattern when challenged. The starting point should therefore be an assessment of the organization's current portfolio. Such an assessment can be carried out using the product life cycle and techniques of portfolio analysis.

From the foregoing discussions the following conclusions may be drawn: While product strateg undoubtedly the most important element of the marketing mix, there is still an immense amour misunderstanding about exactly what a product is and what a product does. All too often, prod take on a life of their own and manage to create a dedicated devoted following within organization long after their useful life, as far as the market place is concerned, has pas Products, while important do not deserve to have the right to an existence for their own sak product is no more than the most appropriate vehicle, at any point in time, which will c satisfactions produced by the organization in one direction, and carry profits from the market p to the organization in the opposite direction. A product is no more than a package of benefits.

In developing an effective product strategy, a variety of factors need to be considered. The first, in many ways the most important, is the question of the type of product strategy that is to pursued. Is it, for example, to be broadly offensive or broadly defensive? If it is to be offensive strategist needs to consider not just how this is to be translated into action, but also its feasibi costs and risks that are associated with it

5.3 Limitations of the study

The major limitation of this study is that it was conducted throughout the country and as s collecting data from firms outside Nairobi became a tasking challenge. The other limita encountered in this study was that most of the respondents were unwilling to fill in most of questionnaires. The time taken to collect the data was prolonged due to the unavailability of eno data for the research. Out of the fifty respondents, forty-four attempted to answer the questionna though partially.

5.4 Recommendations

5.4.1 Recommendations for future Research

Arising out of the limitations of this study the following are suggested areas for future research. Future research should be carried out, to determine how product strategy can be used within other industries to achieve competitive advantage.

5.4.2 Recommendations for policy and practice

From the study it is very evident that all the attributes studied were of great importance towards achieving effective product strategy and hence should be enforced in most organizations. Organizations not using these attributes effectively should borrow an 'Olive branch' from their competitors who seem to be doing much better in the market. All the four attributes should therefore be used together as a practice to achieve effective product strategy since they complement each other

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APPENDIX 1

INTRODUCTORY LETTER TO THE RESPONDENTS

University of Nairobi,

Faculty of Commerce,

Department of Business Administration,

P. O. Box 30197,

NAIROB'.

May 2004

Dear Sir/Madam,

I am a graduate student in faculty of Commerce, University of Nairobi. I am currently engaged in a management research project on the ***"Effectiveness of Product Strategy in the Kenyan Beverage Industry"***. This is in fulfillment of the degree of Master of Business Administration (MBA).

I Kindly request you to fill the attached questionnaire soonest possible and to the best of your knowledge. This exercise is strictly for academic purposes and any information obtained will be treated with the strictest confidence. A copy of the final research report will be availed to you upon request.

Your co-operation will be greatly appreciated.
Thanking you in advance.

Yours faithfully

NYAKIORE L.S. (MS.).	DR. M. OGUTU.
MBA STUDENT	**SUPERVISOR,**
	DEPARTMENT OF BUSINESS ADMINISTRATION

APPENDIX 2

QUESTIONNAIRE

The questionnaire below has two sections. The first section relates to the bio-data of companies studied and the second section relates to the product strategy in the Kenyan beverage industry.

Section A – Classification Data

1. For how long has your company been in operation in Kenya? (Please tick)

   (a) 1 to 5 years ( )

   (b) 5 to 10 years ( )

   (c) 10 to 15 years ( )

   (d) 15 to 20 years ( )

   (e) over 20 years ( )

2. Is your company:

   (a) Foreign owned ( )

   (b) Locally owned ( )

   (c) Multinational Subsidiary ( )

   (d) Parastatal ( )

   (e) Others (specify) ( )

3. What is the principal business of your company? Please specify

   ....

   ....

   ....

4. Does your company have a mission statement?

Yes ( ) No ( )

5. If yes, please indicate the mission statement of your company below:

....

....

....

....

Section B – Product strategy

1. How would you rate the importance of the following products attributes? (Rate on a five-point scale where 5 = very important and 1 = Not very important at all.)

		1	2	3	4	5
(a)	Quality	( )	( )	( )	( )	( )
(b)	Branding	( )	( )	( )	( )	( )
(c)	Packaging	( )	( )	( )	( )	( )
(d)	Labeling	( )	( )	( )	( )	( )

2. What proportion of your products do you package for the market?

-----------------%

3. What proportions of your packaged products use the following packages?

(a)	Bottle Packaging	(%)
(b)	Paper Packaging	(%)
(c)	Polythene Packaging	(%)
(d)	Plastic Packaging	(%)
(e)	Tin Packaging	(%)

4. How important are each of the following purposes for packaging of your products? (Indicate importance on a five-point scale where 5 = very important and 1 = Not important at all)

	Purpose	**5**	**4**	**3**	**2**	**1**
(a)	Maintain Quality	( )	( )	( )	( )	( )
(b)	Add Value	( )	( )	( )	( )	( )
(c)	Customer Satisfaction	( )	( )	( )	( )	( )
(d)	Aesthetics	( )	( )	( )	( )	( )

5. To what extent has packaging helped you realize your purpose. (Use a five-point scale where 5 = very great extent and 1 = No extent at all)

	Purpose	**Extent to which packaging has Helped you realize your purpose**				
		5	4	3	2	1
(a)	Maintain Quality	( )	( )	( )	( )	( )
(b)	Add Value	( )	( )	( )	( )	( )
(c)	Customer Satisfaction	( )	( )	( )	( )	( )
(d)	Aesthetics	( )	( )	( )	( )	( )

6. How do your customers perceive the quality of your products in terms of satisfaction? (Please tick the appropriate response).

(a)	Extremely satisfied	( )
(b)	Satisfied	( )
(c)	Neither Satisfied nor satisfied	( )
(d)	Dissatisfied	( )
(e)	Very dissatisfied	( )

7. How many grades of your product do you produce?

....

8. List the various grades indicating the proportion of total output per annum.

Grade		Proportion of total output per annum
(i)	....	..........................%
(ii)	....	..........................%
(iii)	....	..........................%
(iv)	....	..........................%
(v)	....	..........................%

9. How frequently do you assess consumer satisfaction with your products? (Use a five-point scale where 5 = very frequent and 1 = Not frequent)

	5	4	3	2	1
Customer Satisfaction	( )	( )	( )	( )	( )

10. How important is each of the following purpose to your product quality? (Use a five-point scale where 5 = very important)

	Purpose	5	4	3	2	1
(a)	Customer Satisfaction	( )	( )	( )	( )	( )
(b)	Customer Loyalty	( )	( )	( )	( )	( )
(c)	Profitability margins	( )	( )	( )	( )	( )
(d)	Corporate image	( )	( )	( )	( )	( )

11. To what extent has quality helped you realize your purpose? (Use a five-point scale where 5 = very great extent)

	Purpose	**5**	**4**	**3**	**2**	**1**
(a)	Customer Satisfaction	( )	( )	( )	( )	( )
(b)	Customer Loyalty	( )	( )	( )	( )	( )
(c)	Profitability margins	( )	( )	( )	( )	( )
(d)	Corporate image	( )	( )	( )	( )	( )

12. How many brands to you have? ....

13. List the brand types your firm has indicating their proportions of output per annum?

	Brand name	Proportions
(a)	....	..............%
(b)	....	..............%
(c)	....	..............%
(d)	....	..............%

Others (please specify) ....

14. For each of your brands, indicate their importance below in the spaces provided. (Use five-point scale)

	Brand Name	**5**	**4**	**3**	**2**	**1**
(a)	……………………..	( )	( )	( )	( )	( )
(b)	……………………..	( )	( )	( )	( )	( )
(c)	……………………..	( )	( )	( )	( )	( )
(d)	……………………..	( )	( )	( )	( )	( )

Others (please specify) ……………………………………………………

15. Are your customers aware of your brand names?

Yes ( ) No ( )

16. If yes, how do you measure the level of brand awareness?

……………………………………………………………………………

……………………………………………………………………………

……………………………………………………………………………

17. How important are each of the following purposes for branding your products? (use a five point scale)

	Purpose	**5**	**4**	**3**	**2**	**1**
(a)	Customer Satisfaction	( )	( )	( )	( )	( )
(b)	Customer Loyalty	( )	( )	( )	( )	( )
(c)	Customer awareness	( )	( )	( )	( )	( )
(d)	Quality	( )	( )	( )	( )	( )

18. To what extent has branding helped you realize your purpose? (Use a five-point scale)

	Purpose	5	4	3	2	1
(a)	Customer Satisfaction	( )	( )	( )	( )	( )
(b)	Customer Loyalty	( )	( )	( )	( )	( )
(c)	Customer awareness	( )	( )	( )	( )	( )
(d)	Quality	( )	( )	( )	( )	( )

19. Is labelling of your products important to your firm?

Yes ( ) No ( )

20. If yes, please explain the importance

....

....

....

21. To what extent has labelling helped you to realize your labelling purpose? Please indicate your purpose(s) for labelling and use a five-point scale.

	Purpose	5	4	3	2	1
(a)	....	( )	( )	( )	( )	( )
(b)	....	( )	( )	( )	( )	( )
(c)	....	( )	( )	( )	( )	( )
(d)	....	( )	( )	( )	( )	( )

22. How would you rate the importance of the following benefits as offered by your product(s)? (Use a five point scale)

		5	4	3	2	1
(a)	Performance	( )	( )	( )	( )	( )
(b)	Image	( )	( )	( )	( )	( )

23. For which of the following purposes do you price your products.

(a) Conveying Image ( )

(b) Communicate Value ( )

(c) Recover Costs ( )

(d) Meet competition ( )

24. What other strategies do you use for your products?

....

....

25. What major hindrances do you find in setting up of effective product strategy activities?

(a) ....

(b) ....

(c) ....

(d) ....

Others please specify ....

26. For each of the following strategy, indicate factors affecting your use of the strategy:

(a) Market Leader Strategy

....

....

....

....

(b) Leadership Challenging Strategy

....

....

....

....

(c) Product Following Strategy

....

....

....

....

(d) Me-Too Strategy

....

....

....

....

Thank you for your co-operation.

APPENDIX 3

SAMPLING FRAME ON THE BEVERAGE FIRMS IN KENYA

- Excel chemicals Company limited
- Razco Company limited
- Centro-foods Company limited
- Tropical sunshine products Company Limited
- Wild cherry Company limited
- Jetlak Company limited
- Spin Knit Dairy Company Limited
- Softa Bottling Company Limited
- Kenbro industry Company Limited
- Beverage Services (Kenya) Company Limited
- Aqua pack Company Limited
- Laikipia Springs Industry
- Pioneer foods Company Limited
- Premier foods Company Limited
- Tru –foods Company Limited
- LBA products Company Limited
- Prutillo industries Company Limited
- Mic-Foods Company Limited
- Aromatic Foods Company Limited
- Ragos Comany Limited
- Highrise purified mineral water Company Limited
- Fancy Foods Company Limited
- Madina Springs Company Limited
- Cornwell Fruits Company Limited
- Burhani products Company Limited
- Top foods Company Limited
- Wakisons products Company Limited
- Mt. Herman industry Company Limited
- Kenya Orchards Company Limited
- Bio-Foods Company Limited
- Lord Delamere Company Limited
- Kenya milk products Company Limited
- Limuru milk processors Company Limited
- Express Dairy Company Limited
- Westlands Dairy Company Limited
- Aberdare Dairy Company Limited
- Promaco Company limited
- Kabazi Canners Company Limited
- Equator Dairy Company Limited
- Njoro Canners Company Limited
- Bio-Tech Products Company Limited
- Wild Cherry Company Limited
- Greenland Dairy Company Limited
- Tropical Sunshine Company Limited

- Samona Company limited
- Oasis mineral water Company Limited
- Erde-mann Company limited.
- London distillers (k) Company limited.
- Keroche industries limited.
- East Africa Breweries Company limited.
- Global wines and spirits blenders Company Limited
- Kenya Wine Agency Limited.
- UDV (k) Company Limited
- Ponumonu industries Company Limited.