THE IMPACT OF NEW PRODUCT DEVELOPMENT ON COMPETITIVE ADVANTAGE OF COCA COLA –KENYA

BY

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A Management Research Proposal Submitted to the School of Business in Partial Fulfilment of the Requirement for the Degree in Master of Business Administration.

University of Nairobi

DECLARATION

This management research project is my own original work and has not been submitted for a degree at the University of Nairobi or any other known university.

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DEDICATION

To my family, for their encouragement, patience and perseverance throughout the course.

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I am greatly indebted to my MBA project supervisor for the relentless encouragement, suggestions and constructive criticism throughout the research project.

Particularly thanks goes to coca cola brand manager who was interviewed and the distributors who spared time out of their busy schedule to respond to the questionnaire that provided data for the successful completion of this project.

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ABBREVIATIONS

CSD	Carbonated Soft Drinks
NCSD	Non Carbonated Soft Drinks
NPD	New Product Development
PET	Polyethylene Tephthalate
L	Litres

ABSTRACT

Product innovation in Kenya has been on increase. Although its importance has been recognised, our understanding of the factors that have influenced firms to introduce new products is limited. The study contained in this report sought to determine the factors that influenced the introduction of new products by coca cola-Kenya and the impact of these new products on the company's competitive advantage.

To achieve the objectives, primary data was collected from the company brand manager, distributors of the new products and the end users of the new products. All the respondents were located in Nairobi and Thika. The method of data collection was by interview.

Once the data was collected, qualitative analysis was done to determine the factors that influence new product development as well as the competitiveness of the company after the introduction of the new products. Based on the findings, it was established that customer orientation and level of competition are the major reasons as to why Coca cola – Kenya develops new products and the new product development has given the firm a competitive edge over its competitors.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Product innovation is an essential strategic approach for creating competitive advantages in the dynamic, global business environment. Globalization and the changes in social, political, economic, and technological arenas topped with turbulent market conditions have resulted in shorter product life cycles. These changes also create demands for better, cheaper, cleaner, safer and more effective products. The process of product innovation is about the development of new solutions that provide positive benefits to customers and stakeholders.

New product development and introduction is a major concern of all companies. It is especially so for small businesses. The successful development and introduction of the "right" product or service can mean the difference between a company's continued success and growth and its decline and failure. The path is particularly hazardous today with the increased financial pressures, global market considerations, and off shore manufacturing. As always, one must develop the right product or service for the market, get it right the first time, and do it on time and within budget.

The new product development and introduction process varies from company to company, but the essentials of a successful new product or service process are the same for all companies. A firm must decide exactly what the market requires, and define, develop, and provide that product or service. A firm must also keep in touch with its customers to make sure that its product or service continues to meet requirements and expectations. In short, a firm must have a very good plan and must have the discipline to follow that plan.

1.1.1 New Product Development

New product development (NPD) is the term used to describe the complete process of bringing a new product or service to market, while a product is referred to as a new product when it becomes functionally different from the existing offers. 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 used to maintain or grow their market share.

Product Innovation concentrates on improving the strategic position and product delivery capabilities of the organization through creativity and leadership. Product innovation includes several essential aspects; Examining the needs for new products, processes, and services, determining the appropriate direction and for new products, establishing the appropriate game plan of the entire management system for developing and commercializing new products, selecting new-product opportunities for investment, enhancing the organizational capabilities to create successful new products and creating the new product and executing the new-product development program

The growing demand for noncarbonated drinks is pushing soft drinks companies like Coca-Cola to introduce noncarbonated drinks. One of the reasons why Coca-Cola engages in product innovation is to gain first mover advantage. By being the first to introduce a product category, Coca-Cola is able to define competitive rules, to gain reputation advantage, to gain superior access to channels and inputs, to influence industry standard and to develop skills advantage.

As customer demands and requirements change and as customers become more health conscious, a gap between the markets and Coca Cola's products surfaces. A new market has emerged composed of consumers who are health conscious and have a high demand for healthy products. Health reports emphasizing the possible negative health effects of Coca-Cola's and other similar company's products abound. By introducing new products, Coca-Cola aims to strengthen its brand image as the home of quality beverages.

1.1.2 Competitive Advantage

Competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices. According to Michael Porter in his theory of generic strategies, the three methods for creating a sustainable competitive advantage are through; Cost leadership which occurs when a firm delivers the same services as its competitors but at a lower Secondly, Differentiation advantage which occurs when a firm delivers greater services for the same price of its competitors. They are collectively known as positional advantages because they denote the firm's position in its industry as a leader in either superior services or cost; Third, Focus (economics) - A focused approach which requires the firm to concentrate on a narrow, exclusive competitive segment (market niche), hoping to achieve a local rather than industry wide competitive advantage. There are cost focus seekers, who aim to obtain a local cost advantage over competition and differentiation focuser, who are looking for a local difference. Many forms of competitive advantage cannot be sustained indefinitely because the promise of economic rents invites competitors to duplicate the competitive advantage held by any one firm.

1.1.3 Beverage Market in Kenya

The beverage market in Kenya is on for a major showdown following the launch of various new products in the market that include both local and imported products. World soft drinks market leader Coca Cola now finds itself in an unfamiliar tuff in Kenya following the introduction of cheaper, but quality soft drinks in the market. The company has over the decades managed to shove off competition from lesser mortals. One of the latest entrant that was highly unanticipated is the EABL launch of non alcohol beverage. EABL hadn't been successful before with Malta Guinness the drink that is a big hit in West Africa. Riding on the wave of Guinness which was making inroads into East Africa proved not to be very successful for the brand. The new product was a drink called Alvaro which Diageo needed to test market in one of their African markets.

Another key competitor is Softa. In 1998, Softa Bottling Company entered into the carbonated soft drinks market in Kenya. This entry is significant because the new market entrant was wholly owned and-incorporated in Kenya. Softa Bottling Company started the manufacture and marketing of carbonated soft drinks with the full awareness of the entrenched market position of Coca Cola as an international company with a long history in Kenya. The significance of the entry by the Softa Bottling Company into the market can be assessed for the fact that there was an escalation in the advertising and marketing by both firms soon after the new entrant commenced manufacturing.

Non-alcoholic beverages in Kenya include juices of fruits and vegetables, carbonated and non carbonated soft drinks. Most companies in the Kenyan non-alcoholic commercial beverages have faced over the years a situation of stagnating or declining sales (Research International, 2002). The stagnation in volume growth and the market situation does not allow for price increase to drive revenue growth, thus the companies in beverage industry have to come up with new products, new marketing and distribution channels. The use of the innovative packages is also picking in Kenya but the information on the relation between the successful launch of the new product, expected profitability and the variance of this profitability is yet to be established.

1.1.4 Coca-Cola Kenya

Coca cola - Kenya is part of the large coca cola company that operates in more than 200 countries and market a portfolio of beverages products including sparkling drinks and still beverages such as waters, juice drinks, teas, coffees, sports drinks and energy drinks. In Kenya, coca cola has all along concentrated on sparkling products – those that are carbonated, until the year 2002 when the company started developing the new range of still products – the non carbonated ones.

Most companies in the Kenyan non-alcoholic commercial beverages have faced over the years a situation of stagnating or declining sales (Research International, 2002). This has clearly shown the need for innovation in the introduction of new products. The coca cola company has recently invested kshs.980 million in a new state of the art plant that produces both carbonated and non carbonated products in innovative packages such as Tetra™ and Polyethylene tephthalate (PET) bottles [bio degradable plastic]

As the oldest, most firmly established market segment, it is perhaps inevitable that carbonated soft drinks (CSD's) growth is waning especially against never and more numerous soda alternatives competing against it in a crowded market place. Part of weakness of CSD's sustaining the competitive advantage it has in the beverage market has been due to increasingly being perceived as expensive and partly due to the glass packaging that is not necessarily convenient. Thus from above, it is evident that when established products stagnate in volume growth and the market situation does not allow for price increase to drive revenue growth, then the company has to come up with new products, new marketing and distribution channels.

1.2 Statement of the Problem

The introduction of the innovative packages and an enlarged presence in the non-carbonated market segment in the beverage industry offer new opportunities in so far as the potential brands are well positioned with clear point(s) of difference(s), such brands introduced exploit the rather 'flat' communication gap that is so apparent, and more importantly being more innovation in the beverage industry, increase consumers range of choice for example premium to low priced alternatives per category, and improve on trust that consumers should have with the brands. The primary objectives of product innovation are to create value, to obtain a competitive advantage, and to achieve long-term success through the development and commercialization of new products and services.

Coca Cola is a company with rich history and tradition that has built an iconic brand. The company prides itself with being a leading innovator in the soft drinks industry and being able to turn customer demands to products. Being in step with customer trends and being able to anticipate what lies ahead as well as marketing innovation has always been a hallmark of The Coca Cola Company, helping the brand evolve with time and keep in step with consumers' changing lifestyles. Changing consumer concerns, attitudes, and lifestyles have tremendous impacts on Coca-Cola's beverage business. Consumers are becoming more concerned with a healthy lifestyle, thus the soft drinks sector is threatened by the increase in consumer awareness of health problems arising from obesity and inactivity. In order to satisfy the new consumer demands and requirements, Coca Cola has introduced new products that compliment healthy lifestyles

However, in as much as it is appreciated that such innovations enhance competitive advantage, the evidence in Kenya of the impact of new product innovations in sustaining competitive advantage given the uncertain market environment is not guaranteed. For example Beverages giant, East African Breweries Limited (EABL) continued its onslaught on the soft drinks market with the launch of a second soft drink brand, Alvaro. The move, follows its launch of Malta Guinness a few years back, and sets the stage for an aggressive numbers war with global soft drinks giant, Coca-Cola, and locally owned Softa Bottling Company.

Some research studies have been done on New Product Development and its relevance in sustaining competitive advantage. Omondi (1999) studied the factors influencing the success of new detergents in Kenya, Kithung'a (1991) focused on the factors influencing product innovation among medium and large manufacturing firms, while Ndung'u (2006) studied sustaining a competitive advantage at British Airways world cargo – Kenya. The Closest study was conducted by Wambundo (2005) on new product development in selected Micro finance institutions in Kenya – a case study of Nairobi based institutions. No study has been carried out on introductions of new products in relation to beverage market, and in particular on Coca Cola-Kenya. It is for this reason that this study sets out to study the impact of new product development on competitive advantage of coca cola –Kenya in beverage market. The study strived to answer the questions; how is Coca-Cola dealing with the changes in consumer concerns, attitudes and lifestyle? Secondly; does new product development lead to competitive advantage given the uncertain market environment?

1.3 Objectives of the Study

The fundamental objectives of the study are;

i. To determine the relationship between new product introduction by coca cola –Kenya and its level of competitive.

ii. To identify the factors that influence new product development at Coca cola-Kenya

iii. To find out the problems encountered in the new product development by Coca cola – Kenya

1.4 Importance of the Study

The study on the impact of new products introduction on sustaining competitive advantage is important to the Coca-Cola Company and the manufacturing sector at large for three reasons. First, the study will act as a reference material for those interested in conducting research in the Kenyan beverage sector. Secondly, the study will be useful in making a major contribution of providing information on impact of the new product in sustaining competitive advantage and help stimulate further research in related fields.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The literature review in this section focuses on the development of new products, competitive advantage and lastly, the evaluation of sustaining competitive advantage after the launch of a new product. Launching a new product in the market is a multi-period dynamic process with uncertain profitability and happens usually in the context of an oligopolistic market environment (Axarioglou, 2003). Chatterjee and Sugita (1990) study theoretically the timing of new product introductions in a symmetric duopolistic model with uncertain market demand for the new product. From this model, a company is more likely to introduce new products when, among other factors, the expected profitability of this product is larger and the variance of this profitability (i.e. market demand uncertainly) is low. The company can ensure larger product profitability by ensuring that they have sustainable competitive advantage and deliver the desired value to consumers.

The company will also try to minimize the variability of profit or market demand uncertainty. As globalisation, digitisation and unfettered capital markets raise the level of uncertainty and rewrite definition of opportunities and risks, this basic strategic choice has morphed into a more complex and high stakes dilemma. The right strategic bets can return for higher payoffs, for more quickly; the wrong ones carry a much higher risks of systematic failure. Betting big today may fundamentally reshape a market on a global scale to the advantage of the company or quickly produce a loss that can throw it into bankruptcy (Courtney, 2001).

2.1.1 New Product Development

The process of New Product Development is crucial within an organization. Products go through the stages of their lifecycle and will eventually have to be replaced There are eight stages of new product development which include;

i. Idea generation

New product ideas have to come from somewhere. But where do organizations get their ideas for NPD? Some sources include: Within the company i.e. employees, Competitors, Customers, Distributors and Supplies.

ii. Idea Screening

This process involves shifting through the ideas generated above and selecting ones which are feasible and workable to develop. Pursing non feasible ideas can clearly be costly for the company.

iii. Concept Development and Testing

The organization may have come across what they believe to be a feasible idea, however, the idea needs to be taken to the target audience. What do they think about the idea? Will it be practical and feasible? Will it offer the benefit that the organization hopes it will? Or have they overlooked certain issues? Note the idea and concept is taken to the target audience not a working prototype at this stage.

iv. Marketing Strategy and Development

How will the product/service idea be launched within the market? A proposed marketing strategy will be written laying out the marketing mix strategy of the product, the segmentation, targeting and positioning strategy sales and profits that are expected.

v. Business Analysis

The company has a great idea, the marketing strategy seems feasible, but will the product be financially worth while in the long run? The business analysis stage looks more deeply into the cash flow the product could generate, what the cost will be, how much market shares the product may achieve and the expected life of the product.

vi. Product Development

Finally it is at this stage that a prototype is finally produced. The prototype will clearly run through all the desired tests, and be presented to the target audience to see if changes need to be made.

vii. Test Marketing

Test marketing means testing the product within a specific area. The product will be launched within a particular region so the marketing mix strategy can be monitored and if needed, be modified before national launch.

viii. Commercialization

If the test marketing stage has been successful then the product will go for national launch. There are certain factors that need to be taken into consideration before a product is launched nationally. These are timing, how the product will be launched, where the product will be launched, will there be a national roll out or will it be region by region?

2.1.2 Competitive Advantage

Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors in the market. It is basically the position a firm occupies against its competitors. According to Michael Porter in his theory of generic strategies, the three methods for creating a sustainable competitive advantage are through: Cost leadership - Cost advantage occurs when a firm delivers the same services as its competitors but at a lower cost; Differentiation - Differentiation advantage occurs when a firm delivers greater services for the same price of its competitors. They are collectively known as positional advantages because they denote the firm's position in its industry as a leader in either superior services or cost; Focus (economics) - A focused approach requires the firm to concentrate on a narrow, exclusive competitive segment (market niche), hoping to achieve a local rather than industry wide competitive advantage. There are cost focus seekers, who aim to obtain a local cost advantage over competition and differentiation focuser, who are looking for a local difference.

Many forms of competitive advantage cannot be sustained indefinitely because the promise of economic rents invites competitors to duplicate the competitive advantage held by any one firm. A firm possesses a sustainable competitive advantage when its value-creating processes and position have not been able to be duplicated or imitated by other firms. The primary factors of competitive advantage are innovation, reputation and relationships.

2.1.3 New Product Development and Competitive Advantage

When developing a new product, a company should identify all the features that are offered by all its major competitors. Secondly, identify important features/benefits used in making purchase decisions and determine the overall ranking of features by importance and relate the importance of each feature to its "uniqueness".

A company has competitive advantage whenever it is more successful then rivals in attracting customers and defending against competitive forces. There are many sources of competitive advantage: having the best-made product on the market, delivering superior customer service, accelerating down the experience curve and achieving lower costs faster than the rivals, being in a more convenient geographic location, proprietary technology, features and styling with more buyer appeal, process innovation that dramatically increases the effectiveness and efficiencies of a process, product innovation that fulfills the wants and needs of the customer at a higher level than the old product, a well-known brand name and reputation and providing buyers more value for their money .To succeed in building a competitive advantage a company must provide buyers with what they perceive as superior value. This means a good product at a lower price or a better product that is worth a higher price, thus the need for product innovation.

2.2 Market Uncertainty

When a firm should introduce a new product has drawn significant research interest. Researchers have traditionally analysed introduction of new products within the context of product line expansions. Given the market size of its industry, the company makes a strategic decision by introducing new products in an effort to stimulate its total sales and increase profits. It is mainly assumed that companies consider introducing one or two new products of the same or different quality and the optimal timing is determined when they maximize their profits or their sales.

2.2.1 Timing of New Product Introduction

Moorthy and Png (1992) analyze the timing of introducing new products in the market, one of high quality and the other of low quality. They also find that sequential introduction of the two new products alleviates cannibalization by forcing consumers of the lower end product to wait before they make a purchase. With strategy, the company balances the benefits of weaker cannibalization against the postponement of profits from the lower end product.

Specifically, Wilson and Norton (1989) claim optimal timing of introduction of new products, one as a line extension and the other as an improved product depends on the degree of substitutability between the two. In similar fashion, Putis (1993) argues that companies might delay the introduction of high technology products until the need for growth is greater than the fear of cannibalizing existing products. Kalish and Lilien (1986) emphasize the drawbacks of mistiming the introduction of a new product, while Lilien and Yoon (1990) test empirically the relation between the timing of a new product introduction and its market success.

Other researchers study the impact of a competitive market environment of the timing of new product introductions. Kreider and Weinberg (1998) point out that in the motion picture industry, movie studios plan to release their movies during seasons of high demand, such as Christmas and summer. They also find that expected success of a movie in relation to competing movies from other studios is very important for deciding the exact timing for its release. Of course, the development and commercialization process of a new product may take longer than expected, so that the company might miss the high demand season. Droge, Jayaram and Vickery (2000), note that the company has the option to launch the product immediately or wait for the next high demand season.

Radas and Shugan (1998) discuss the conditions that influence companies to postpone the launch of new products until the next high demand season. On a similar note, Chatterjee and Sugita (1990) in a game theoretic model and in the presence of uncertainty in the market demand, discuss the factors that determine the strategic decision of a company to launch a new product immediately or postpone the launch to a late time. Devinney (1990) studies empirically the impact of business cycle demand fluctuations on the timing of new product introductions. He finds out that the business cycle slightly lags the introduction of new products, or that companies introduce new products in the anticipation of revival of the economy. However, the fluctuations of industry demand are left out of this analysis.

2.2.2 Alternatives of Curbing Uncertainty

Courtney (2001) notes that an essential starting point is understanding the alternatives of curbing uncertainty. Shaping and adapting strategies may take many different forms. Shapers generally attempt to get ahead of uncertainty by driving industry change their way. Some aim to increase the probability that a preferred technology or business process will become an industry standard. Others grapple with uncertainty by introducing fundamental product, service or business-system innovations intended to redefine the basis of competition in an industry. Other shapers try to restructure unstable industry environments by making bold mergers and acquisitions, or by breaking up integrated companies. Other companies shape nascent markets by replicating business systems in new geographies.

Courtney further states that adapters, by contrast, take the existing and future industry structure and conduct as given. When a market is stable, adapters try to define defensible positions within the industry's existing structure. Other adapters edge against future market uncertainty when they can identify a limited, discrete set of paths the market may follow. Still other adapters build their strategies around constant experimentation in products, services, and business systems.

The author points that attempting to shape or adapt depends largely on the level and nature of the uncertainty it faces. Shaping is mainly used when a company faces very high levels of uncertainty about variables it can influence while adapting is preferable when key sources of value creation are relatively stable or outside the company's control. high uncertain markets-in which technology standards are changing, competitors are constantly entering and exiting, and consumers are yet to lock into a limited number of preferred brands-offer the greatest headroom to implement successful shaping strategies. A series of major acquisitions, a bold technology investment, and an aggressive product-bundling strategy-all may end up making order out of chaos and fundamentally reshaping a market to a company's advantage.

When an entire industry is in flux, an effective shaper can bring the market to order by setting an industry technology standard, consolidating a group of fragmented competitors will emulate any company willing to take a stand. He further notes that successful shaping usually requires a clear vision of an industry's future evolution; deep pockets; a strong reputation; a leadership position in a related business; world class technology; innovation skills, or both; and operation excellence. He concludes by noting that in making shape-or-adapt choices, uncertainty, perceived first-mover advantages, and the company's capabilities and expectations play an important role.

2.2.3 Product Performance after Launch of New Product

Much literature on product performance after the introduction of a new product focus on rivalry and industry structure which has strategy aimed at defeating competition (Williams and Kochhar, 2000; Thierart and Xuareb, 2001). Ohmae (1988) is of the view that the best strategy is more about creating value to the customer. Forbis and Mehta (1979) model the economic value to the customer (EVC) which aims to quantify the additional value a product brings customers avow what they already receive from their present suppliers. The model can be used to figure out how much the customer will pay to switch from one product to another, thus useful for solving strategic pricing problems. EVC can also help a supplier discover which customer segments value its products most and why - enabling the supplier to segment the market more precisely, to design its product to meet the needs of the most profitable segments, and to charge those segments a premium or the extra value they receive.

The model is particularly well suited to industries that sell to business or, more generally to industries that require buyers to absorb significant start up or operating costs to use their products. (For most consumer products, whose value to the customer is less tangible and whose start-up and operating costs are low, the price value approach is more appropriate).

Lanning and Michaels (1998) contend that customers base their buying decisions on two criteria; the benefits or a particular product or service and its price. The benefits can be reduced to be the most the customer would be willing to pay for that product or service. The product's value to the customer is the total benefit net of price. Increases in a product's share of the profit in any market reflect a perception that the product is giving its customers superior value. The value proposition involves some quantitative market research as well as other diagnostics: systematically listeners to customers and distributors about customer preferences, analyzing actual market place behaviour, and test -marketing new benefit or price concepts.

The value delivery system is used as the framework for evaluating the echoing process of the value proposition. To deliver a compelling business proposition, the business system is broken down into customer-oriented stages: choosing the value, providing the value, and communicating the value to the customer.

Golub and Henry (1981) point out that a product's value to customers is, simply, the greatest amount of money they would pay for it. Thus from a strategic perspective, price and value are the only parameters that really matter to the customer, so it is important for managers to understand the interaction between them. Come up with a price-value model in which one plots the product according to its price and value to its average buyer and defines the reference product or service point at (100,000). All other products in the market can then be plotted against the reference product.

Under the conditions of perfect competition, all products and services should cluster around the indifference line. But in reality they can lie above or below as a result of such things as government regulations, customer's imperfect knowledge of their options, and other deviations from perfect market conditions. Many of the numbers used for 'value' in a price value map will necessarily be informed guesses. The map serves us a good internal communication devise for explaining a company's strategic marketing decisions.

2.2.4 Sustaining Competitive Advantage

Coyne (1984) points out that for a competitive advantage to have any strategic meaning, three things must happen; Customers must perceive a consistent difference between a company's product and service and those of its competition, and that difference must occur in one or more key buying criteria-that is, in one or more of the few product attributes that actually shape the purchasing decisions of consumers. Secondly the difference must come from a capability gap between the favoured company and its competitors. The gap can be either in business systems, position in the market, regulatory and legal, organizational and managerial, or in quality and lastly the product difference and the capability gap must endure over time.

The author further notes that competitive advantages can exist in only particular market segments. The argument is that although competitive advantage does result from differentiation among competitors in a given segment, not just any kind of differentiation will do. For differentiation to have strategic value, it must reside in key buying criteria by the customer. The buying criteria are usually attributes that affect the price consumers pay for the product, the way they perceive the product, or their access to it. These attributes could include quality, appearance, functionality, and the availability of after-sales service.

Buaron (1980) explores a particularly powerful method for achieving a sustainable competitive advantage. Buaron considers strategies in which a company rewrites the rules of an industry from the ground up in such a way that the company is uniquely positioned to play by the new rules. Such rules, Buaron argues, are the really decisive contents of the business world and promise to bring their winners the greatest rewards- although, as he warns, they can also entail the highest risks. Buaron introduces a “strategic game board,” depicting strategy as a set of choices about where and how to compete in each market. “Where” ranges from niche markets to the entire market, and "how" ranges from the traditional modes of competition to the sorts of "new games" that Buaron advocates for.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the overall methodology used in the study. The issues covered in the chapter include: - research design, data collection methods, and data analysis and interpretation methods.

3.2 Research Design

The type of research design used is a case study restricted to the Coca-Cola -Kenya. A case study focuses on an organisation selected from the total population of other organisations. This research design is chosen because it provides in-depth data on the population under study. This enabled the researcher give more focus to the problem and make specific and relevant recommendations on issues relating to sustaining competitive advantage with the introduction of a new product.

3.3 Data Collection Methods

To achieve the objective of the research, primary and secondary data was collected. Secondary data dealing with product sale by the company was collected from documents published by the company. Primary data was collected using a questionnaire and an interview schedule. The interview schedule enabled the researcher to obtain in-depth and greater responses given through probing and plotting. It also enabled the researcher to make and record observations as well as obtaining the necessary information efficiently and in a business-like atmosphere.The interview was conducted to five Coca cola-Kenya product distributors who include; Mwalimu Wines – Zimmer man (Nairobi), Peacock – Makadara (Nairobi), Abubakar – eastleigh

(Nairobi), Mesora –buruburu (Nairobi) and Leens Stores (Thika). The interview was also conducted to fifteen random customers from Nakumatt and Uchumi and Tuskys supermarkets.

3.4 Data Analysis and Presentation

Data analysis is a process of gathering, modeling, and transforming data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making, while data presentation is the descriptive analysis of data by summarizing and aggregating results from groups. The data collected from respondents was analysed using Microsoft Excel program for the structured questions. Only qualitative analysis was done to come up with the interpretation; the mean was used to help draw conclusive result. Data is presented in the form of narratives and tables.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter contains summaries of data finding together with possible interpretation.The data presented here was collected to answer three research questions; what's the impact of new product introduction by coca cola –Kenya and its level of competitive advantage, what are the factors that influence new product development at Coca cola-Kenya and what problems are encountered in the new product development by Coca cola – Kenya.

The analysis is represented in four parts. First the profile of the coca cola – Kenya new products (non carbonated) Second, the factors that influence new product development at Coca cola-Kenya, third, the impact of new product introduction by coca cola –Kenya on its level of competitive advantage and forth, problems encountered in the new product development by Coca cola - Kenya

The respondents were the coca cola – Kenya Non Carbonated Soft Drinks Brand Manager, the distributors of these products and the consumers of the products. Out of the five new product distributors selected, only four were personally interviewed, the fifth one was found to have stopped the distribution of these products. And out of the fifteen selected end users, only thirteen agreed to answer all the questions in the questionnaire. The brand manager agreed to answer the questions but on agreement that the data be used for this project only.

4.2 Profile of the Coca cola Kenya's New Products (Non Carbonated)

Coca cola - Kenya has offered six brands of non carbonated soft drinks in the Kenyan market in the last seven years, with Dasani purified water being the flagship brand of this group of products. Other members of the group include; Minute Maid 100% juices, Minute maid 5alive juice, Sunfil Juices and Bibo juices, all in four different flavours.

Coca cola- Kenya undertakes the development of these products together with the marketing, while the manufacture is franchised to six bottling companies in the country. The Profile of the non carbonated soft drinks is as outlined below;

i. Bibo Juice

Bibo juice was the first product juices that coca cola Kenya introduced in the year 2002. Bibo was targeted to school going children. It came in three flavour; orange, apple and pineapple. Bibo prevailed in the market for two years, after which it was withdrawn as coca cola found it not making profit.

ii. Dasani Purified Water

This is the company's flagship brand of the non carbonated soft drinks and it was introduced to the market since 2003. Currently it's packaged in PET bottles of size ranges of 5L to 0.5L. It is a product of high quality as it's processed through a state of the art 'reverse osmosis' water purification process and bottled using aseptic filling machine. In the year 2005, coca cola introduce carbonated Dasani water using a brand name Dasani Sparkling which failed to sell immediately after launch and it was withdrawn from the market less than 12 months after launch.

iii. Sunfill Juices

Sunfill juices were introduced in the year 2004 and come in four flavours; Pinenut, Orange, Kiwi Mango and Passion. Sunfill is a cordial juice with no fruit juices in its ingredients. When it was launched in 2004, it failed to pick up well in the market; it was withdrawn, tastes of the four flavours were changed and re-launched in 2007 with different taste and with flavour 'kiwi mango' completely withdrawn as the flavour almost never sold at all. It's packaged in PET bottles into sizes of 3L and 0.5L.

iv. Minute Maid 5alive Juices

Minute Maid 5alive juices were introduced in the year 2006 and come in four flavours; Apple splash, Pineapple Punch, Citrus and Berry blast. The product is made of between 47% - 56% fruits juice while the other percentage is sugar, flavours and water. It's packaged in Tetra Flex packs and into sizes of 1L and 0.25L.

v. Minute Maid 100% Juices

Minute Maid 5alive juices were introduced in the year 2008 and come in four flavours; Apple, Mango Orange, Orange and Breakfast Blend. This product is 100% fruits juice packaged in Tetra Flex packs and into sizes of 1L and 0.25L as shown in Table1.

Table 1: Coca Cola Kenya New Products and the Year Introduced

Product	Year Introduced
Bibo	2002
Dasani	2003
Sunfil (Old Taste)	2004
Dasani Sparkling	2005
Minute Maid 5alive	2006
Sunfil (new taste)	2007
Minute Maid 100% juice	2008

4.3. Factors that influence new product development at coca cola –Kenya.

Coca cola Kenya introduces new product into the Kenyan market on average every years since the year 2000. This can be shown in the table 2. The brand manager interviewed indicated that 80% of the new product brands introduced from 2002 were performing well. However he pointed out that 20% of these products were unable to penetrate the market at all and were thus withdrawn. He explained the following factors as the influence to the development of new products;

4.3.1 Expand the User Base

The brand manager indicated that new product development expands the user base of the coca cola products. He argued that, the coca-cola brand royal customers would view the new products as serving a unique need. Those customers who are not users of CSDs can enjoy the non-carbonated drinks from coca cola.

4.3.2 Providing Variety

The brand manager indicated that new product development helps provide a variety to the customers, sometimes without switching brands. The products offered by the coca cola –Kenya ar· of different prices, tastes and ingredients. The company plan is to provide their customers with all their needs as far as soft drinks are concerned.

4.3.3 Energising a Brand

The brand manager indicated that new product development energises a brand, making it more interesting, trendy and visible. In so doing it can create a basis for differentiation, making communication more effective and stimulating sales.

4.3.4 Blocking or Inhibiting Competitors

The brand manager indicated that new product development does not have to be a financial blockbuster in order to provide value for the firm. For leading companies like coca cola, new products developments can be strategically worthwhile even when they do not achieve high rates of returns.

4.3.5 Availability of Capital

The brand manager indicated that the management was willing to provide funds for product innovation and that there is a constant flow of funds for the new product development. By introducing new products coca cola – Kenya is able to economically and strategically plough back capital thus increasing profit margin of the company.

4.4. Competitive Advantage after New Product Development

The respondent was asked what the company intends to achieve in new products development. The respondent came up with varying responses;

i. New products development would strengthen the brand identity of the company

ii. New products development give coca cola Kenya a competitive edge over its competitors

iii. New products development increase the profitability of distribution

iv. New products development permits the consumers variety seeking brought new customers into the brand and increased the market coverage.

The respondent proved that new product development has given the company a competitive hedge over its original competitors, in that the company intends to dominate the beverage market. Those customers who do not prefer the fizzy drinks can now enjoy a range of still products from the same company. However, the company has acquired a new set of competitors on top of the existing ones. The company is currently working hard to gain market share on the new products in order to attain a sustainable competitive advantage.

4.5. Problems Encountered in New Product Development

The process of new product development comes with its challenges. A firm has to understand these challenges and get strategic solutions for them, for it to succeed in the introduction of new product into a market. The respondents raised the following as the problems encountered in the development of the new products by coca cola – Kenya;

4.5.1 Variety of New Product Entrance

The respondent pointed that the Kenyan beverage market is getting saturated with soft drinks. Since the year 2000, participants in this industry have increased by 76%. Each company has a market share, and however small, it's like to eat on the other company's share.

4.5.2 Ineffective price structure

The respondent pointed that at times the price structure is ineffective in that, the price keeps on changing to cope with key competitors in the market. At time the company is forced to sell product only to break even.

4.5.3 Diversion of target customers into the brand substitute product

It was found that at times customers get diverted to substitute products for various reasons like price, product features and vigorous promotions.

4.5.4. Strong Competition

Competition can be strong such that the company has to invest a lot to survive in the market. The respondent argued that competition can bring even a company that was very strong down. Financial resources have to be availed to beat completion.

4.5.5. Weak study of consumer behavior

The respondent pointed that at times the company has been faced with weak study of consumer behavior thus the cause of failure of some of the coca cola products like the Dasani sparkling and the first launched sunfil juices. The tastes for these products did not appeal to Kenyans thus their failure.

4.5.6. Less Awareness of Consumer

The respondents pointed that majority of customers do not get the awareness intended by the company. Some just know the product by name, but not the ingredients. Most customers also do not differentiate what is offered by other companies thus ending up in confusion. The example given by respondent was a case of fresh juices. Most customers do not differentiate juices that 100% fruit juice from those that have sugar and concentrate mix.

4.5.7. Weak study of market segment targeted

The respondent pointed that study of the targeted market segment is very important. It was argued that the reason for failure of Bibo Juices is that there was a weak study of the targeted segment. Bibo targeted young kids. Why it failed is that bibo was a sugar and flavor solution. Many parents were not willing to give their children sugar juice as they claimed their children were catching sore throats after taking the product. Thus the target market was wrong.

CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Introduction

This chapter presents discussions and conclusive deductions derived from chapter four. The greatest thing in this world is not so much where we are, but in what direction we are moving (Holmes Sr., 1839). It is therefore important for companies to know when and why they should develop new products in order to achieve competitive advantage in the market. For a firm to develop new products, it has to carefully segment the market, choose its target customers, identify their needs and determine its market positioning.

5.2 Summary

By its nature any business requires new ideas to enable a firm respond to changing demands by the target market and the pressure exerted by competitors. The study found that from the year 2002 the company has introduced a range of juices into the Kenyan maket plus the flagship of the non carbonated drinks Dasani Purified Water. The company prepares annual plans depending on market research, that guide the brand manager on which product to develop and when. It is clear from the findings that new product development is an inter-linked sequence of information processing tasks, where knowledge of customer needs is translated into final product and for a company to improve on its performance, new product development is an important determinant.

It is evident from the findings that new product development is vital in beating competitive forces, and that new products earn higher profits than older products. This is often for products considered innovative or unique which for a period of time may enjoy success and initially face little or no competition. New products help reposition the company in customer's minds. For instance, coca cola Kenya traditionally sold low priced products with few features now has shifted customers' perception about the company by introducing products with more features and quite higher price. The customers were used to relatively cheaper CSDs in glass bottles, but the company has now introduced a range of juice products with relatively higher cost different features and higher costs.

5.3 Discussions

From the project findings, it's clear that new product development is a process which is designed to develop, test and consider the viability of products which are new to the market in order to ensure growth or survival of the organization. A new product could be one that opens up an entirely new market, one that adapts or replaces an existing product, a product that significantly widens the market for an existing product, an old product introduced into a new market, old product packaged in a different way or old product marketed in a different way.

Business firms spend large sums of money for new product development due to many important reasons. The reason for new product development most frequently cited by top business executives are; corporate growth, diversification, and the quest for a competitive edge over rival business firms (Sachs and Benson, 1981). There is another specific reason for a firm to develop new products: exploiting new opportunities. The demand for certain product attributes can suddenly become so intense that a firm is well-advised to create and introduce new marketplace for the new products in order to exploit this new opportunity, meet the strong customer demand and beat competition (Hise, 1977). Product development is potentially very important for the purpose of the business development. This is in line with the factors identified to influence coca cola Kenya into developing new products, which were found to be; create stars and cash cows for future, add product portfolio, replace declining product, fill a gap in the market, bring in new customers, maintain competitive advantage, and taking advantage of new technology.

New product development cannot be without problems. Shortage of important ideas, fragmented markets, social and governmental constraints, cost of development, shorter product life cycle due to rivals copying (Phillip Kotler,2003) are some of the problems companies can encounter in the process of developing new products.The coca cola brand manager pointed that an essential element of the organization's long-term survival is success in new product development. The company however faces problems during this development process which include; the test market not being a true indicator of the reality, environmental change between the test and the launch of the product, market testing making competitors more alert and competition disrupting the test market by engaging in exceptional market activities

5.4 Conclusions

In conclusion, this study aimed to find the impact of new product development on competitive advantage of coca cola Kenya in beverage market. It also examines the factors that influence coca cola Kenya to develop new products and lastly the problems encountered in new problem development at the coca cola Kenya. Findings show that variables of new product development have significant influences on Competitive advantage.

From the discussion it is apparent that coca cola Kenya develops new products annually. This is salient for the organisation if it has to win more customer loyalty and operate better than the competitors (Phillip Kotler, 2003). In facilitating new product acceptance, the company mostly permitted consumer variety seeking. It was found that new products development is important since it inhibits competition with other players in the market, thus giving the company a competitive edge.

The coca cola Brand Manager pointed out that new product development intention is to fight competition, and enable survival of the firm. However, they can confuse customers and can easily cannibalise sales of the original parent brands. This came out as a challenge to coca cola-

Kenya in new product development. Fierce global competition and technological developments make it much easier for competitors to learn about products and replicate them. This was pointed by the coca cola-Kenya brand manager as another challenge currently being faced by coca cola – Kenya. To stay ahead of competitors a firm must be innovative and often create and introduce new products on a consistent schedule.

5.5 Limitation of the Study

Although the research was successfully done, it did not go without some limitations. From the total number of respondents targeted, only three distributors and eleven end users responded. With a hundred percent response rate the study would have given a better insight of what value new product development adds to the company.

5.6 Suggestions for Further Research

New product development is an important area in company strategy. It is important for companies that recognise the importance of brands. Further research would be done on beer industry and try to identify whether new product development is applied in the industry.

5.7 Recommendation

New product development is an important strategic marketing tool that has been covered in this research. It is the prerogative of the brand managers to identify the necessary products to be developed and when. It's a necessary strategy to be applied to achieve a competitive edge, but caution should be taken so as not to damage the parent brands. The results suggest that a firm is able to introduce a new product if certain favourable factors are present. In particular, a firm should emphasize customer – orientation in all its strategic and policy matters.

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APPENDIX

Questionnaire

Interview date:..

Name of interviewer:...

Respondent Name:...

Type of respondent: Consumer [ ], Distributor [ ], Coca Cola-Kenya Brand Manager [ ]

Area:...

Market Uncertainty {Interview for the Distributor}

1. Each of the following factors has been shown to have some influence on a consumer's choice in buying the product. Using your own experience, for each factor please tell us whether the factor was "strongly influential," "somewhat influential," or "not at all influential."

	Strongly Influential	Somewhat influential	Not at all influential
Trusted source/brand	[ ]	[ ]	[ ]
Quality endorsement	[ ]	[ ]	[ ]
Attractive packaging	[ ]	[ ]	[ ]
Advertising/promotion	[ ]	[ ]	[ ]
Convenient Packaging	[ ]	[ ]	[ ]
Readily available	[ ]	[ ]	[ ]
Pack variety	[ ]	[ ]	[ ]

Product Performance

2. Sales/purchases

(Answers to these questions will be summarized in table 1)

(a) What beverage products do you sell/buy?

(b) What amount do you sell/buy weekly?

(c) What is the price of each product?

Product Type	Quantity/ Weekly	Price/ Unit	Aggregate Price
Carbonated Soft Drinks			
Juices			
Bottled Water			

Table 1: Sales/Purchases

3. Is this the same as before the introduction of the new product?

☐ Yes ☐ No

4. What is the convenience of reaching customers/trader from your location? (Tick where appropriate)

Nearby	[ ]	[ ]	Distant
Short time	[ ]	[ ]	long time needed
Easy	[ ]	[ ]	Difficult

5. What problems do you encounter in the distribution of the new products?

Competitive Advantage

6. What do you feel motivates the success/failure of these new products?

{Interview for the Consumers}

1. Please indicate how important or unimportant each product characteristic is:

	Important				Unimportant
Size	5	4	3	2	1
Affordable (price)	5	4	3	2	1
Available	5	4	3	2	1
Trusted source	5	4	3	2	1
Attractive Packaging	5	4	3	2	1
New in market	5	4	3	2	1

2. Please respond to the following statement: "I would be willing to pay somewhat higher price in order to appreciate the benefits provided by the product."

Strongly agree (5)	agree (4)	neutral (3)	disagree (2)	strongly disagree (1)
[ ]	[ ]	[ ]	[ ]	[ ]

3. How much more would you be willing to pay to appreciate the benefits provided by the product? (Please mark only one.)

[ ] nothing	[ ] 20%
[ ] 5%	[ ] 30%
[ ] 10%	[ ] 40%
[ ] 15%	[ ] 50% or more

4. This product is slightly higher in price than the rest of the same class in the market. What makes you buy it and not those other products?

5. Coca cola has many other products especially the carbonated soft drinks. What makes you choose the still juice products and not the carbonated drinks?

5. Do you always buy the coca cola products or there are a times you buy products from other companies?

7. How often do you buy these still products as compared to carbonated soft drinks and as compared to those from other companies?

8. In your own view, do you think coca cola should continue investing on more new products or the company should continue with the carbonated drinks?

9. Besides each of the statement presented below please indicate whether you are extremely satisfied, satisfied, dissatisfied, or extremely dissatisfied.

How satisfied are you with

a) Overall quality	1	2	3	4	5
b) Product features	1	2	3	4	5
c) Product delivery	1	2	3	4	5
d) Product price	1	2	3	4	5

Key 1 = extremely satisfied 2 = satisfied 3 = Neutral 4 = dissatisfied 5 = extremely dissatisfied.

New Product Development {Interview to the brand manager}

1. What type of beverage does your firm offer the Kenyan market?

2. What factors influences you into developing new products?

3. Did you find a gap in the market?

4. Which market segment are you targeting?

5. What do consumers think your product should look or taste?

6. What are the attributes of your product that delight customers?

7. What problems do you encounter during new product development?

8. How is your competitive advantage after launch of new products?

Thank you.