MARKETING STRATEGIES USED BY MANUFACTURERS OF FAST MOVING CONSUMER GOODS (FMCG S) IN KENYA WHEN LAUNCHING NEW PRODUCTS

BY

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DECLARATION

This management research is my original work and has not been presented for examination in any other university.

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This Project has been submitted for examination with my approval as the University Supervisor

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DEDICATION

To God, the giver of all wisdom.

To my late parents and my siblings for always believing in me.

To my lecturers and friends who always lifted me whenever I fell and saw me through it all.

What is really important in education is …

That the mind is matured, that energy is aroused.

-Soren Kierkegaard

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TABLE OF CONTENTS

CONTENTS **Page**

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

The FMCG manufacturers are faced with intensified competition, consumers who are more value conscious and less brand loyal, dwindling product life cycles and increasingly powerful retailers; this mean that many new FMCG products fall by the wayside . Despite the critical nature of the product-launch process, very little is known about what makes a new products launch in the FMCG industry successful in Kenya. This study therefore needed to fill the gap by attempting to answer the question: What are the strategies used by manufacturers of FMCGs in Kenya when launching new products and to what extent do they use these strategies? The objectives of this study were to determine the strategies used by manufacturers of FMCGs in Kenya when launching new products, the extent to which the strategies are used and to determine which strategies are used for the different categories of products in the FMCG industry in Kenya.

This was a descriptive survey aimed at determining the strategies adopted and used by FMCG manufacturers when launching new products into the market. Forty seven FMCG Companies constituted the population. A census study was conducted. Data was collected using semi-structured questionnaires. Data was analyzed using frequencies, percentages, mean scores and standard deviation

The findings of this study, revealed that the manufacturers of Fast Moving Consumer Goods in Kenya extensively use the various New product Launch strategies such as market strategies, product strategies, promotion strategies, pricing strategies and distribution strategies.

Respondent apprehension was very high and it was difficult to get the responsible senior officials to accept to be interviewed. They viewed the exercise with a lot of suspicion due to the stiff competition in the FMCG sector.

There is adequate opportunity for additional research on other aspects of new product launch strategies such as launching on the Internet. Other studies can explore the areas of the effectiveness of the various marketing strategies that are used for the product life cycle.

CHAPTER ONE

INTRODUCTION

1.1 Background

Globalization of the world economy which is the integration of economies throughout the world through trade, financial flow, the exchange of technology and information and the movement of people has become of concern to marketers since the 1990s (Mubiru, 2003). According to the Kenya Economic Survey (2004), the trend towards more integrated world markets has opened a potential for greater growth and presents new opportunities for marketers. The paper further explains that this trend is towards increased trade in goods and services, increased capital mobility and increased faster cheaper communication and transportation.

The fast-changing global business environment has led to more competition, increased choice, lower prices, lower margins, replacement of tangible assets with information, dramatically changing global infrastructures, from dependence to independence to interdependence, boundaries collapsing, market economies expanding i.e. deregulation and privatization, telecommunications infrastructure investment i.e. analog to digital (World Economic Outlook, 1997). The Global Technological, Environment transcends political, economic, and cultural barriers, reaching into every corner of the Globe (World Economic Outlook, 1997). The Political-Legal global environment has seen government attitudes towards international trade change with most embracing trading Blocks for example COMESA (Economic Survey, 2004).

Most organizations in Kenya have adopted various strategies in dealing with the challenges brought about by globalization and liberalization (Kibera and Waruingi, 1998). Such strategies are exporting, which is a traditional and well-established method of reaching foreign markets (Pearce and Robinson, 1991). Licensing is another strategy, which essentially permits a company in the target country to use the property of the licensor (Pearce and Robinson, 1991). Such property usually is intangible, such as trademarks, patents, and production techniques. The licensee pays a fee in exchange for the rights to use the intangible property and possibly for technical assistance in exchange for certain performance (Kibera and Waruingi, 1998).

Another strategy is Joint Ventures (Pearce and Robinson, 1991) whose main objectives are: market entry, risk/reward sharing, technology sharing and joint product development, and conforming to government regulations. It is an arrangement where organizations remain independent but set up a newly created organization jointly owned by the parents (Johnson and Scholes, 2003). Foreign Direct Investment is another strategy that is used by foreign firms and this is where there is direct ownership of facilities in the target country (Pearce and Robinson, 1991). It provides a high degree of control in the operations and the ability to better know the consumers and competitive environment as well as direct advantages such as real cost economies in form of cheap labour, raw materials and transport costs (Kibera and Waruingi, 1998). Franchising is another strategy (Pearce and Robinson, 1991) where a special type of licensing arrangement whereby the marketer provides the product, technology, process, and/ or trademark, but also most of the marketing program, for example Coca-Cola provides concentrates, bottling lines to be used, specification of processes, marketing strategies and trademarks to all its subsidiaries. The franchise holder undertakes specific activities such as manufacturing, distribution or selling but the franchiser is responsible for the brand name (Johnson and Scholes, 2003).

1.1.1 New Product Launch

New product Launch is the bringing of a new product to market in a scientific and artful manner (Holmes, 2004). According to Holmes (2004), launching a new product is one of the most daunting challenges a marketer faces. A successful launch strategy is an integrated process that involves many areas of the business as well as critical internal and external marketing issues (Holmes, 2004). According to Stanton (1985) if buyers percieve that a given item is significantly different from competitive goods being replaced in some characteristic i.e. apperance or performance then it is a new product. There are several types of new products. Some are new to the market, some are new to the firm, and some are new to both. Some are minor modifications of existing products while some are completely innovative (Wikipedia,2004).

New product Launches are faced with various challenges. A research by Janet Schneider in conjunction with the University of Boston and Harvard University in 2003 found out that many marketers fall into the same trap of considering the launch of a product as a calendar date. In addition, organizations tend to spend an inordinate amount of time and money on new products and concepts in the development phase, leaving fewer resources allocated for the launch phase. In this study, they found that treating the launch phase as an explicitly separate entity leads to greater success: 51 percent compared to just 32 percent of the organizations that introduced a less successful product.

In volatile, ever-changing markets, mistakes can mean wasted costs in advertising, distribution and production expenses, as well as damage to your brand name and equity. For manufacturers considering a new launch, the stakes are high. The cost of development, launch and the associated marketing support required to gain consumer awareness and acceptance are coupled with the fact that only a small proportion of new launches survive (Watson, 2004).

1.1.2 Fast Moving Consumer Goods – FMCG

Fast Moving Consumer Goods can be defined as the everyday goods and services. According to Engdegard (2004) fast moving consumer goods are those goods that are price-sensitive, mass-use goods that are consumable, packaged, and branded. Kotler (2003) refers to Fast Moving Consumer Goods as non-durable goods. In his definition Kotler (2003) views FMCGs as tangible goods normally consumed in one or a few uses, like beer and soap. According to Stanton, (1985) FMCGs are referred to as convenient goods. These are goods that the consumer is willing to accept any of several substitutes and thus will buy the one that is most accessible. These goods includes groceries, tobacco products, inexpensive candy, drug sundries such as toothpaste and shaving accessories and staple hardware items such as light bulbs and batteries (Stanton, 1985).

There are various challenges faced in the FMCG industry. The key one is the Consumer buying behavior illustrated by Stanton (1985) in the Matrix below.

Table 1: Consumer Buying Behavior of products and stores

Type of product \ Type of store	Convenience	Shopping	Specialty
Convenience	Prefers most available brand at most accessible store	Buys any brand but shops around to get better service and lower price	Prefers store but indifferent as to brand.
Shopping	Selects from assortment at most accessible store	Shops around wants to compare store factors and products	Prefers one store but wants to shop the assortment at that store
Specialty	Buys favorite brand at most accessible store that has that brand	Has strong brand preference but shops for best deal at stores carrying that brand	Prefers specific brand and specific store.

Source: Stanton, J William, (1985) Fundamentals of Marketing, McGraw-Hill, Inc. pp.154

Consequently from the matrix above FMCGs must be readily available and accessible in any shopping area. FMCGs typically have a low unit price, are not bulky and are not greatly affected by fad and fashion (Stanton, 1985). Since FMCGs are consumed quickly and purchased frequently, the appropriate strategy is to make them available in many locations, charge only a small mark-up and advertise heavily to induce trial and build preference (Kotler, 2003). The driving force in FMCG is immediate availability of goods (Stengel et al, 2003).

At the macro level, the evolution of the FMCG industry would continue to be driven by a number of factors. These include economic growth, which would impact large proportions of the population thus leading to more money in the hands of the consumer. Changes in demographic composition of the population and thus the market would also continue to impact the FMCG industry. According to Bharat (2003) at the firm level, companies that are able to spot trends early and those that are committed to continuous innovation and those that endeavor to delight the consumer by meeting her changing needs will lead and prosper in the future. Product superiority married with a favorable price-value equation will form the basis of winning initiatives in the coming years. As the retail environment changes and organized retail takes shape, the second potential opportunity for value creation is in the area of distribution & availability. Exemplary companies that have used distribution and availability differentially will achieve sustainable business growths. With an eye on the future, firms would need to take a leadership stance and invest in upgraded in-store infrastructure; in-shop and market level presence and thereby improve presence and availability.

1.2 Statement of the Problem

Thousands of new products are launched every year. However, only a few are successful. New product (or service) launches are key strategies for many companies to remain viable and competitive (Kotler, 2003). A successful product release means growth in sales, profits, and share, while failure means expense without payoff, and setbacks with trade partners and potential customers from which it can take years to recover.

The FMCG manufacturers are faced with intensified competition, consumers who are more value conscious and less brand loyal, dwindling product life cycles and increasingly powerful retailers; this mean that many new FMCG products fall by the wayside (Molian, 1999). The new product launch phase is a critical part of the total new product development process. Done well, a launch helps a new product rapidly establish itself among its target users. Done poorly, a launch can negate all the time, money and human capital that went into developing the new product if it fails to achieve commercial success (Schneider, 2002).

According to Frost and Sullivan consultants of United Kingdom (2000), many new products are launched into the market with little prior planning for targeting the customers, creating a sales strategy, developing a distribution strategy, training the sales force and integrating the competitive strategy. This mistake significantly reduces or eliminates any potential profit the product may have and greatly increases the sales development time. Sometimes, even well conceived, innovative products or services fail in the market place. Often, the same thorough planning and execution that went into the development of the new product is not duplicated during the launch phase (Schneider, 2003). An estimated 35% of FMCG innovations fail to make an impact and are taken off the shelves in the first year (Roger, 2004). Other challenges faced by the FMCG industry are stiff completion from cheap and substitute products, fierce consumer loyalty to their favorite brands.

Studies that have been done in the area of new products in the past (e.g. Wanjau, 2001; and Vinayak, 2001) have addressed the distribution processes, brand positioning or personality, the perception, and the challenges facing new FMCG products in the market. Despite the critical nature of the product-launch process, very little is known about what makes a launch new products in the FMCG industry successful in Kenya.

This study therefore needed to fill the gap by attempting to answer the question:

What are the strategies used by manufacturers of FMCGs in Kenya when launching new products and to what extent do they use these strategies?

1.3 Objectives of Study

The objectives of this study were:

i. To determine the strategies used by manufacturers of FMCGs in Kenya when launching new products.

ii. To determine the extent to which manufacturers of FMCGs in Kenya use the New product strategies

iii. To determine which strategies are used for the different categories of products in the FMCG industry in Kenya

1.6 Importance of the Study

The results of this study may be of use to the following:-

a. Manufacturers of FMCGs who may be able to borrow from best practice launch strategies in the Kenyan market.

b. Future scholars may also use the results as a source of reference.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on various marketing strategies with emphasis on the new product launch strategies. With new products, there is always a process for establishing consumer acceptance, though the time it takes to do this varies widely from industry to industry (Holmes, 2004), explains that it is hard to introduce new products in the cluttered world of packaged goods, without considering important issues for the launch of new products. This chapters seeks information on launching of new products in the FMCG industry.

2.2 The Concept of Strategy

Thompson and Stickland (1987) define strategy as the game plan management has for positioning the company in its chosen market arena, competing successfully pleasing customers and achieving good performance. Strategy can be defined as the approach, grand design, plan, policy, procedure or program of action deliberately taken in order to achieve a specific goal. Porter (1985) defines Strategy as the commercial logic of a business that defines why a firm can have a competitive advantage. He further explains that Strategy is what a company does and how it actually positions itself commercially and conducts the competitive battle. Strategy is the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment to meet the needs of markets and to fulfill stakeholder expectations (Johnson and Scholes, 2003).

According to Mintzberg (1994), Strategy are presented as plan, ploy, pattern, position and perspective and some of their interrelationships are then considered. The Corporate strategy should be the marketing strategy, for without a market there is no purpose for the corporation and no role for a corporate strategy, which would not deny any claim that the corporate strategy takes a broader view than the firms activities in the market place (Baker, 1993). Since strategic decisions influence the way organizations respond to their environment, strategy is a fundamental planning process. Schendel and Hofer (1979) define strategy in terms of its function in the organization. They assert that the purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment.

According to Juach and Glueck (1984), strategy is a unified comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization. Pearce and Robinson (1991) define strategy as large scale, future-oriented plans for interacting with the competitive environment to optimize achievement of organizational objectives. This is putting more emphasis on strategy as it relates the competitive environment of the firm. Most of the definitions cited above look at one aspect of strategy and there is need to look at a more comprehensive definition of strategy.

According to Hax and Majluf (1991), strategy selects the businesses the organization is to be in or is in, determines and reveals the organizational purpose in terms of long-term objectives, action programs and resource allocation priorities, attempts to achieve a long-term sustainable advantage in each of its businesses by responding properly to the opportunities and threats in the firm's environment and the strength and weaknesses of the organization, is a coherent, unifying and integrative pattern of decisions, engages all the hierarchical levels of the firm (corporate, business, functional), and defines the nature of the economic contributions it intends to make to its stakeholders. From the definitions, it is clear from the authors' perspectives that strategy is incorporating the organization's future and its adaptation to a turbulent environment.

According to Walkersands (2004), a strategy is a description of the manner in which a company or enterprise intends to gain a competitive advantage. Strategies describe actions aimed directly at altering the strength of the enterprise relative to that of its competitors. Strategies should allow the enterprise to gain a relative advantage through measures its competitors will find hard to follow and allow the advantage to be extended even further. Strategy development results from the continuous application and interaction of three fundamental thinking skills identification of elements and scope, analysis, and synthesis. The basic elements of a strategy for an enterprise are the market (comprised of customers, competitors and technology embedded in a milieu of social, political, economic, demographic and scientific driving forces for change), stakeholders, enterprise capability and enterprise capacity. The enterprise capability and capacity are defined by it projects, resources and culture.

Highly successful product launches are much more apt to be described as exciting, creative, rewarding, and proactive experiences than their less successful counterparts. The launch activities of highly successful products also are more likely to be characterized as evolutionary, systematic, and synergistic, while those of less successful products are more likely to be described as reactive, unpredictable, political, and ego-involving (Schneider, 2003). Organizations must be able to fuse business strategy with new product design and development to gain a competitive edge in the marketplace.

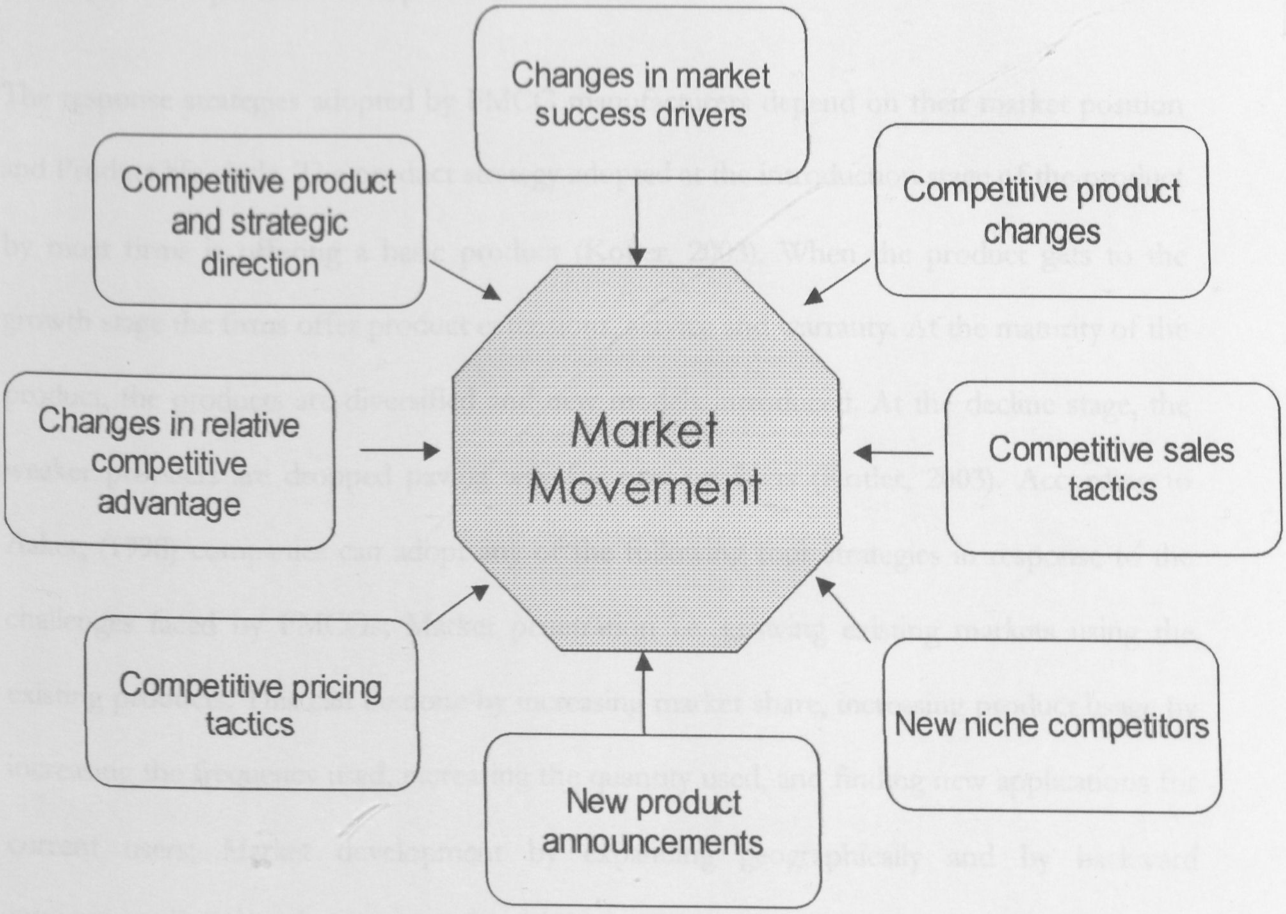


Figure 1: Marketing Environment

Source: DRM Associates (2004), **What is Strategy?** New Product Development Body of Knowledge, **http://www.npd-solutions.com**. August 2nd 2004.

There are various strategies that are used by FMCG manufacturers in ensuring they remain competitive. Product differentiation is used where the manufacturer establishes a connection with consumers by creating brands they love (Kotler 2003). Building strong brand loyalty (AcNielsen Consulting, 2004), innovativeness to continuously meet consumer demand, the capacity of the industry to find new and appealing ways to deliver quality brands to consumers, Production capacity, Product Quality, ensuring maintenance of quality standards and Distribution capacity ensuring efficiency & effectiveness of marketing programs, cost control and Human Resources Capability in terms of customer service, and importantly, continuous new product development and launch.

The response strategies adopted by FMCG manufacturers depend on their market position and Product life circle. The product strategy adopted at the introduction stage of the product by most firms is offering a basic product (Kotler, 2003). When the product gets to the growth stage the firms offer product extensions, service and warranty. At the maturity of the product, the products are diversified and new models introduced. At the decline stage, the weaker products are dropped paving way for new products (Kotler, 2003). According to Aaker, (1998) companies can adopt any of the following four strategies in response to the challenges faced by FMCGs; Market penetration i.e. growing existing markets using the existing products. This can be done by increasing market share, increasing product usage by increasing the frequency used, increasing the quantity used, and finding new applications for current users; Market development by expanding geographically and by backward integration; Product development by adding product features and by refining products, developing a new generation product as well as developing new product for launching and re-launching into the same markets; Finally through diversification, firms can develop new product for new markets (Aaker, 1998). The last two strategies involve the introduction of a new product into the market.

Table 2a: Product Strategies relating to relevant competitive strategies

Relevant competitive strategies		*Product Strategies*: Cost reduction	Product improvement	Line development	New Products
Market share protection (Hold / defend)	Mix Adjustments Imitate Compensate	Value Analysis Variety reduction	Features Quality Style	Variety variations Individual modification Tailor-made	
Market share advancement (growth)	Penetration pricing	Value Analysis Variety reduction			
	Capitalize Leapfrog		Features Quality Style	Variety variations Individual modification Tailor-made	
	New Offerings				New to the world New product lines Additions to existing product lines

Source: O'Shaughnessy, John (1992), Competitive Marketing: A strategic approach, Capman and Hall Inc., New York, pp. 205

O'Shaughnessy, (1992), came up with a product strategy matrix that guide most organizations' choice of strategies. The general elements of the criteria for choice are mainly the compatibility of the strategy to the firms thrust, size and growth potential, competition, investment needs, profitability and the risk involved.

2.2 The Concept of New Product

Doyle (1998) defines new product as those that offer benefits which customers perceive as new and superior. A product is a set of tangible physical attributes assembled in an identifiable form. A product is anything that can be offered to a market to satisfy a want or a need (Kotler, 2003). Cravens (2000) looks at new product from two angles; newness to the market and newness to the company. Products seen as new to the world i.e products that create an entirely new market; New product lines i.e. new product that for the first time, allow a company to enter an established market; Additions to existing product lines i.e. new product that supplement a company's established product lines; Improvement in and / or revisions to existing products i.e. new products that provide improved performance or greater perceived value and replace existing products; Repositioning i.e. existing products that are targeted to new markets or market segments; Cost Reductions i.e. new products that provide similar performance at lower costs (Cravens, 2000).

Kotler (2003) categorizes new products as; those products that create an entirely new market; new products that allow a company to enter an established market for the first time; new products that supplement a company's established product lines; new products that provide improved performance or greater perceived value and replace existing products; Existing products that are targeted to new markets or market segments; and new product that provide similar performance at lower cost. The management of various attributes of a product; its brand, package, labeling, design, colour, quality, warranty and servicing is an integral part of the marketing function (Kotler, 2003).

Johnson and Jones (1957) believe that the four variables in Ansoff's growth vector matrix market penetration, market development, product development and diversification are interdependent and mutually reinforcing alternatives and that some form of product development is intrinsic to most positive strategies. Johnson and Jones (1957) came up with a technology market matrix which emphasized improved product and strengthened market.

Table 2b: The Technology Market Matrix

Increase Market Newness

New Market	New Use	Market Extension	Diversification
Extended Market	Re-merchandise	Improved product	Product line extension
No Change	Present position	Re-formulation	Replacement
	No Change	Improved technology	New technology

Increasing Technological Newness

Source: Samuel C. Johnson and Conrad Jones, 'How to organize for new products', *Havard Business Review*, (may-June 1957)

Stanton (1985) views new product from three angles. Products that are really innovative (truly unique), i.e. products for which there is a real need but for which no existing substitutes are considered satisfactory. Replacements for existing products that are significantly different from the existing goods and imitative products that are new to a particular company but not new to the market. The company simply wants to capture part of an existing market.

New Product Development is a business and engineering term which describes the complete process of bringing a new product to the market (Wikipedia, 2004). There are two parallel aspects to this process : one involves product engineering ; the other market analysis (Wikipedia,2004). According to Kotler (2003) existing products are vulnerable to changing customer needs and tastes, new technologies, short product life cycles, and increased domestic and foreign competition hence the need for new product development.

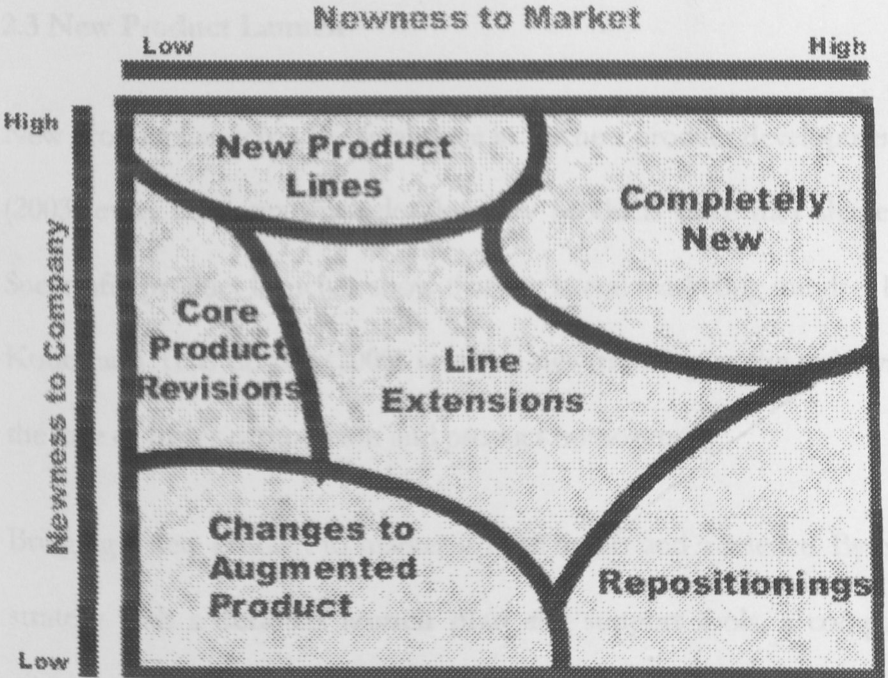


Figure 2: New Product Development

Source: Wikipedia (2004), **New Product Development**, Free online encyclopedia, **www.wikipedia.org**. August 2nd, 2004

Kotler (2003) has highlighted several challenges facing New product development. Shortage of important ideas in certain areas i.e. there may be few ways left to improve some basic products such as steel and detergents. Companies have to target their new products at smaller market segments and this can mean lower sales and profits for each product due to market fragmentation. New products have to satisfy consumer safety and environmental concerns. The cost of new product development is often inhibitive. Some companies with good ideas cannot raise the funds needed to research and launch them. Shorter product life cycles due to competitors fighting back faster and harder.

Stanton (1985) has cited inadequate market analysis, Product deficiencies, lack of effective marketing effort, high costs than anticipated, poor timing of introduction and technical and production processess as the key challenges to ne product development. Three quarters of causes of failures of new products arew market related shortcomings (Stanton 1985).

2.3 New Product Launch

New product Launch is the final stage in the new product development. According to Kotler (2003) every company must develop new products since they shape the company's future. Successful product launches show that the lateral marketing mindset leads to overall success. Kotler and Trias de Bes (2003) sees this new thinking as the only way to remain solvent in the face of hyper competition and product homogeneity.

Bringing a new product to market is both an art and a science. By blending comprehensive strategy with a **detailed launch plan** and support tools, a company can exceed internal expectations and shape the way they manage subsequent new product launches. According to Holmes (2004), launching a new product is one of the most daunting challenges a marketer faces. Even big players often fail here, despite millions spent on research and market testing. Companies are sometimes so enamored of their product concept that they fail to do their homework and engage in wishful thinking, ignoring what the research tells them. Even more significantly, new product introductions involve much more than marketing to the end consumer: The strategy needs to include the distribution channel, sales, and operations employees. A successful launch strategy is an **integrated process** that involves many areas of your business as well as critical internal and external marketing issues.

According to the second annual Schneider/Stagnito Communications (2003) Most Memorable New Product Launch Survey in U.S.A., millions of dollars were spent in 2003 to launch 33,678 new products. The new $20 bill was the most memorable new product launch of 2003 with three out of four consumers citing awareness of the new currency. The U.S. Bureau of Engraving and Printing spent $33 million to launch the new bill, using TV advertising, public relations, promotional brochures, a sweepstakes, and a CD-ROM.

There are various requirements for successful New Product development. A new product launch should be preceded by concept development and testing. In the earliest stages of the process, source new product ideas from your customers, competitors, employees, and industry analysts. In other cases, refine and test a new product concept that has been decided to pursue, testing whether prospective customers understand and value the new offering and providing valuable feedback that can iteratively enhance the product's features (WalkerSands, 2004). WalkerSands (2004) continues to suggest that when launching new products in today's crowded market place, it is critical to develop innovative launch strategies that differentiate your product and position it for maximum growth. Without aggressive tactics, a company risks missing a window of opportunity for achieving optimal results from the launch.

Schneider (2003) in conjunction with the University of Boston and Harvard University in 2003 suggests that the launch is **a unique marketing process**, one that requires a particular attitude and philosophy in its enactment and, accordingly, a different set of skills among managers. In their research, the respondents stressed the importance of understanding early in the game that the launch will always take more time and money, and generally will be more difficult than planned. Underestimating the challenges of the process will lead to frustration and can harm the launch. To successfully launch a new product at a large company, it is necessary to coordinate research and development, marketing, sales, manufacturing, organizational design, consumer research and human resources, among other functions.

According to AcNielsen Consulting (2004), when launching a new product, it is not enough to understand how the product is performing. It is crucial to know who is buying, where the volume is being sourced, and whether the product is attracting new or existing category buyers. Key questions include: How many households have tried the new product? Are these buyers new to the category? How did trial consumers respond to advertising and promotions? What effect did the activity have on the category? Has the new brand increased the category and bought in new category buyers?

The most basic principle in the consumer products industry is "listen to the customer." Without an intimate knowledge of ever-changing trends and tastes, the organization is destined to lose out to competitors who are more tuned in (Stengel et al, 2003). According to Cooper (1994), Key success factors are identified factors that distinguish the successful projects from the commercial ones. These factors cover a broad spectrum: from elements of competitive advantage to market attractiveness to the way the firm organizes people into project teams. Cooper (1994) continues to say that, new products continue to fail at an alarming rate. Although numerous studies have probed the reasons for failure, or what distinguishes winners from losers, many pundits appear to have ignored their conclusions and prescriptions, clinging to old beliefs, even myths, about how new products ought to be managed. Could some of these traditional beliefs underlie what is wrong with new product management?

According to Roger (2004), many people who have been involved in the launch of a new product have had to watch it fade into obscurity and marketing budget wasted. Cooper (1994) further says that for a successful product launch, there should be excellent relative product quality relative to competitors' products and in terms of how the customer measures quality; good value for money; superior price/performance characteristics for the customer relative to competitors' products, in terms of meeting customer needs; product benefits or attributes easily perceived as being useful by the customer; unique attributes and characteristics for the customer not available from competitive products; and highly visible benefits very obvious to the customer (Cooper,1994).

According to Shoppel and Davis (1996), the benefits of high return, customer feedback programs are numerous and compelling: maximize Return on Investment (ROI); validate compelling feature requirements; minimize post-launch support costs; provide proven quality and performance; increase testimonial feedback, usability and target market acceptance. Given the number of market, technical, and operational risk involved in new product launches, and the financial returns for managing those risks successfully, customer oriented development organizations are reevaluating their processes for planning and executing high ROI, highly leveraged, and professionally managed customer feedback programs. Customer feedback is essential to achieve a successful product launch.

New Product Launch Team

With new products, there is always a process for establishing consumer acceptance, though the time it takes to do this varies widely from industry to industry (Holmes, 2004), explains that it is hard to introduce new products in the cluttered world of packaged goods, without considering important issues for the launch of new products. One of them is setting up a focused Launch team. Today's new product project teams and leaders seem to fall into the same traps that their predecessors did back in the 1970s; moreover, there is little evidence that success rates or research and development (R&D) productivity have increased very much. Too many projects move from the idea stage right into development, with little or no assessment or up-front homework. The results of this "ready, fire, aim" approach usually are disastrous. Research shows that inadequate up-front homework is a major reason for failure; whereas other studies show that solid up-front homework drives up new product success rates significantly and is correlated strongly with financial performance (Cooper and Kleinschmidt, 1998, 1990, Montoya-Weiss, and Calantone 1994).

Successful project teams undertake superior up-front homework, in terms of more time, money, and effort; and better quality work than do failure teams (Cooper and Kleinschmidt, 1995). The team must Monitor and track execution. Eenlist management involvement and support and consistently establish ways to easily track progress. Then regularly and frequently communicate results with the group (Sachs, 2003). Anticipate success; what happens when the product is a raging success and the company does not have enough production capacity to keep pace with the orders? They lose not only sales but credibility in the marketplace as well. Human nature often dictates a wait-and-see attitude, but business does not work that way. That holds, especially, for such industries as computer software, where product life cycles are short (Holmes, 2004). The progress of the launch program should be tracked as it unfolds. That way, the company may devote more resources to one marketing function and pulling back on others. The company can also plan more accurately for manufacturing and distribution and, if the product is doing well, play up the success in your promotions (Holmes, 2004).

Cooper and Kleinschmidt (1998), recommends that a launch process be put in place. A successful launch is a process, not an event. Too many companies focus all their energies on the announcement and first trade show and then wonder six months later why they missed their sales goals or disappointed early customers with lack of support. A successful launch process must include buy-in from all levels of the organization to synchronize and integrate efforts. A Launch Team should be established. A clearly written, comprehensive Launch Action Plan should then spell out individual responsibilities and overall objectives, strategy, time frames and requirements. Knowledge sharing systems should then be devised to share best practices and adjust actions as needed (Cooper and Kleinschmidt, 1998). Firms involved in new product development are constantly seeking ways to make their product teams more effective. Team members bring in different backgrounds and competencies, and their behavior can help team performance, or hurt it through disagreement or lack of cohesiveness. Clearly, interpersonal characteristics of the team members will influence team success (Cooper and Kleinschmidt, 1993).

According to Sachs (2003), everyone within the organization should be involved with zeal in the new product launch. Educate them, communicate the plans, goals and progress, use the launch as a way to build morale and unify the team through a common cause. Disseminate best practices; identify what is working and what is not and share this information throughout the organization. Flexibility, nimbleness, and willingness to adjust the plan as results are tabulated are required. A launch is a process, not an event (Sachs, 2003). Chances are, the product launch will require the company to, not only get the salespeople revved up, but operations and distribution people as well.

2.4 Marketing Strategies for Launching New Products

Despite the challenges faced in global business, using the right marketing strategies, firms can achieve competitive advantage (Baker, 1993). This is the combination of inputs that constitute the core of a company's marketing system (Porter, 1985). They are interdependent variables, which make the total marketing function with the aim of achieving the greatest effect at minimum cost (Porter, 1985). Some of the marketing strategies are; Probe, Product, Price, Promotion, Place / Distribution, Process, People, and Physical Environment (Baker, 1993).

2.4.1 Market Strategies

Market strategies deal with the prospects of markets to be served (Kaplan and Norton, 1997). One of the strategies is **market scope strategy**; this constitutes segmenting the market and then deciding which segment should be selected. Segmentation can be done on the basis of demographic factors i.e. age, income, sex; socioeconomic factors i.e. social class, stage in the family life cycle; geographic factors; psychological factors i.e. life-style, personality traits; Consumer patterns i.e. heavy, moderate and light users and brand loyalty patterns. According to Holmes (2004) segmentation is the process by which the field of potential customers is narrowed down to those most likely to buy the product. The market can be divided into segments based on such factors as age, sex, race, geographic location, household income, spending patterns, and education. Unless a new product category is being created, there should be information available on what types of people are heavy users of a similar product. By using segmentation techniques, a company should be able to identify a core group of likely customers plus a number of secondary targets. Research should play a part in every area of product development and marketing. It will help you effectively segment the market, position your product, test creative strategy, and schedule the rollout (Holmes, 2004).

According to Kaplan and Norton (1997) once segments have been formed a decision on which segment should be made based on single market strategy – where the concentration is on a single segment, multi-market strategy – where several viable markets are chosen or total market strategy – the entire spectrum of the market is taken targeting all the segments. A single market strategy is used if the company is seeking a niche market. A multi-market strategy can be executed in one of two ways; either by selling different products to different segments or by distributing the same product in a number of segments. The total market strategy can be highly risky on one hand but highly rewarding on the other in terms of achieving growth and market share (Kaplan and Norton, 1997)

Another strategy is **Market Entry Strategy** (Kaplan and Norton, 1997) which refers to the timing of entering the market and there are three options from which a company can choose. First in the market, be among the early entrants or be a laggard. According to Kotler (2003), in launching a new product, market entry timing (when) is critical. A company may choose first entry, parallel entry or late entry into the market depending on the industry activities. First Entry: The first firm entering the market usually enjoys the first mover advantages of locking up distributors and customers and gaining reputation leadership. Parallel entry: is where a firm times her entry into the market to coincide with that of the competitor's entry. The market may pay more attention when two companies are advertising the new product. Late entry: a company may delay the launch until after the competitor has entered. The competitor will have born the cost of educating the market (Kotler, 2003). A professional and effective product launch normally requires a good six months to handle all the unexpected issues, delays and messes that will arise. The company needs an adequate budget, resources, systems and most importantly, healthy relationships with all team members, sales channels, analysts and editors. Repair any broken relationships before product launch because these types of issues are the greatest time-eaters (Sachs, 2003).

Set a time-frame for product rollout, and stick to it. Many launches fall behind schedule, causing marketers to miss critical points in a given industry's business cycle. This can mean death for a new product. A schedule that reflects the time needed for each element of the launch should be created. It is important to allow for the inevitable foul-ups (Sachs, 2003).

Accelerate the launch; there are a million excuses for why the launch cannot occur in the established time-frame. Do not succumb to them. Track and monitor the plan everyday. Anticipate bottlenecks and have elimination solutions ready to implement. Hold all contributors accountable. Finally, gain the support of top management so they will eagerly use their influence when complex issues threaten to slow the process.

Most new products earn half their sales and profits far earlier in the product life cycle than company leaders realize. After an early window of opportunity, new products are often smothered by copycat competitors rushing to market, waning media and analyst attention, sales channel apathy, price pressures and purchasers unable to distinguish the product through all the competitive clutter. With the correct launch, new and innovative products have great advantages early in their life cycles—competition is light, media and analyst interest is heavy, sales channel enthusiasm is passionate and buyers are energized by the novelty of the product's promised solutions. In today's "speed of thought" mentality, getting your product to market first is critical to the company's sales and profit success (Sachs, 2003). Holmes (2004) states that a few lucky products succeed despite poor launch strategies and that a new product launch is most likely to succeed of proper groundwork is done.

Kotler (2003) further explains that other timing considerations for a new product launch should be looked at; i.e. if a new product replaces an older product, the company might delay the introduction until the old product stock is drawn down. The new product may be seasonal hence; the company may delay until the right season arrives.

According to Kaplan and Norton (1997), **Market Geographic strategy (Where)** has been used as a strategy to achieve growth, reduce independence on a small geographic base, use national geographic media, utilize excess capacity and guard against competitive inroads. The geographic strategies that a company can use are local market strategy, regional market strategy, national market strategy and international market strategy (Kaplan and Norton, 1997). The Company must decide where to launch the new product i.e. single location, a region, several regions, the national market or international market (Kotler, 2003). According to Hutt and Speh, (1998) Geographic concentration has some important implication. Firms can concentrate their marketing efforts in areas of high potential and make effective use of a full time personal sales force. Secondly distribution centers in large volume areas can ensure rapid delivery to a large portion of customers and finally, firms may not be able to tie their salespeople to specific geographic areas (Hutt and Speh, 1998)

According to Kotler (2003) the company size is another factor; i.e. small companies will select an attractive city, put on a blitz campaign, and then enter other cities, one at a time. He further explains that when choosing a rollout the major criteria are market potential, company's local reputation, cost of filling the pipeline, cost of communication media, influence of area on other areas and competitive penetration.

The **Market commitment strategy** is another market strategy that companies use. It refers to the degree of involvement that a company seeks in a particular market (Kaplan and Norton, 1997). The commitment to a market may be categorized as strong, average or light. The strong commitment strategy requires that a company plan to operate in the market optimally by realizing economies of scale in promotion, distribution and manufacturing. If a company has a stable interest in the market, it must stress the maintenance of the status quo and this leads it to make only an average commitment to the market. A company may make a Light commitment in a market if it has a passing interest especially if the market is stagnant or has limited potential.

To whom (target market prospects): Kotler (2003) argues that the best prospect groups should be targeted and these often have characteristics such as being early adopters, heavy users, opinion leaders and they could be used at low cost. The aim is to generate strong sales as soon as possible to attract further prospects. According to Sachs 2003) the company needs to determine the people it will need to influence. What critical audiences will the company need to influence internally and externally? Research: with a new product, the two main research goals are to find out: who is likely to buy the product; what must tell this potential customer about the product in order to make the sale. Research is key, because without it the company is flying blind. It should never be seen as a process of confirming the companies' "good judgment" but as a means of getting at the truth. This can work both ways: A company may find that their product is not viable, or may discover markets for it that they never imagined (Sachs, 2003).

Introduction Market strategy (How): Kotler (2003) asserts that the company must develop an action plan for introducing the new product into the rollout markets. Sachs (2003) explains that objectives and success measurements must be set up front. Gather and analyze market intelligence, assess current situation and then determine what the launch should accomplish within the market, company and with prospects, analysts and editors and then gain consensus so all stakeholders are invested in the plan (Sachs, 2003). According to Sachs (2003), developing a formal and comprehensive integrated Product Launch Plan is important. This plan should guarantee sales integration, involve all critical organizations, establish accountability with actions and timelines and ensure alignment, consensus and success. The Product Launch Plan should address the following 12 critical components: Structure and organize resources for success, Define launch objectives, Gather intelligence, Develop launch strategy, action plan, budget and timeline, Craft a supportive PR strategy and plan, Effectively position the product, Ensure product readiness, Guarantee sales channel readiness, Create critical marketing and sales tools, Develop new product programs, Track, monitor and report on execution, and Measure performance (Sachs, 2003).

2.4.2 Product Strategies

Product Strategies deals with the basic decisions on product and product planning i.e. how the firms product or service compare with the competition (Kotler, 2003). This strategy looks at product standardization vs. Product modification; Product positioning, market segmentation, product adoption, branding and packaging. It is with the product in mind that marketers are constantly seeking better or more superior products to present to the consumer (Kotler, 2003).

According to Kaplan and Norton (1997), companies adopting **new-product strategy** are better able to sustain competitive pressures on their existing products and make headway. The new-product strategy is split into three. Product improvement / modification which is the introduction of a new version or improved model of the product is one of the strategies. Usually this is achieved by adding new features, changing process requirements, and altering product ingredients. When a company introduces a product which is already in the market but new to the company it is a following product imitation strategy. The product innovation strategy includes introducing a new product to replace an existing one in order to satisfy a need in an entirely different way or to provide a new approach to satisfy an existing or a latent need.

Product positioning strategy refers to placing a brand in a part of the market where it will have a favorable reception compared to competing product (Kaplan and Norton, 1997)The product should be matched with that segment of the market where it is most likely to succeed The positioning strategy can either be single brand or multiple brand strategy. According to Kaplan and Norton (1997), **product re-positioning strategy** especially for new users and for new uses. Repositioning among new users requires that the product be presented with a different twist to the people who have not been favorably inclined toward it. Repositioning for new uses requires searching for latent uses of the product.

Packaging: According to Kotler (2003), most marketers treat packaging and labeling as an element of product strategy. Packaging provides a description of the packaging strategy. Kotler (2003) further explains that the package should embody elements such as size, shape, materials, color, text and brand mark. The packaging elements must be harmonized with decisions on pricing, advertising and other marketing strategies. According to O'Shaughnessy (1992), the packaging strategy should encompass the following: Protection; to protect against damage, dirt, mishandling and deterioration. Promotion; attractive packaging increases product appeal and can differentiate a product from competitive makes. Visibility; a striking package can draw attention to itself in store or anywhere. Provision of information; packaging provides information on the contents instructions on use and information required by law (O'Shaughnessy, 1992)

According to Langerak et al (2004), it is only during the launch that it will become evident whether a market orientation has crystallized into a superior product in the eyes of the customer. The results provide evidence that a market orientation is related positively to product advantage and to the proficiency in market testing, launch budgeting, launch strategy, and launch tactics.

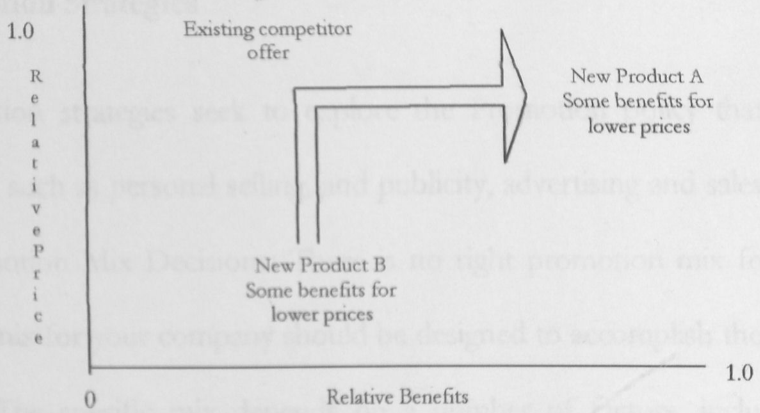


Figure 3: Commercial Success for New Products

Source: Jones, L. and Ammon, F. (2002) **Marakon Research And Client Analysis**, Marakon Associates, New York, pp. 119

Product advantage and the proficiency in launch tactics are related positively to new product performance, which itself is related positively to organizational performance (Langerak et al, 2004). The story of the market positioning and launch of the New Panda, perfectly illustrates how car companies such as Fiat, innovate and design in line with customer expectations to secure a market share for each model. The New Panda hopes to appeal to the small car segment and the initial first car buyer segment while also appealing to families who wish to acquire a second car, or to those using their car in urban or city areas. However, there is a marketing challenge at the centre of targeting these segments. This car interests distinct and different groups of car buyers so there is a need for careful product positioning in the mind of the consumer (Langerak et al, 2004).

2.4.3 Promotion Strategies

The Promotion strategies seek to explore the Promotion policy that would govern the organization such as personal selling, and publicity, advertising and sales promotion (Kotler, 2003). Promotion Mix Decisions: There is no right promotion mix for all situations. The promotion mix for your company should be designed to accomplish the overall organization objectives. The specific mix depends on a number of factors, including the promotion budget available, the nature of the product, market size and location, distribution channels, stage of product in its life cycle, the target audience, and nature of the competitive situation (Proctor, 2000). The promotion strategy in its most basic form is the controlled distribution of communication designed to sell your product or service. In order to accomplish this, the promotion strategy encompasses every marketing tool utilized in the communication effort.

According to O'Shaughnessy (1992), there are three basic promotional strategies; **Push, Pull or Push-Pull.** A company that follows a Push strategy is generally very sales oriented, trying to push the product through the distribution channel, relying on the middlemen in the channel to market the product to the end user. A company that follows a Pull strategy goes directly to end user to promote sales, putting pressure on the middlemen to support the company's channel objectives. A Push-Pull strategy involves doing some blend of both on a relatively equal basis. Typical promotion mixes between advertising and personal selling of manufacturers varies based on the industry and product. Manufacturers of well-branded consumer goods with established distribution channels may spend 90% of their budgets on advertising and sales promotion (pull strategy) and only 10% on personal selling (push strategy). However, manufacturers with industrial goods or smaller consumer products companies may spend 90% on personal selling (push strategy) and 10% on advertising (pull strategy). A high growth consumer products company that is expanding geographically or an established Deciding on the right promotional mix should be a rational, fact-based decision (O'Shaughnessy, 1992).

A company can use the **Promotion Expenditure Strategy** which is the amount that a company may spend on its total promotional effort (Kaplan and Norton, 1997). This is influenced by a complex set of circumstances. Various approaches may be used. The marginal approach where the expenditure of each ingredient of promotion should be made as a marginal revenue is equal to marginal cost. The breakdown approach where the expenditure on the promotions must be justified by sales. The return on investment approach is where the promotion expenditure is justified by the benefits, which will be derived over the year. The competitive parity approach assumes that the promotion expenditure is directly related to market share and the buildup method where the decision on promotion expenditure is made in the context of the total marketing mix (Kaplan and Norton, 1997).

Advertising Strategy: According to Kaplan and Norton (1997), The advertising strategy encompasses the media selection strategy and the advertising copy strategy. Advertising is any paid form of "mass selling" or communication with large numbers of potential customers at the same time.

O'Shaughnessy (1992) states that a good advertising strategy must cover the target audience, the goals, a message strategy having the message appeal and positioning as well as the message format and the media plan which encompasses media, media options and vehicle mix, the reach and frequency and the scheduling.

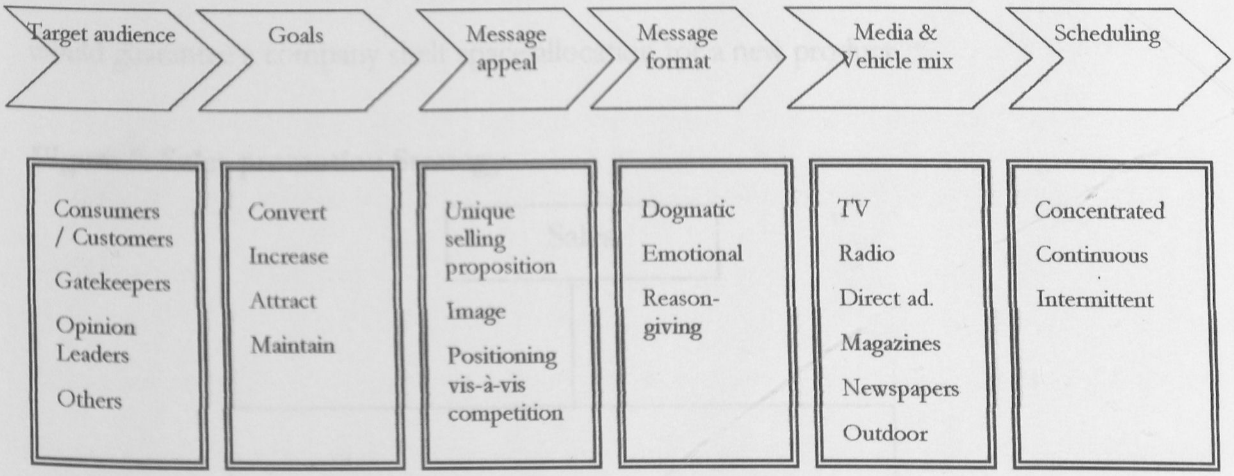


Figure 4: Advertising Strategy;

Source: O'Shaughnessy, John (1992), Competitive Marketing: A strategic approach, Capman and Hall Inc., New York, pp. 262

This involves looking at the advertising budget, creative message(s), and at least the first quarter's media schedule. Positioning is the process of creating the right perception of the product in the minds of likely customers. Specifically, this means defining the relationship of the product to its competition and communicating the core attributes that make it stand out (Holmes, 2004).

Sales Promotion refers to specific activities (such as point-of-purchase displays, brochures, coupons), which can generate a specific purchase behavior. Sales promotions establish the strategies used to support the sales message. This includes a description of collateral marketing material as well as a schedule of planned promotional activities such as special sales, coupons, contests, and premium awards (Proctor, 2000).

According to O'Shaughnessy (1992) Sales promotions are divided into two categories; Consumer promotions and Trade promotions. O'Shaughnessy (1992) explains that one of the most effective consumer promotion programme is sampling. It is the quickest way to attract consumers for distinctive new products. For trade promotions quality discounts would guarantee a company shelf space allocation for a new product.

Figure 5: Sales promotion Strategy

Sales

Consumer Promotions Part of a pull

Assumptions

1. Consumers have a passive want for product but are inhibited from buying by one or more of the following
   a. Price
   b. False belief
   c. Doubts about the product
   d. Social Norms
2. Inhibitors can be overcome by a material incentive
3. Offering has something distinctive if the aim is to create a future customer.

Trade Promotions Part of a push strategy

Assumptions

1. Cooperative dealers whether wholesalers or retailers
2. Profit per unit (markup) significant to dealer and / or shelf location / shelf space significant to sales. Dealer plays key role in the amount bought either by retailer or consumer

Source: O'Shaughnessy, John (1992), Competitive Marketing: A strategic approach, Capman and Hall Inc., New York, pp. 280

Public Relations or Publicity is any free form of "mass selling". All of these methods try to inform, persuade and remind the target audience about your product or service. According to Advanced Marketing Association (2002), publicity is the most cost effective way to launch a company latest new product regardless of whether it is in the local, regional or international market. With publicity, a product can be introduced to thousands and even millions of people overnight and gain valuable marketing research in the process.

International Marketing Association (IMA) defines publicity as mass communication with potential customers through the media. Publicity is a process, which a company's new product transforms marketing into an editorial format or news. A complete account of the publicity strategy including a list of media that will be approached as well as a schedule of planned events.

According to Sachs (2003) Have a winning public relations strategy and plan is key. Capture attention by educating pundits, opinion leaders and editors. These are the people who will be carrying the flag. Once these people are won over, credibility and acceptance from the marketplace is gained. This makes the selling process far easier, maximizing the chances of hitting the goals (Sachs, 2003). Above all, there must be a clear and consistent marketing message that reflects the company's overall positioning strategy. Editorial coverage of new product marketing launches can take many forms, but the most profitable type usually occurs in print media such as newspapers and magazines. Print publicity has a "shelf life," - the printed word can reach and convert readers into buyers for weeks, months, and even years after publication. Conversely, two minutes of radio or television editorial coverage - once it has aired - disappears forever with its power to reach and convert the listening or viewing audience into buyers (AMA, 2002).

Personal Selling involves direct face-to-face relationships between sellers and potential customers. Personal sales is an outline of the sales strategy including pricing procedures, returns and adjustment rules, sales presentation methods, lead generation, customer service policies, salesperson compensation, and salesperson market responsibilities. The sales force create the goodwill and secure a market base for current and future operations (O'Shaughnessy, 1992).

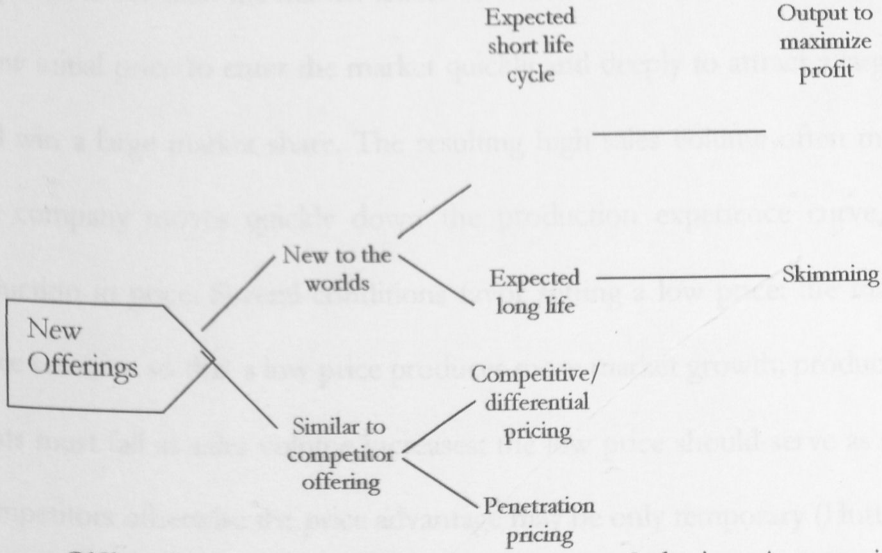
Brand Strategy will vary with whether the brand is a functional brand that rely heavily on product and price features, an image brand which rely on advertising creativity and a high advertising expenditure or an experiential brand where the consumer encounters people and places with these brands (Kotler, 2003). What name to give the product should be determined only after there is a clear sense of the target market and have developed a positioning strategy (Holmes, 2004).

According to Kotler (2003), these promotion strategies are complementary to each other and should be integrated to maximize the company's results. The same message may be interpreted differently based on the source of the message in terms of trustworthiness and credibility. The right blend or mix of these promotion tools will vary based on the industry, customer, product, and the company objectives (Kotler, 2003). The Pricing Strategy supports the Pricing decisions (Kotler, 2003): Is the price competitive in the markets being considered? There are various pricing strategies that can be considered i.e. Dual pricing, Market-differentiated pricing, skimming. The type of strategy used will depend upon several factors; these include the type of product, the product range, economic circumstances and competition (Kotler, 2003).

2.4.4 Pricing Strategies

Market skimming; Market skimming means charging a high price to maximise profits on each item sold. "Skimming" refers to setting initially high prices, and slowly lowering them over time to maximize profits at every price-sensitive layer in the market. As initial sales slow down, and/or as competitors threaten to introduce similar products, the price is lowered just enough to make it worthwhile for the next segment to buy (Hutt and Speh, 1998). There will be limited market but a profitable one.

Figure 6: Pricing strategies



Source: O'Shaughnessy, John (1992), Competitive Marketing: A strategic approach, Capman and Hall Inc., New York, pp. 235

The ability to skim depends on having either a technological advantage or advantage based on brand image. If technological advantages exist, then consumers known as early adopters, are willing to purchase products so that they can be the first to own these products. A good example of this was seen with digital watches, which when first launched would retail for around £500, a similar watch today might sell for £25, yet they found a ready market . Mobile phones originally retailed as over a £1000, today they are given away. Another current example of market skimming is the Dyson vacuum cleaner, here technological advantage has meant that this brand has become the number1 vacuum cleaner brand, at a price which is more than double the retail price of the previous market leader. When originally sold in Japan, Dysons were priced at over a £1,000 (Kotler, 2003). Brand image can also allow market skimming to occur, new products from brands such as Armani, or Channel will be at the top of the market price band.

Market penetration; In this case the objective is to gain market share, the product needs to be priced lower than the market leader to attract customers. "Penetration" involves setting a low initial price to enter the market quickly and deeply to attract a large number of buyers and win a large market share. The resulting high sales volume often means lower costs, as the company moves quickly down the production experience curve, allowing a further reduction in price. Several conditions favor setting a low price: the market must be highly price sensitive so that a low price produces more market growth; production and distribution costs must fall as sales volume increases; the low price should serve as a barrier to entry for competitors otherwise the price advantage may be only temporary (Hutt and Speh, 1998).

A good recent example is Virgin cola, which is priced around 10% lower than the two leading brands allowing it to gain market share. Gross Profit Margins using penetration pricing are relatively low, but the objective is a high level of sales allowing a good Net Profit to be made. This pricing strategy can help establish brand loyalty and keep new competition out of the marketplace. But if the price is set too low, customers may take view that the product is low quality and therefore brand image can suffer (Kotler, 2003).

Going rate pricing: For many small businesses accepting the current market pricing structure is all they are able to do. When this is the only option there is a strong element of being a price taker. They must sell their goods or services at the price consumers are used to paying. Normally as new entrants to the market, the price charged will have to be well below that of the market leader (Kotler, 2003).

Table 3: Other Pricing Strategies for New Products

P/Q	Higher Price	Lower Price
Higher Quality	Premium Strategy	Good Value Strategy
Lower Quality	**Overcharging Strategy**	Economy Strategy

Source: Marketing through the new media: Peeling the Orange,

http://toLearn.net/marketing/pricem.htm. August 2nd, 2004

A company that plans to develop a "me-too" product faces a positioning problem. It must decide where to position the product vs. its competition in terms of quality and price. The table above shows four possible positioning strategies: Premium strategy, Good value strategy, Economy strategy and Overcharging strategy.

(*http://toLearn.net/marketing/pricem.htm)*

The first three strategies can be employed alone, or in combination (as with a product line that attempts to satisfy several buyer segments at one time). A premium strategy involves producing a high-quality product and charging the highest price. At the other end of the price-quality spectrum, an economy strategy means producing a lower quality product but charging a low price. These strategies can co-exist as long as there are at least two buyer groups that can be segmented. The good value strategy is a way to attack the premium price, i.e. "we have high quality, but at a lower price." If true, and if the quality-sensitive segment believes the good-value price, they will sensibly buy the product and save money unless the premium product offers more status or "badge value" (snob appeal). With overcharging, the company overprices its product in relation to its quality. In the long run, customers will likely feel "taken," complain to others about it, and will stop buying the product. Thus, this strategy should be avoided (*http://toLearn.net/marketing/pricem.htm*).

Why do some products fail and others succeed? From an economic standpoint, two conditions must be met for new product success. The first is that the product must deliver a better price-to- value proposition to targeted consumers than the competition. This can be achieved either by providing more benefits for a given price than the competition or by providing the same benefits as the competition at a lower price (Jones and Ammon, 2002)

2.4.5 Distribution Strategies

According to Proctor (2000), the distribution strategy supports the following decisions: Whether to distribute direct to the consumer or indirectly through middlemen; whether to adopt single or multiple channels of distribution; How long the channel of distribution should be; the types of intermediaries to use; the number of distributors to use at each level; which intermediaries to use. According to Kotler (2003), the Distribution Strategy would consider the choice of the distribution system Some of the most critical decisions in successful product introduction involve choosing the right route to market and positioning the product in the market. The choices among direct sales, commission agents and distributors directly affect the ability to control pricing, product service and promotion and involve trade regulation issues around pricing, exclusivity and customer restrictions.

Distribution includes the entire process of moving the product from the factory to the end user. The type of distribution network you choose will depend upon the industry and the size of the market. A good way to make your decision is to analyze your competitors to determine the channels they are using, then decide whether to use the same type of channel or an alternative that may provide you with a strategic advantage (Holmes, 2004).

Table 4: Distribution Channels

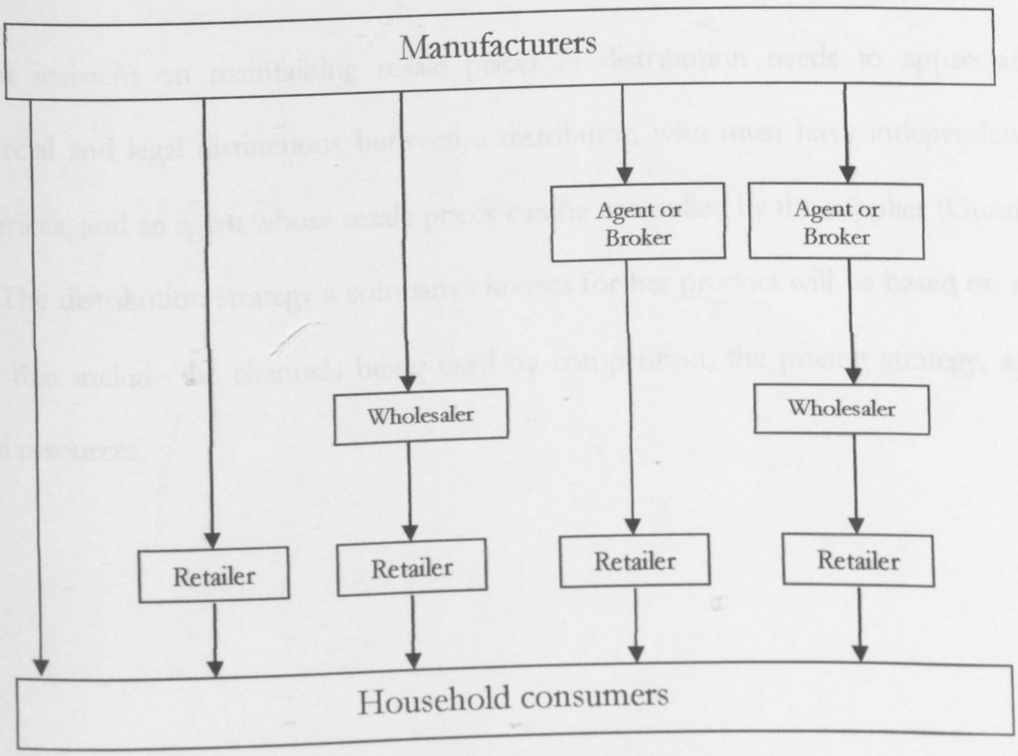
Objectives / requirements	Channels to use	Intermediaries	Degree of exclusivity
Push or Pull	Direct face-to-face selling	Own sales force Another sales force Agents	Intensive Selective Exclusive
Customer shopping preferences	Direct marketing	Mail order Print media adv. Radio TV	Intensive Selective Exclusive
Product image Channels of competition	Owned outlets		
Type of product	Middlemen	Retailer Wholesaler Distributors	

Source: O'Shaughnessy, John (1992), Competitive Marketing: A strategic approach, Capman and Hall Inc., New York, pp.372

According to O'Shaughnessy (1992), a firm may decide on intensive, selective or exclusive system of distribution. In an **intensive** distribution strategy the manufacturer places the goods in as many outlets as possible (Okatch, 2002). This strategy seeks maximum market penetration as an aid to customer attraction and retention (O'Shaughnessy, 1992). **Selective** involves the use of more than a few but less that all of the intermediaries who are willing to carry a particular product (Okatch, 2002). This system is based on selecting those outlets that are likely to perform well in promoting and selling the product (O'Shaughnessy, 1992). **Exclusive** distribution strategy involves severely limiting the number of intermediaries handling the company goods. It is used when the manufacturer wants to maintain a great deal of control over their goods. (Okatch, 2002). In an exclusive system, detailed agreements are often drawn up covering, levels of inventory to be carried, territorial sales boundaries, sales quotas and joint promotions (O'Shaughnessy, 1992).

Distribution channel strategies are the number of intermediaries, which may be employed in moving goods from manufacturers to customers. A company may choose to distribute its goods to customers or retailers without involving any intermediaries. This comprises the shortest channel and is referred to as direct distribution strategy. Alternatively, goods may pass through one or more middlemen, such as wholesalers and or agents.

Figure 7: Distribution channel strategies



Source: Kaplan, R. S. and D. P. Norton. 1997. **Why does business need a balanced scorecard?** *Journal of Cost Management* (May/June): 8.

Some of the more common distribution channels include: **Direct Sales**; The most effective distribution channel is to sell directly to the end-user. Original Equipment Manufacturer (OEM) Sales; When a product is sold to the OEM, it is incorporated into their finished product and it is distributed to the end user. **Manufacturer's Representatives;** One of the best ways to distribute a product, manufacturer's reps, as they are known, are salespeople who operate out of agencies that handle an assortment of complementary products and divide their selling time among them. **Wholesale Distributors;** Using this channel, a manufacturer sells to a wholesaler, who in turn sells it to a retailer or other agent for further distribution through the channel until it reaches the end user. **Brokers**; Third-party distributors who often buy directly from the distributor or wholesaler and sell to retailers or end users. **Retail Distributors**; Distributing a product through this channel is important if the end user of your product is the general consuming public. Direct Mail; Selling to the end user using a direct mail campaign.

A client insistent on maintaining resale prices in distribution needs to appreciate the commercial and legal distinctions between a distributor, who must have independence on resale prices, and an agent whose resale prices can be controlled by the supplier (Gundersen, 2003). The distribution strategy a company chooses for her product will be based on several factors that include the channels being used by competition, the pricing strategy, and the internal resources.

Figure 8: The Conceptual Map for the Launch Plan

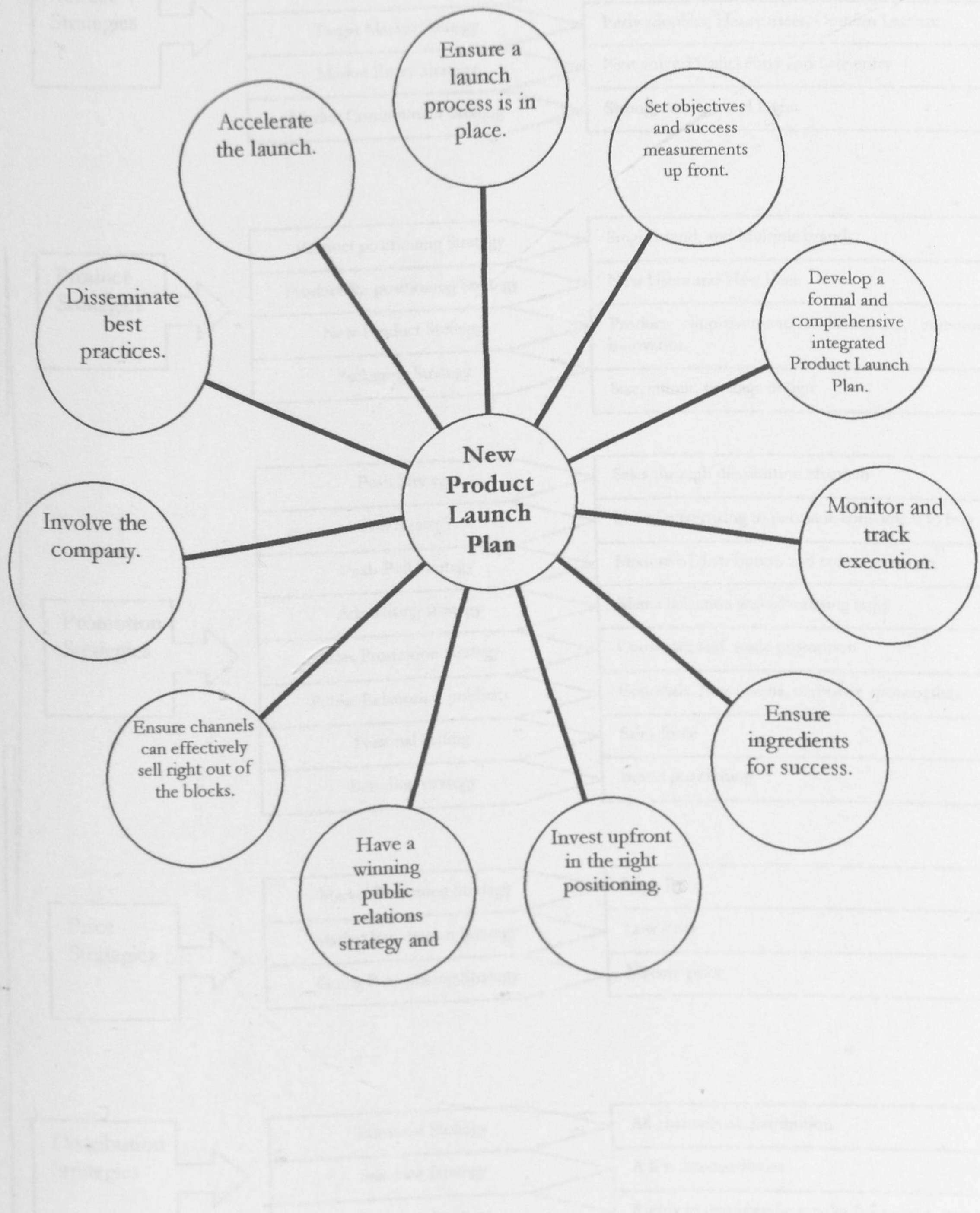
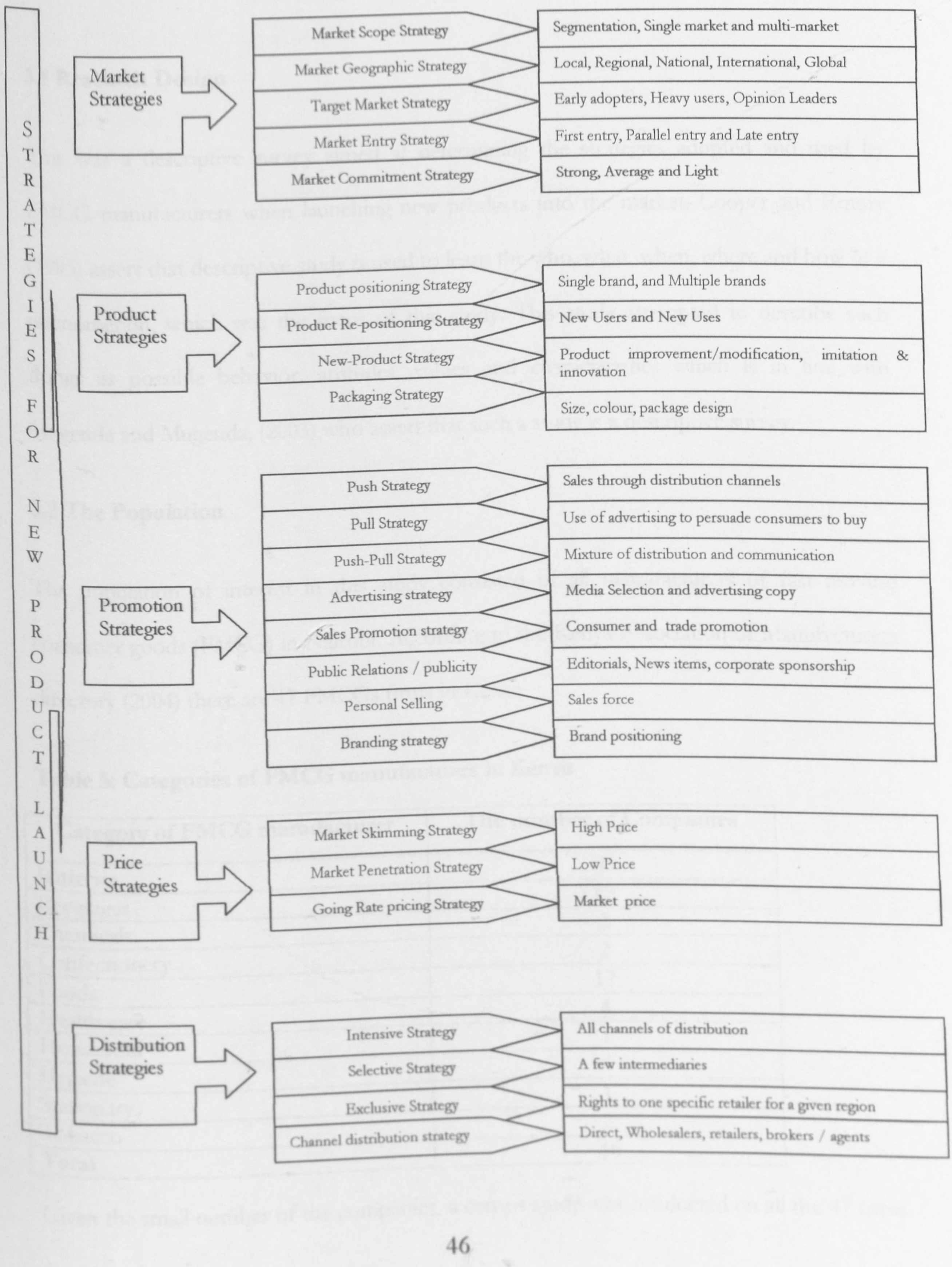


Figure 9: The Conceptual Map of the New Product Launch Strategies



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This was a descriptive survey aimed at determining the strategies adopted and used by FMCG manufacturers when launching new products into the market. Cooper and Emory (1995) assert that descriptive study is used to learn the who, what, when, where and how of a phenomenon, which was the focus of this study. This study attempted to describe such things as possible behavior, attitudes, values and characteristics which is in line with Mugenda and Mugenda, (2003) who assert that such a study is a descriptive survey.

3.2 The Population

The population of interest in this study consisted of all manufacturers of fast moving consumer goods (FMCG) in Nairobi. According to the Kenya Association of Manufacturers directory (2004) there are 47 FMCGs firms in Kenya.

Table 5: Categories of FMCG manufactures in Kenya

Category of FMCG manufacturer	The number of Companies
Batteries	1
Beverages	12
Chemicals	2
Confectionery	2
Foods	17
Health care	4
Household	1
Hygiene	4
Stationary	1
Tobacco	2
Total	**46**

Given the small number of the companies, a census study was conducted on all the 47 firms.

One respondent was contacted from each of the 47 firms. The marketing managers and or any other senior officials charged with marketing responsibilities for launching new products in the FMCGs under consideration was targeted.

3.3 Data Collection

Data was collected using semi-structured questionnaires, which were personally administered to the respondents. The questionnaire consisted of both open ended and closed questions. Where the interviewees were pressed for time, the questionnaire was dropped and picked later at an agreed date. For the Firms based outside Nairobi the questionnaire was mailed to them. The questionnaire was divided into 2 parts. Part A was collected data on the profile / general information on the respondents and Part B collected data on new product launch strategies.

3.4 Operationalsing the New Product Launch Marketing Strategies

Operationalising the new product launch marketing strategies using the data collection tool gives us the parameters that we are working toewards. The lickert scale was used. Where on a scale of 1 to 5 where 1 means to a very large extent influenced the segmentation and the classification of the potential markets and 5 means the factors had no influence at all. Where the standard deviation is less than 1 then the deviation is minimal and most of the firms were doing the same thing. However where the deviation is greater than one then the practices were diverse by various FMCG firms.

Operationalising the New Product Launch Marketing Strategies			
Dimensions of Marketing Strategies	**Expanded Dimension**	**Variables**	**Relevant Questions**
Preparation	Introduction market strategy (How)	• Launch plan • Launch process • Launch team	9, 10
Market Strategies	Market Scope strategy	Segmentation on the basis of • Demographic factors i.e. age, income, sex; • Socioeconomic factors i.e. social class, stage in the family life cycle; • Geographic factors; • Psychological factors i.e. life-style, personality traits; • Consumer patterns i.e. heavy, moderate and light users and brand loyalty patterns	11
	Market Geographic Strategy (Where)	• Single location • Region • National • International • Global	12
	Target Market Strategy (whom)	Choosing the best prospect group on the basis of • Early adopters • Opinion leaders • Heavy users	13
	Market entry strategy/Timing (when)	• Enter the market first • Enter the market at the same time with the competitors • Enter the market after the competitor	14, 15
	Market commitment strategy	• Very aggressive in the market • Maintaining the status quo • Takes a low profile in the market	16
Product Strategies	Product Positioning Strategy	• Introducing a single brand • Introducing multiple brands	17

Operationalising the New Product Launch Marketing Strategies			
Dimensions of Marketing Strategies	**Expanded Dimension**	**Variables**	**Relevant Questions**
	Product Re-positioning strategy	• Introducing a product to people who have not been using it before • A product being used for purposes not originally intended	18,19
	New product strategy	• Revitalizing a product through product improvement or modification by - Redesigning a product - Remodeling a product - Reformulating a product • Imitation of a competitors product • Develop and introduce new to the world product	20
	Packaging	Providing a description with the following parameters in mind • Size • Package design • Promotion • Information	21
Promotion Strategies	Push strategy	• Using distribution channels to sell the product • Relying on the middlemen to market the product	22
	Pull strategy	• Going directly to the end user to promote sales	22
	Push-pull strategy	• Mixture of advertising and personal selling	22
	Advertising strategy	• The choice of media • The advertising budget • The advertising message	22

Operationalising the New Product Launch Marketing Strategies			
Dimensions of Marketing Strategies	**Expanded Dimension**	**Variables**	**Relevant Questions**
	Sales promotion strategy	• Consumer promotion - Sampling • Trade promotion - Discounts - Incentives	22
	Public Relations and Publicity	• Editorials • News items • Corporate sponsorships	22
	Personal selling	• Sales Force motivation	22
	Branding	• Relying on product quality • Relying on advertising creativity • Consumers encounter people and places with the brand	22
Pricing Strategies	Skimming	• A high initial price	23, 24
	Penetration	• Entering the market with a low initial price	23, 24
	Going rate	• Entering the market with the current competitor price	23, 24
Distribution Strategies	Intensive	• Making the product available at all possible retail outlets	25, 26
	Selective	• Several but not all retail outlets are selected to carry the product	25, 26
	Exclusive	• One particular retailer serves a given area and is granted sole rights to carry the product	25, 26

Operationalising the New Product Launch Marketing Strategies			
Dimensions of Marketing Strategies	**Expanded Dimension**	**Variables**	**Relevant Questions**
	Channel structure strategy	• Number of intermediaries employed to move goods i.e. - No middlemen (direct distribution) - Retailers - Wholesalers - Agents or brokers	27

3.5 Data Analysis

Part A of the questionnaire was analyzed using frequency distribution and percentages. Part B Frequencies and mean scores were used to determine the strategies used in new product launching in Kenya as well as the extent to which they were used and for which categories of products they were used. The findings are presented in form of tables, charts and graphs.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This Chapter contains the findings of the study together with their possible interpretations based on the questionnaires administered to senior managers of various Manufacturers of Fast Moving Consumer Goods. The questionnaire was divided into 2 sections. Part A collected data on the profile / general information on the respondents and Part B collected data on new product launch strategies. The collected data was summarized using frequency distribution and percentages and the findings have been presented in form of tables, charts and graphs.

Forty seven FMCG Companies that constituted the population (See appendix 3) were located and contacted. Thirty four Questionnaires were filled and returned representing 73%. This response rate was acceptable and compares well with previous studies such as Wanjoga (2002) 82% and Safari (2003) 51%.

4.2 Analysis of General Information

The information considered in this part of the study include the responsibilities of the respondents the number of year the manufacturers have been in business, the ownership of the company, the size of the company in terms of turnover and area of operation as well as the destination of their finished products. Other areas covered are categories of products manufactured and the level of preparedness for a launch. These have been analyzed using various tables that follow.

4.2.1 Respondents Functional responsibilities

The respondents functional responsibility gives us an indication of where the responsibility for new product launch lies within the organizations structure.

Table 6: Functional Responsibilities of Respondents

Respondents' primary functional responsibilities	Frequency	Percentage
Brand manager	3	9
Marketing manager	1	3
Sales Manger	18	53
Other	12	35
Total	**34**	**100**

The respondents that participated in the survey comprised of sales managers (53%), Other managers (35%), Brand Managers (9%), and Marketing Managers (3%). This implies that in most of the manufacturing companies, the sales managers are the most recognized people when it comes to product sales and launching.

4.2.2 Number of years in the manufacturing Business

The number of years the organizations have been in business in Kenya gives us an indication of the experience the company has in the manufacturing industry and the learning curve or curves that the firm has gone through operating in the ever changing and dynamic environment.

Figure 9: Years of Operations

Fifty three percent of the companies in the survey have 10 years and more in manufacturing business, 29% have 6 – 9 years, 15% have 1 – 5 years and 3% have one year. This means that the majority of the companies are old companies that have had long experience in product manufacturing and this must have gone through many product launches.

4.2.3 Ownership of the organization

The ownership of the organization gives us an indication of practices of the firms depending on the operations of the ownership. For instance global firms tend to operate on a global level whereas local firms tend to operate locally.

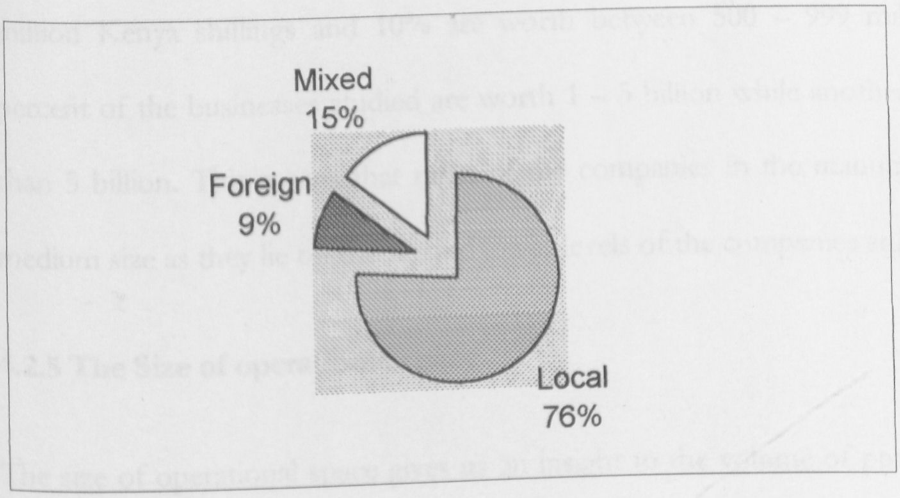


Figure 10: Ownership of the Manufacturing companies

In terms of ownership, 77% of the companies studied were locally owned, 15% were of mixed ownership, and 9% were foreign owned. This means that there are very few foreign manufacturers in Kenya and most of the companies operating are local.

4.2.4 Size of the Organization

The size of the organization gives us an indication of the scale of business being operated. The size also gives an indication of the size of budget allocated to new product launches.

Table 7: Size in Kenya Shillings

Size of business in Ksh.	Frequency	Percentage
Less than 100 million	8	26
100-499, million	16	52
500-999 million	3	10
1 billion-5 billion	2	7
More than 5 billion	2	7
Total	**31**	**100**

The businesses studied were of different sizes. Majority of the companies studied, 52% had business worth between 100 – 499 million. Another 26% had businesses of less than 100 million Kenya shillings and 10% are worth between 500 – 999 million shillings. Seven percent of the businesses studied are worth 1 – 5 billion while another 5% are worth more than 5 billion. This means that most of the companies in the manufacturing sector are of medium size as they lie on the second lower levels of the companies studied.

4.2.5 The Size of operational space

The size of operational space gives us an insight to the volume of production and probably the size of the product. The table below explains.

Table 8: Size of Manufacturing Area

Area size of manufacturing setup	Frequency	Percentage
Less than 5000 sq. Feet	10	39
5000-5500sq. feet	11	42
5501-6000 sq. feet	3	12
Over 6000sq. feet	2	8
Total	**26**	**100**

In terms of operational space, the majority of the companies operate in less than 5500 square feet. Those, which operate at over 6000 feet, consisted only 8% of the total number studied. This reinforces the findings on the size in Kenya Shillings that the companies are medium in size in terms of revenue.

4.2.6 Destination of Products Manufactured

The destination of products manufactured gives us the scope of the market the firms cover. The scope of the market covered gives us the expectations such firms have from new product launches.

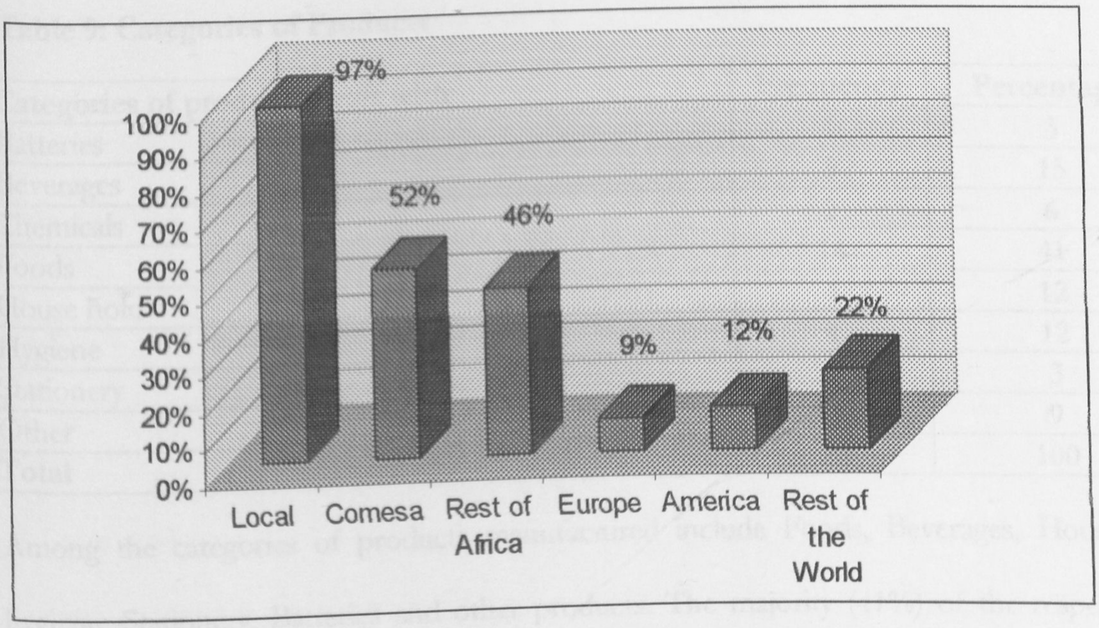


Figure 11: Destination of Products Manufactured

In terms of the destination of the products manufactured by these companies, 97% indicated that the destination of their products is local market, 52% to Comesa, and 46% to the rest of Africa, 9% to Europe, 12% to America, and 22% to the rest of the world. This means that most of the products manufactured are for local consumption and within the Comesa region.

4.2.7 Product Categories

The product categories give us an indication of the categories of product manufactured by the various firms. We get to understand whether they handle single or multiple categories of FMCG products.

Table 9: Categories of Products

Categories of products dealt with	Frequency	Percentage
Batteries	1	3
Beverages	5	15
Chemicals	2	6
Foods	14	41
House hold	4	12
Hygiene	4	12
Stationery	1	3
Other	3	9
Total	34	100

Among the categories of products manufactured include Foods, Beverages, Household, hygiene, Stationery, Batteries and other products. The majority (41%) of the respondents indicated that they manufacture foods.

4.2.8 Frequency of Launch of new products

Frequency of launch shows us how often the FMCG companies launch new products into the market.

Table 10: Frequency of launching new products

How often have you launched a new product in the past ten years?	Frequency	Percentage
Biannually	1	4
Yearly	11	39
Every two years	12	43
Other	4	14
Total	**28**	**100**

Among the respondents companies, 43% of the companies launch their products every two years, 39% launch their products every year, 14% other times and 4% biannually. This means that most of the companies launch their products between 1 and 2 years. Of these companies, 90% prepare for new product launch.

4.2.9 Preparation for the Launch of new products

Preparation for the launch of new products gives an insight into the level of preparedness and the effort placed into preparation for new product launch.

Table 11: Level Preparedness for Launch

Level of Preparedness	Frequency	Mean Score
a) Detailed launch plan	30	1.57
b) Detailed standard launch operating procedure	29	1.79
c) Launch team	30	1.67

For the companies that prepare for product launch, the extent of level of preparedness varies. The table below summarizes the level of preparedness of these companies in terms of detailed launch plan, detailed standard launch operating procedure, and the launch team. The scale used was that 1 indicated extremely prepared and 5 indicted not prepared. The table shows that mean scores for the companies indicated that they were well prepared new product launch as all had a mean score of above 1.5 but less than 2.0

4.3 New Product Launch Strategies

The new product launch studied covered The Market strategies, Product strategies, Promotion strategies, Price strategies and Distribution strategies. These were further broken down into sub strategies within the key strategies as shown in the analysis that follows. The information was analyzed using lickert scale. On a scale of 1 to 5 where 1 means to a very large extent influenced the segmentation and the classification of the potential markets and 5 means the factors had no influence at all. Where the standard deviation is less than 1 then the deviation is minimal and most of the firms were doing the same thing. However where the deviation is greater than one then the practices were diverse by various FMCG firms. Graphs and charts were also used to analyze the various strategies used showing the uses in percentages.

4.3.1 Market Strategies

The market strategies analyzed cover Market scope, Market geographic strategy, Target market strategy, Market entry and market commitment strategies. The various tables and graphs explain the strategies used and the extent to which they are used.

Market Scope

When choosing market scope there are factors that influence the segmentation or classification of potential markets in which the companies are targeting. These include the Demographic factors, the socio economic factors, the geographic factors, psychological factors and the consumer patterns. The extent of influence by these factors according to the findings was diverse in magnitude as shown in the table below.

Table 12: Factors influencing segmentation of potential markets

Demographic factors	Frequency	Mean Score	Standard Deviation
i) Age	33	2.94	1.48
ii) Income	33	1.64	0.96
iii) Sex	33	3.61	1.32
Socioeconomic factors			
i) Social class	33	2.64	1.19
ii) Stage in the family life cycle	33	2.94	1.37
Geographic factors			
i) Local	30	1.77	0.94
ii) Region	30	1.60	0.93

Demographic factors	Frequency	Mean Score	Standard Deviation
Psychological factors			
i) Life style	30	1.83	1.23
ii) Personality traits	30	2.30	1.18
Consumer patterns			
i) Heavy	30	1.63	1.03
ii) Moderate	29	1.83	0.97
iii) Light users	29	2.28	1.00
iv) Brand loyalty patterns	29	1.86	1.30

On average the demographic factors and socioeconomic factors moderately (2.5 to 3.4) influenced the segmentation or classification of potential markets. To a large extent (1.5 to 2.4), the geographic factors and the psychological factors influence the segmentation or the classification of the markets with all the geographic and psychological variables having large influence.

Geographic Concentration

The table below shows geographic concentration of the Firms when launching new products. The geographic concentration gives us an indication of the scope of operation by the firm and the distribution coverage expected of the firm.

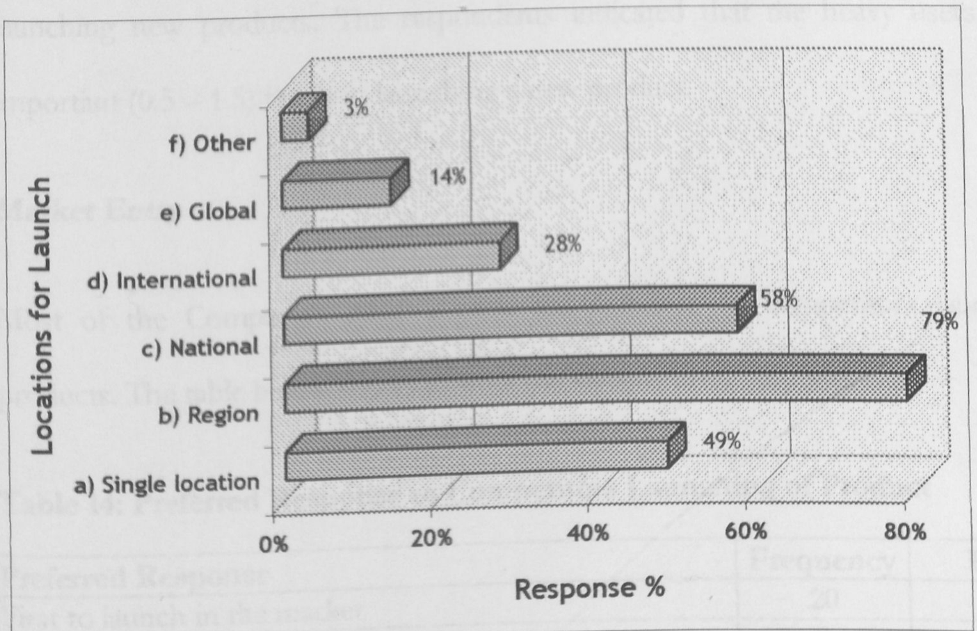


Figure 12: Geographic Concentration When Launching a Product.

The geographic concentration the companies choose when launching new products is a single location according to 49% of the respondents. According to 79% of they concentrate on the region, 58% go national, 28% go international, 14% global and 9% other locations.

Potential Target groups when launching new products

Most firms have a preference of whom they should target when launching a new product.

Table 13: Importance of Potential Targets in Product launch.

Best Prospect Group to Target	Frequency	Mean Score	Standard Deviation
a) Early adopter	29	1.83	1.14
b) Opinion leaders	27	2.30	0.99
c) Heavy users	28	1.43	0.84

On a scale of 1 to 5 where 1 being the choice of the best prospective group to target is extremely important and 5 meaning not important at all, the respondents indicated that, on average, the early adopters and opinion leaders are very important (1.5 – 2.4) target in launching new products. The respondents indicated that the heavy users are extremely important (0.5 – 1.5) target in launching a new product.

Market Entry

Most of the Companies have a preferred response to competitors launching of new products. The table below shows us how the various firms respond.

Table 14: Preferred Response to Competitors Launching of Product

Preferred Response	Frequency	Percentage
First to launch in the market	20	67
Launch at the same time with the competitor	3	10
Launch much later after the competitor	7	23
Total	30	**100**

As a response to competitors launching their products in the market, the respondents indicated their preferred response method (67%) is to launch first into the market. Twenty three percent would launch much later after the competitor and 10% would launch at the same time with the competitor.

Timing

Proper timing of any launch is key to the success of new products. This study analyzed the preferred timing for FMCG as shown in the chart below.

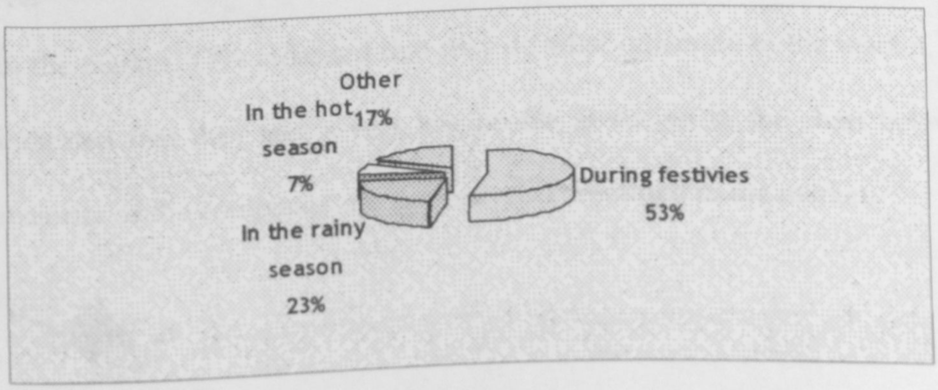


Figure 13: Preferred period of launching

As to the time they would prefer to launch their products, 53% indicated that they would do it during festivities, 23% in the rainy season, 7% in the hot season while 17% will launch at any other time.

Market Commitment

The market commitment gives us an indication of level of commitment the firm has in the market it operates in. The commitment could either be, Strong average or light.

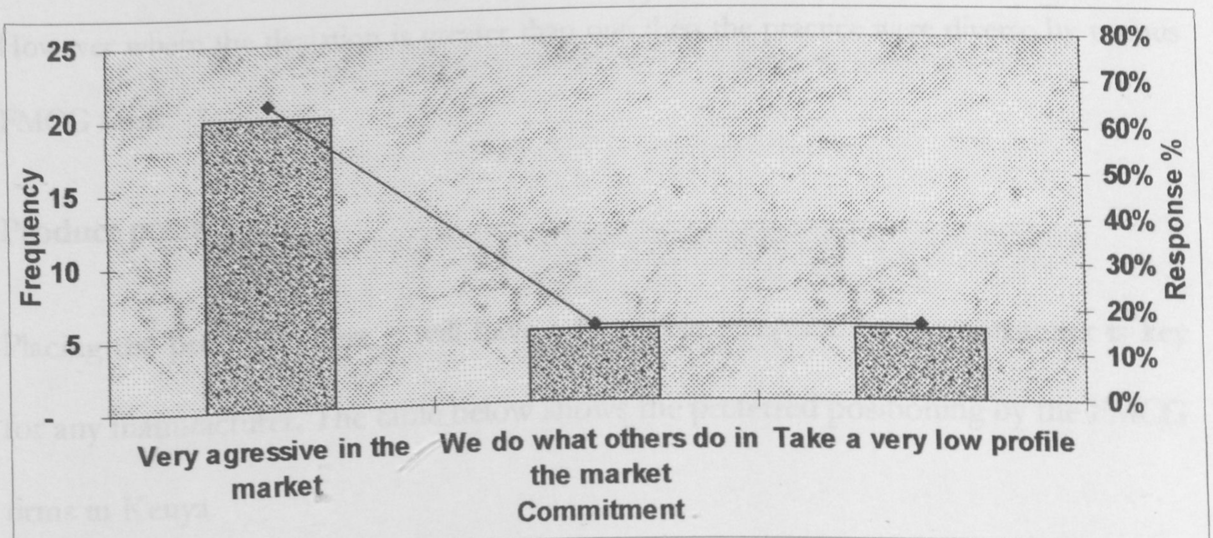


Figure 14: Commitment of Companies to the market

The companies that responded to the questionnaire indicated that in terms of their aggressiveness of the companies in the market, 67% indicated that they were very aggressive in the market, 17% indicated that they do what others do in the market, while another 17% indicated that they take a very low profile as shown in the chart below. This means that majority of the companies are aggressively committed to the market.

4.3.2 Product Strategies

In this study the product strategies that were analyzed were product positioning, Product repositioning, new product strategy, and packaging strategy. The information was analyzed using Graphs and charts to show the various strategies used showing them using percentages. The lickert scale, of a scale of 1 to 5 where 1 meaning to a very large extent influenced the packaging parameters has been used. Where the standard deviation is less than 1 then the deviation is minimal and most of the firms were doing the same thing. However where the deviation is greater than one then the practice were diverse by various FMCG firms.

Product positioning

Placing the product where it will have a favorable reception by the consumer is key for any manufacturer. The table below shows the preferred positioning by the FMCG firms in Kenya

Table 15: Position of Product During Launch

Position of Product During introduction of launch	Frequency	Percentage
As a single brand	18	60
Position many brands at the same time	12	40
Total	**30**	**100**

The respondents also indicated the positions of their products when they introduced the launch. The majority (60%) of the respondents positioned their products as a single brand and 40% positioned them as many brands at the same time. This means that most of the companies are launching products as packages.

Product repositioning

Introducing products to people who have not been using them is a dream of many.

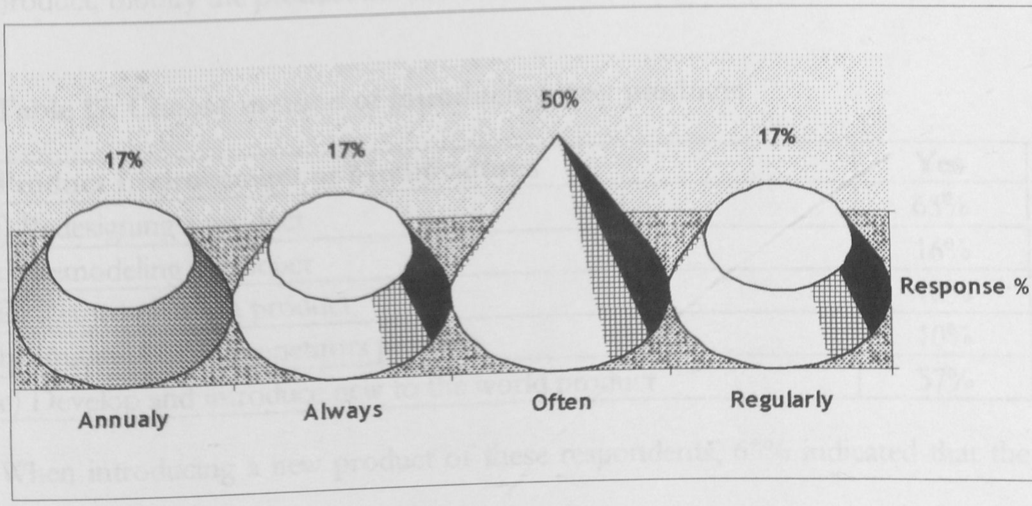


Figure 15: Introduction of products to new people

When asked how often they introduce their products to people who have not been using them, one in every two companies indicated that they do it often. Seventeen percent of the companies indicted that they do that annually, another 17% always, and 17% regularly. The chart below explains.

Table 16: Company Introducing Product For New Purposes

Company introducing a product used for purposes not originally intended	Frequency	Percentage
Often	1	20
Never	4	80
Total	**5**	**100**

In terms of how often the companies introduce products being used for purposes not originally intended, there were only five respondents of which 80% of them indicated that they never do that while 20% indicated that they do it often. This means that some companies introduce their products as serving other purposes that were not intended in their plans.

New Product Strategy

The new product strategy gives us an indication of whether a firm chooses to improve a product, modify the product imitate or innovate.

Table 17: Choose method of introducing new products

Product Improvement or Modifications	Yes	No	Total
i) Redesigning a product	63%	38%	100%
ii) Remodeling a product	16%	84%	100%
iii) Reformulating a product	10%	90%	100%
b) Imitation of a competitors product	10%	90%	100%
c) Develop and introduce new to the world product	57%	43%	100%

When introducing a new product of these respondents, 63% indicated that they choose to redesign a product, 16% choose remodeling of the product, 10% reformulate of the product, 10% imitate competitors products, and 57% develop and introduce new products.

Packaging Strategy

The packaging strategies give us an insight into the critical factors in packaging such as size, colour, package design and statutory requirements.

Table 18: Important Packaging Parameters

Important Parameters in Making Packaging Decisions	Frequency	Mean Score	Standard Deviation
a) Size	31	1.52	0.68
b) Package design	32	1.62	0.94
c) Promotional information	31	1.68	0.75
d) Statutory information	29	1.55	0.57

When making packaging decisions, on a scale of 1 to 5 where 1 means extremely important and 5 meaning not at all important, all the parameters such as size, package design, promotional information, and statutory information are very important (1.5 – 2.4).

4.3.3 Promotion Strategies

The promotion strategies studied gives an indication of the promotion policies adopted by the firms and those that would govern the organizations promotional direction such as personal selling, publicity, advertising and sales promotion. The promotion strategies that are used by the respondents were varied from the push – pull strategies to the branding strategy. The lickert scale of a scale of 1 to 5 where 1 meaning to a very large extent influenced the packaging parameters has been used. Where the standard deviation is less than 1 then the deviation is minimal and most of the firms were doing the same thing. However where the deviation is greater than one then the practice were diverse by various FMCG firms.

Table 19: Extent of use of particular Promotion Strategies

Promotion Strategies	Frequency	Mean Scores	Standard Deviation
The choice of media	30	1.50	0.82
Consumers encounter people and places with the brand	27	1.56	0.70
Mixture of advertising and personal selling	30	1.63	0.62
The advertising message	29	1.76	0.79
Using distribution channels to sell the product	31	1.77	0.67
Relying on the middle men to market the product	29	1.79	1.11
Going directly to the end user to promote sales	29	1.83	0.85
The advertising budget	29	1.90	0.82
Sampling during consumer promotion	29	1.93	0.84
Sales force motivation relying on product quality	27	1.93	0.78
Editorials, News items and corporate sponsorships	27	1.96	0.76
Relying on advertising creativity	27	2.07	0.87
Discounts and incentives for trade promotion	27	2.11	0.89

On a scale of 1 to 5, where 1 means using the promotional strategies to a very large extent and 5 means not using the strategies at all, to a large extent, the respondents indicated that they use the following promotion strategies: The choice of media; Consumers encounter people and places with the brand; Relying on the middle men to market the product; The advertising message and Going directly to the end user to promote sales, Editorials, News items and corporate sponsorships; Using distribution channels to sell the product ; Sales force motivation relying on product quality; Mixture of advertising and personal selling; The advertising budget; Sampling during consumer promotion

4.3.4 Pricing strategies

The main strategies studied in pricing were skimming, penetration and the going rate pricing strategies. The studies were analyzed using a chart to show the pricing strategy used and the lickert scale of a scale of 1 to 5 where 1 meaning to a very large extent influenced the packaging parameters has been used. Where the standard deviation is less than 1 then the deviation is minimal and most of the firms were doing the same thing. However where the deviation is greater than one then the practice were diverse by various FMCG firms.

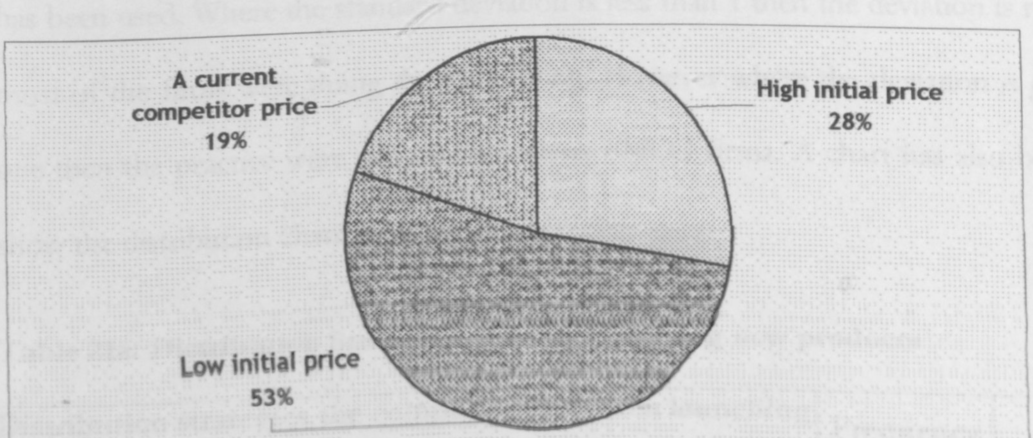


Figure 16: Pricing Strategies

The companies in the study also indicated the pricing strategies they use in launching new products. The majority of the companies (53%) would first assume a low initial price, 28% would first assume a high initial price, and 19% would assume a current competitor price.

Table 20: Extent of Use of Pricing Strategies

Pricing Strategies	Frequency	Mean Score	Standard Deviation
a) A high initial price	29	2.59	1.21
b) Low initial price	30	1.93	0.69
c) A current competitor price	29	2.00	1.00

On a scale of 1 to 5 where 1 means using the pricing strategies to a very large extent and 5 means not using at all, low initial price and current competitor price strategies were preferred to a large extent (1.5 – 2.4), while a high initial price strategy was used to a moderate extent (2.5 – 3.4).

4.3.5 Distribution strategies

The distribution strategies studied covered the intensive, selective and exclusive strategies as well as the channels of distribution. The studies were analyzed using the lickert scale of a scale of 1 to 5 where 1 meaning to a very large extent influenced the packaging parameters has been used. Where the standard deviation is less than 1 then the deviation is minimal and most of the firms were doing the same thing. However where the deviation is greater than one then the practice were diverse by various FMCG firms. A chart has also been used to show the distribution channels used.

Table 21a: Distribution Strategies used in launching new products

Distribution strategies the companies use when launching a new product	Frequency	Percentage
Making product available at all possible retail outlets	25	83
Several but not all retail outlets are selected	4	13
One particular retailer serves an area & granted sole rights	1	3
Total	**30**	**100**

The companies also indicated the distribution strategies that they used when launching a new product. Eighty three percent of the companies indicated that they make product available at all possible retail outlets, 13% indicated that they select several but not all outlets and 3% they grant sole rights to a particular retailer to serve an area.

Table 21b: Extent of Application of Strategy Chosen

Distribution Strategies	Frequency	Mean Score	Standard Deviation
a) Making product available at all retail outlets	30	1.63	1.03
b) Several but not all retail outlets are selected to carry the product	26	3.04	1.54
c) One particular retailer serves a given area and is granted sole rights to carry the product	23	3.65	1.43

Among those that indicated that they make product available at all possible retail outlets, they indicated that they use this strategy to a large extent. For those who indicated that they select several but not all retail outlets to carry the product, they use the strategy to moderate extent while those who choose one particular retailer to serve a given area and grants it sole rights to carry the product, use the strategy to a small extent.

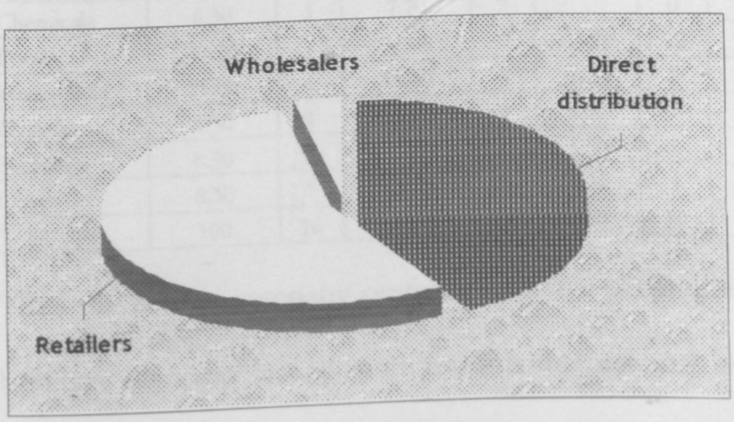


Figure 17: Intermediaries used in Distribution.

When launching new products, 55% of the respondents indicated that they use retailers, 42% use direct distribution and 3% use wholesalers. None of the respondents indicated whether they use agents or brokers.

4.4 Strategies used for different categories of products in FMCG industry in Kenya

There were several strategies that were highlighted by the respondents in the study. These included the market strategies, product strategies, promotion strategies, pricing strategies and distribution strategies. The various categories of FMCG manufacturers used those strategies they felt worked best for them.

4.4.1 Categories using Market Strategies

The market strategies that were mainly used were geographic distribution, First to launch in the market, timing and levels of commitment. The table below explains

Table 22: Geographic Distribution During Launch

	Single Location		R egion		National		International		Global		Other	
Product Category	**%**	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**	**Freq**	**%**	**Freq**
Batteries		0	3.80	1		0						
Beverages	6.30	1	7.70	2	10.50	2	25	2			100	1
Chemicals	6.30	1	7.70	2		0				4	.	
Foods	43.80	7	34.60	9	63.20	12	75	6	100			
House hold	25.00	4	15.40	4	10.50	2						
Hygiene	6.30	1	15.40	4	5.30	1						
Stationery	6.30	1	3.80	1	5.30	1						
Other	6.30	1	11.50	3	5.30	1				4		
Total	100	16	100	26	100	19	100	8	100		100	1

The only battery company preferred regional geographic launch. A high concentration of beverage company leaned more towards international launches with an inclination towards national launches. The chemical industries on the hand chose single location and regional distribution for launching new products. Household manufacturers had a preference for single location launches. The hygiene products manufacturers preferred regional launching.

Table 23: Preference for Launching against competition

	First to launch in the market		Launch at the same time with the competitor		Launch much later after the competitor	
Product Category	%	Freq	%	Freq	%	Freq
Batteries	5	1				
Beverages	15	3			14.30	1
Chemicals	10	2				
Foods	35	7			57.10	4
House hold	15	3	33.30	1		
Hygiene	15	3	33.30	1		
Stationery			33.30	1		
Other	5	1			28.60	2
Total	100	20	100	3	100.00	7

Almost all the FMCG manufacturers favored launching first into the market with the exception of Stationary companies. Beverage manufacturers though would launch after the competitor if they do not launch first. The food industry though had a heavy inclination towards launching after the competitors. Household, hygiene and Stationary manufacturers though had a heavy preference for parallel launches with the competitors.

Table 24: Time to Launch

	During festivities		In the rainy season		In the hot season		Other	
Product Category	%	Freq	%	Freq	%	Freq	%	Freq
Batteries	6.30	1						
Beverages	18.80	3			50	1		
Chemicals	6.30	1					20	1
Foods	50.00	8	42.90	3				
House hold	18.80	3	14.30	1				
Hygiene			14.30	1			60	3
Stationery			14.30	1				
Other			14.30	1	50	1	20	1
Total	100	16	100	7	100	2	100	5

Most firms said they would launch their product during festivities. Beverage firms however had the strongest preference for launching during the hot season. The hygiene products manufacturers are able to launch at any time and have no specific preference. The Foods firms seem to be more inclined to launch during the festive season as shown earlier in fig 14.

Table 25: Commitment to the market

Product Category	Very aggressive in the market		Do what others do in the market		Take a very low profile	
	%	Freq	%	Freq	%	Freq
Batteries	5	1				
Beverages	15	3			20	1
Chemicals	10	2				
Foods	30	6	20	1	80	4
House hold	10	2	40	2		
Hygiene	15	3	20	1		
Stationery			20	1		
Other	15	3				
Total	100	20	100	5	100	5

Almost all the organizations with the exception of stationery manufacturers had a strong commitment to the market with very aggressive market activations. The food industry though showed that they take a rather low profile in the market. The House hold manufacturers showed a moderate commitment to the market by doing what the others in the industry are doing. Hygiene and stationery manufacturers also did what the rest of the players in the market did.

4.4.2 Categories using Product Strategies

The other strategy that most of the FMCGs manufacturers used was product strategies. The preferred strategies for the various categories were mainly new product positioning, design as well as packaging.

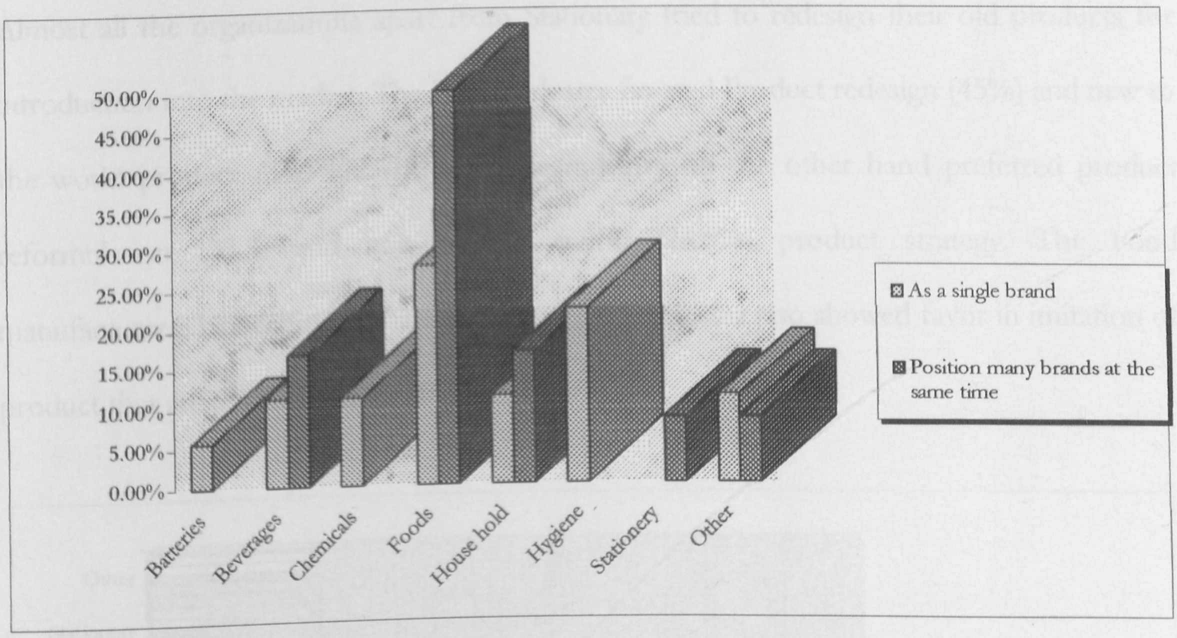


Figure 18: New Product Positioning

Over 50% of the food manufacturers position many brands into the market. However The food and the Hygeine manufacturers often launch a single brand into the market. The battery manufacturers being along launch a single product into the market when launching. Stationery manufacturers on the hand concentrate entirely on positioning many brands and do not launch one product at any one time.

Table 26: Choosing New Product Strategy

	Redesigning		Remodeling		Reformulation		Imitation		New to the world product	
Product Categories	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq
Batteries	5	1							5.90	1
Beverages	5	1	20	1	33.3	1			23.50	4
Chemicals	5	1							5.90	1
Foods	45	9	20	1	33.3	1	33.30	1	35.30	6
House hold	10	2	60	3			33.30	1	5.90	1
Hygiene	15	3							17.60	3
Stationery							33.30	1		
Other	15	3			33.3	1			5.90	1
Total	100	20	100	5	100	3	100	3	100	17

Almost all the organizations apart from Stationary tried to redesign their old products for introduction into the market. The Food industry favored Product redesign (45%) and new to the world product (35.3%). The beverage industry on the other hand preferred product reformulation (33.3) and new to the world (23.5%) product strategy. The Food manufacturers, Household firms and Stationery companies also showed favor in imitation of product that are already in the market.

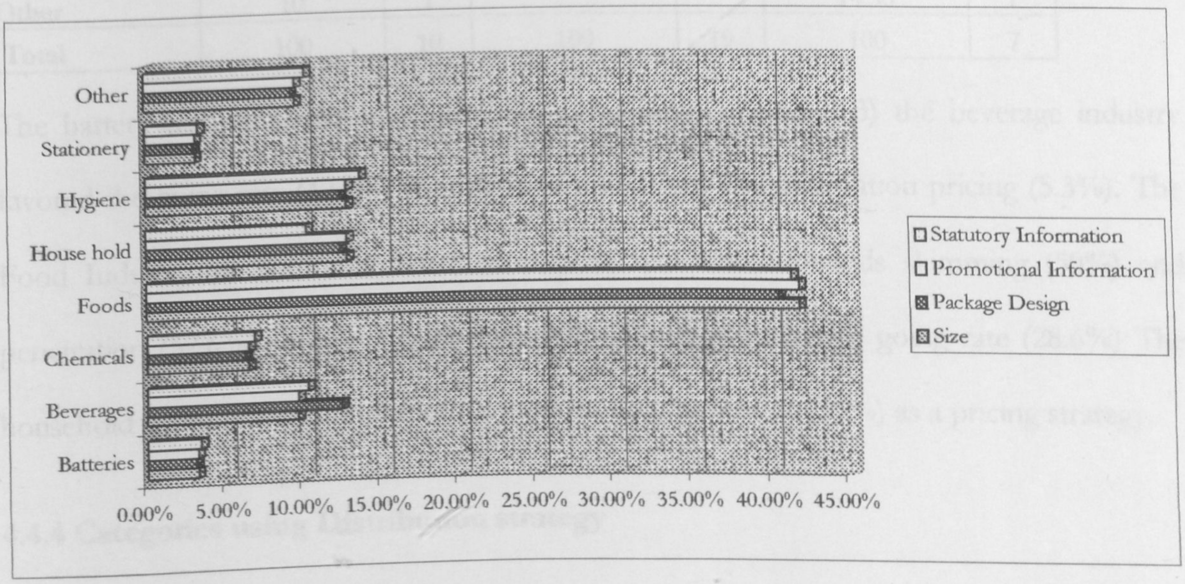


Figure 19: Packaging Decision

All the FMCGs use all the parameters of the packaging strategy. The food industry (41%) however showed that they used all the packaging strategies more than all the other companies. Hygiene, Household and Beverages manufactures were ranging at 10% to 12% of the usage of the packaging strategies. Stationery (3%) and battery (3%) firms however used these strategies minimally.

4.4.3 Categories using Pricing Strategies

Pricing strategies were also variedly used by the various categories of FMCG manufacturers.

Table 27: Pricing Strategies

	Skimming		Penetration		Going Rate	
Product Category	%	Freq	%	Freq	%	Freq
Batteries			5.30	1		
Beverages			5.30	1	42.90	3
Chemicals	10	1	5.30	1	14.30	1
Foods	50	5	52.60	10	28.60	2
House hold	30	3	5.30	1		
Hygiene			21.10	4		
Stationery			5.30	1		
Other	10	1			14.30	1
Total	100	10	100	19	100	7

The battery manufacturers only used the penetration pricing (5.3) the beverage industry favored the going rate (42.9%) though sometimes used the penetration pricing (5.3%). The Food Industry on the other hand showed an inclination towards skimming (50%) and penetration (52.6%) pricing though sometimes they also used the going rate (28.6%) The household manufacturers on the other hand favored skimming (30%) as a pricing strategy.

4.4.4 Categories using Distribution strategy

The FMCG manufacturers all used distributions strategies with the bulk of them preferring making product available at all possible retail outlets.

Table 28: Distribution Strategies

	Making product available at all possible retail outlets		Several but not all retail outlets are selected		One particular retailer serves an area & granted sole rights	
Product Category	%	Freq	%	Freq	%	Freq
Batteries	4	1				
Beverages	16	4				
Chemicals	4	1			100	1
Foods	48	12				
House hold	8	2	50	2		
Hygiene	16	4				
Stationery			25	1		
Other	4	1	25	1		
Total	100	25	100	4	100	1

The chemical industry however showed uniqueness in a heavy preference of the use of one particular retailer serving an area and granting that retailer sole rights to distribute their products. The household, hygiene and stationery manufacturers also showed a preference for selection of several but not all outlets to carry their products. The table below shows the varied preferences.

Table 29: Channel Structure

	Direct distribution		Retailers		Wholesalers	
Product Category	%	**Freq**	%	**Freq**	%	Freq
Batteries			5.90	1		
Beverages	7.70	1	23.50	4		
Chemicals			11.80	2		
Foods	61.50	8	23.50	4		
House hold	15.40	2	11.80	2		
Hygiene	7.70	1	17.60	3		
Stationery			5.90	1		
Other	7.70	1			100	1
	100	13	100	17	100	1

The channel structure on the other hand has shown the heavy use of retailers as intermediaries. The Food industry though prefers direct distribution (61.5%)

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study aimed at determining the strategies used by manufacturers of FMCGs in Kenya when launching new products, the extent to which they use the new product strategies as well as determine which strategies are used for the different categories of products in the FMCG industry in Kenya. The research laid emphasis on the key new product launch strategies which are market strategies, product strategies, promotion strategies, pricing strategies and distribution strategies. In this chapter, discussion of the analyzed data, conclusion and recommendations are presented.

5.2 Discussion

As presented in chapter two the majority of the companies use new product strategies when launching new products in order to achieve their varied objectives. This means that the majority of the companies are old companies that have a lot of experience in product manufacturing and they must have gone through many product launches. Majority of the companies studied, 52% had business worth between 100 – 499 million. Among the respondents companies, 43% of the companies launch their products every two years, 39% launch their products every year, 14% other times and 4% biannually. This means that most of the companies launch their products between 1 and 2 years. Of these companies, 90% prepare for new product launch. Most of these Companies entrusted the duty of new product launch to sales Manager

(53%), Other (35%), Brand Managers (9%), and Marketing Managers (3%). This implies that in most of the manufacturing companies, the sales managers are the most recognized people when it comes to product sales and launching. According to Sachs (2003), everyone within the organization should be involved in the new product launch. This study shows that a range of managers are involved in the launch.

The objective of finding out the extent of use of new product launch strategies, the companies that prepare for product launch, the extent of level of preparedness varies. Generally 90% of the companies are extremely prepared with a detailed launch plan when launching new products, 82% are well prepared with detailed standard launch procedures and 77% have well organized launch team. Compared to Cooper and Kleinschmidt's recommendations of preparing for a launch most of the FMCG firms prepare for launches.

Market strategies deal with the prospects of the markets to be served (Kaplan and Norton, 1997) and the FMCG firms in Kenya seem to understand this well in their use of the market strategies. Varied Factors are influencing segmentation or classification of potential markets. The geographic concentration the companies choose when launching new products is a single location according to 49% of the respondents. As a response to competitors launching their products in the market, the respondents indicated the preferred to be the first in the market. The commitment of Companies to the market was very high with most of them being very aggressive in the market The respondents also indicated the positions of their products when they introduced the launch with most of the companies preferring to launch their products as packages.

When introducing a new product, 63% of the respondents indicated that they choose to redesign a product, 16% choose remodeling of the product, 10% reformulate of the product, 10% imitate competitors products, and 57% develop and introduce new products. This compares with the Kotler's (2003), assertion that marketers are constantly seeking better or more superior products to present to the consumer.

Most of the companies are relying on the middle men to market the product, using distribution channels to sell the product as well as the Sales force motivation and relying on product quality. The promotion strategies used by Kenyan FMCG firms are complimentary to each other and should be integrated to maximize the company's results as recommended by Kotler (2003).

The companies in the study also indicated the pricing strategies they use in launching new products. The companies also indicated the distribution strategies that they used when launching a new product. These strategies used are in line with Gundersen (2003) belief that the distribution channel a company chooses for her product will be based on several factors that include the channels being used by competition, the pricing strategy and the internal resources of the organization.

The objective of determining which strategies are used for the different categories FMCG manufacturers there was a varied response. The market strategies that were mainly used were geographic distribution, First to launch in the market, timing and levels of commitment. The only battery company in this study preferred regional geographic launch. Household manufacturers had a preference for single location launches. The hygiene products manufacturers preferred regional launching. Almost all the FMCG manufacturers favored launching first into the market with the exception of Stationary companies. Most firms said they would launch their product during festivities.

The battery manufacturers being alone launch a single product into the market when launching. The Food industry favored Product redesign (45%) and new to the world product (35.3%). The beverage industry on the other hand preferred product reformulation (33.3) and new to the world (23.5%) product strategy. The Food manufacturers, Household firms and Stationery companies also showed favor in imitation of product that are already in the market.

The Food Industry on the other hand showed an inclination towards skimming (50%) and penetration (52.6%) pricing though sometimes they also used the going rate (28.6%) The household manufacturers on the other hand favored skimming (30%) as a pricing strategy. The FMCG manufacturers all used distributions strategies with the bulk of them preferring making product available at all possible retail outlets. The chemical industry however showed uniqueness in a heavy preference of the use of one particular retailer serving an area and granting that retailer sole rights to distribute their products.

5.3 Conclusion

From the results discussed above it is evident that the manufacturers of Fast Moving Consumer Goods in Kenya extensively use the various New product Launch strategies. Manufacturers of FMCG have launched new products and encountered and used various new product launch strategies that suit their categories best. New product launch strategies have the ability to create the difference between success for a new product in the market or failure. It is therefore important for the Manufacturers of FMCGs in Kenya to continue using these strategies in order to exploit the various marketing machinery available to them. The reason for this is because the better a new product is launched the faster it will find its place in the market and more successful it will be. Planning for a new product launch is just as important. The launch activities of highly successful products also are more likely to be characterized as evolutionary, systematic and synergistic as Schneider (2003) observes.

5.4 Recommendations

According to the results of the study it is clear that new product launch is placed in the hands of the sales team. Most of the organizations need to involve Marketing managers and Brand managers more in the launching of a new product. Marketers in these organisations need to be more aggressive and active when it comes to new product launch as the success of a product depends on the effective planning and execution of the launch strategies.

The companies should keep on improving on their use of the varied strategies for new product launch especially so where there was concentration on only a specific strategy. They should also try and use a combination of many of the strategies in order to optimize on the chosen strategies. The companies need to identify the most effective strategies that work for the categories that they deal in through best practices so that they can leverage on them. Companies should keep themselves abreast new developments in terms of strategies so that they can continue being relevant due to the rapidly changing business environment as well as consumer preferences.

LIMITATIONS OF THE STUDY

This study was covering all the manufacturers of the Fast Moving Consumer Goods in Kenya. The fast hurdle was to get responses from the companies that are not based in Nairobi (7). In some instances follow up took longer than expected. Respondent apprehension was very high and it was difficult to get the responsible senior officials to accept to be interviewed. They viewed the exercise with a lot of suspicion due to the stiff competition in the FMCG sector.

SUGGESTION FOR FURTHER STUDIES

There is adequate opportunity for additional research on the strategies used by manufacturers of FMCGs in Kenya when launching new products. It is recommended that other aspects of new product launch strategies such as launching on the Internet be studied. Marketers need to understand what drives the various organizations to use the various marketing strategies. This will help the marketers to tailor their new product strategy plans to suit the right product with the right consumers as well as achieve the overall organizational goals especially with other types of manufacturers other than the FMCG manufacturers. Further recommendations are made to explore studies in the areas of the effectiveness of the various marketing strategies that are used not only for the launch of new products but also strategies that cover the product life cycle.

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APPENDIX 1: LETTER OF INTRODUCTION

Florence Saronge,
c/o University of Nairobi,
Lower Kabete Campus,
P. O. Box 30197,
Nairobi.

22 September 2004

Dear Sir / Madam,

I am a Post Graduate Student in The Faculty of Commerce, University of Nairobi. I am conducting a Management Research on "Marketing Strategies Used by Manufacturers of Fast Moving Consumer Goods (FMCGs) in Launching new products"

Your organization has been selected to form part of the study. This is therefore to request your assistance in filling the attached questionnaire. The information you give will be treated with strict confidentiality and is needed purely for academic purposes. Even when a name has been provided, it will not under any circumstances appear in the final report.

A copy of the final report will be made available to you upon request.

Your assistance and co-operation will be greatly appreciated.

Yours Sincerely,

....	....
Florence Saronge	Margaret A. Ombok
(Student)	Lecturer Dept of Business administration (Supervisor)

APPENDIX 2: QUESTIONNAIRE

New Product Launching Strategies used by FMCGs in Nairobi.

PART A: General Information.

1) Please indicate your primary functional responsibilities.
   a) CEO (Chief Executive Officer) ☐
   b) Brand Manager ☐
   c) Marketing Manager ☐
   d) Sales manager ☐
   e) Other (specify)............... ☐

2) How many years has your organization been in manufacturing business?
   a) Less than a year ☐
   b) 1 – 5 years ☐
   c) 6 – 9 years ☐
   d) 10 or more years ☐

3) What is the ownership of your organization?
   a) Local ☐
   b) Foreign ☐
   c) Mixed ☐

4) What is the size of your business in Ksh.?
   a) Less than 100 million ☐
   b) 100 – 499 million ☐
   c) 500 – 999 million ☐
   d) 1 billion – 5 billion ☐
   e) More than 5 Billion ☐

5) What is the area size of your manufacturing set up?

a) Less than 5000 sq. feet ☐

b) 5000 – 5500 sq. feet ☐

c) 5501 – 6000 sq. feet ☐

d) Over 6000 sq. feet ☐

6) What is the destination of your products? Tick all that apply

a) Local ☐

b) Comesa ☐

c) Other parts of Africa ☐

d) Europe ☐

e) America ☐

f) Other parts of the world ☐

7) What are the categories of product (s) your company deals with

a) Batteries ☐

b) Beverages ☐

c) Chemicals ☐

d) Confectionary ☐

e) Foods ☐

f) Health care ☐

g) Household ☐

h) Hygiene ☐

i) Stationary ☐

j) Tobacco ☐

k) Other (Specify)……………….

8) How often have you launched a new product in the past ten years?

a) Every month ☐

b) Quarterly ☐

c) Biannually ☐

d) Yearly ☐

e) Every two years ☐

f) Other (specify) ………………

9) Does your company prepare for a new product launch?

a) Yes ☐

b) No ☐

10) If Yes, on a scale of 1 - 5 please indicate to what extent the company prepares using the parameters below? **Use rating of 1 = Extremely prepared, 2 = Well prepared, 3 = somewhat prepared, 4 = Not very prepared, 5 = Not at all prepared** (Please Tick √ one box)

	1	2	3	4	5
a) Detailed launch plan	☐	☐	☐	☐	☐
b) Detailed standard launch operating procedure	☐	☐	☐	☐	☐
c) Launch team	☐	☐	☐	☐	☐

PART B: New Product Launch Strategies.

11) When choosing the company's market scope to what extent do the following factors influence the segmentation or classification of the various potential markets? **Use rating of 1 = Very large extent 2 = Large extent 3 = moderate extent, 4 = small extent, 5 = No extent** (Please Tick √ one box)

	1	2	3	4	5
a) Demographic factors i.e.					
age	☐	☐	☐	☐	☐
income	☐	☐	☐	☐	☐
sex	☐	☐	☐	☐	☐
b) Socioeconomic factors i.e.,					
social class	☐	☐	☐	☐	☐
stage in the family life cycle	☐	☐	☐	☐	☐
c) Geographic factors;					
Local	☐	☐	☐	☐	☐
Region	☐	☐	☐	☐	☐
d) Psychological factors i.e.					
life-style	☐	☐	☐	☐	☐

personality traits ☐ ☐ ☐ ☐ ☐

e) Consumer patterns i.e.

Heavy ☐ ☐ ☐ ☐ ☐

moderate ☐ ☐ ☐ ☐ ☐

light users ☐ ☐ ☐ ☐ ☐

brand loyalty patterns ☐ ☐ ☐ ☐ ☐

12) What geographic concentration does your company choose when launching new products? (Please Tick √ all that apply).

a) Single location ☐
b) Region ☐
c) National ☐
d) International ☐
e) Global ☐
f) Other (Specify) ……………

13) When choosing the best prospect group to target with the new product which of these would be your most important target group? **Use rating of 1 = Extremely important 2 = very important, 3 = somewhat important, 4 = Not very important, 5 = Not at all important** (Please Tick √ one box)

	1	2	3	4	5
a) Early adopter	☐	☐	☐	☐	☐
b) Opinion leaders	☐	☐	☐	☐	☐
c) Heavy users	☐	☐	☐	☐	☐

14) If you have information that a competitor is about to launch a new product similar to yours when would you prefer to launch?

a) First to launch in the market ☐
b) Launch at the same time with the competitor ☐
c) Launch much later after the competitor(s) ☐

15) When do you prefer to launch your products

a) During Festivities ☐

b) In the Rainy Season ☐

c) In the Hot Season ☐

d) Other (specify) ……………………………………………………..

16) How committed is your company to the market?

a) Very aggressive in the market ☐

b) We do what the others in the market do ☐

c) Take a very low profile ☐

17) How do you position your product at introduction?

a) As a single brand ☐

b) Position many brands at the same time ☐

18) How often does your company, introduce a product to people who have not been using it before? …………………..

19) How often does your company, introduce a product being used for purposes not originally intended? …………………….

20) When introducing a new product which of these new products do you choose?

a) Revitalizing a product through product improvement or modification by

i. Redesigning a product ☐
ii. Remodeling a product ☐
iii. Reformulating a product ☐

b) Imitation of a competitors product ☐

c) Develop and introduce new to the world product ☐

21) When making packaging decisions on a scale of 1 - 5 please indicate which of these packaging parameters are most important to your company? **Use rating of 1 = Extremely important 2 = very important, 3 = somewhat important, 4 = Not very important, 5 = Not at all important** (Please Tick √ one box)

	1	2	3	4	5
a) Size	☐	☐	☐	☐	☐
b) Package design	☐	☐	☐	☐	☐
c) Promotional information	☐	☐	☐	☐	☐

d) Statutory information ☐ ☐ ☐ ☐ ☐

22) To what extent do your organization use the following promotion strategies? **Use rating of 1 = Very large extent 2 = Large extent 3 = moderate extent, 4 = small extent, 5 = No extent** (Please Tick √ one box)

	1	**2**	**3**	**4**	**5**
a) Relying on the middlemen to market the product	☐	☐	☐	☐	☐
b) Using distribution channels to sell the product	☐	☐	☐	☐	☐
c) Going directly to the end user to promote sales	☐	☐	☐	☐	☐
d) Mixture of advertising and personal selling	☐	☐	☐	☐	☐
e) The choice of media	☐	☐	☐	☐	☐
f) The advertising budget	☐	☐	☐	☐	☐
g) The advertising message	☐	☐	☐	☐	☐
h) Sampling during Consumer promotion	☐	☐	☐	☐	☐
i) Discounts and Incentives for Trade promotion	☐	☐	☐	☐	☐
j) Editorials, News items and Corporate sponsorships	☐	☐	☐	☐	☐
k) Sales Force motivation Relying on product quality	☐	☐	☐	☐	☐
l) Relying on advertising creativity	☐	☐	☐	☐	☐
m) Consumers encounter people and places with the brand	☐	☐	☐	☐	☐

23) Which one of these pricing strategies does you company use when launching a new product?

a) A high initial price ☐

b) A low initial price ☐

c) A current competitor price ☐

24) To what extent do your organization use the following pricing strategies? **Use rating of 1 = Very large extent 2 = Large extent 3 = moderate extent, 4 = small extent, 5 = No extent** (Please Tick √ one box)

	1	**2**	**3**	**4**	**5**
a) A high initial price	☐	☐	☐	☐	☐
b) A low initial price	☐	☐	☐	☐	☐
c) A current competitor price	☐	☐	☐	☐	☐

25) Which one of these distribution strategies does you company use when launching a new product?

a) Making the product available at all possible retail outlets ☐

b) Several but not all retail outlets are selected to carry the product ☐

c) One particular retailer serves a given area and is granted sole rights to carry the product ☐

26) To what extent do your organization use the following distribution strategies? **Use rating of 1 = Very large extent 2 = Large extent 3 = moderate extent, 4 = small extent, 5 = No extent** (Please Tick √ one box)

	1	2	3	4	5
a) Making the product available at all possible retail outlets	☐	☐	☐	☐	☐
b) Several but not all retail outlets are selected to carry the product	☐	☐	☐	☐	☐
c) One particular retailer serves a given area and is granted sole rights to carry the product	☐	☐	☐	☐	☐

27) Which of these intermediaries does your company use when launching a new product?

a) Direct distribution ☐

b) Retailers ☐

c) Wholesalers ☐

d) Agents or brokers ☐

28) Please list other new product launching strategies that you use specifically in Kenya

a) --

b) --

c) --

d) --

e) --

29) Comment about New product launching in Kenya

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30) Would you Kindly give the name of your organization?

Thank you very much for you time and cooperation.

APPENDIX 3: LIST OF FMCG MANUFACTURERS

COMPANY	LOCATION	CATEGORY	EXAMPLES
1. Eveready Batteries (K) Ltd.	NKU	Batteries	Eveready
2. East African Breweries Ltd. (EABL)	NRB	Beverage	Tusker Beer
3. Kenya Tea Packers (KETEPA) Ltd.	KER	Beverage	Tea
4. KWAL	NRB	Beverage	Wine
5. Sara Lee Household	NRB	Beverage	Soap
6. Anspar Ltd. (Sold)	NRB	Beverages	Soft Drinks
7. Cadbury Kenya (Ltd)	NRB	Beverages	Cocoa
8. Castle Breweries Ltd.		Beverages	Beer
9. Coca-cola Africa Ltd.	NRB	Beverages	Soft drinks
10. Crown Foods Ltd.	NRB	Beverages	Juices
11. Delmonte Kenya Ltd.	THIKA	Beverages	Juices
12. Tru Foods Limited	NRB	Beverages	Juice
13. UDV Kenya Ltd.	NRB	Beverages	Spirits
14. CPC (K) Ltd	NRB	Chemicals	Plastics
15. Orbit Chemical Industries	NRB	Chemicals	Toss soap
16. Swan Industries Ltd.	KSM	Confectionery	Sweets
17. Wrigley Co. E.A.	NRB	Confectionery	Chewing gum
18. Bidco Oil Refineries	NRB	Foods	Cooking fats- Kimbo
19. Bio Food products	NRB	Foods	Youghurts
20. Brooksode diaries	NRB	Foods	Dairy products
21. Farmers Choice Ltd.	NRB	Foods	Sausages
22. Highlands Canners Ltd.	NRB	Foods	Juices
23. House of Manji Ltd.	NRB	Foods	Biscuits
24. Jambo Biscuits	NRB	Foods	Biscuits
25. Kabazi Canners Ltd.	NRB	Foods	Pinneaple
26. Kapa Oil Refineries	NRB	Foods	Kasuku
27. Limuru Dairies	LIMURU	Foods	Dairy Products
28. Mini bakeries	NRB	Foods	Bread
29. Mumias sugar Co. Ltd	MUMIAS	Foods	Sugar
30. Nestle food (K) Ltd	NRB	Foods	Coffee
31. New K.C.C Ltd.	NRB	Foods	Milk
32. Proctor and Gamble	NRB	Foods	Weetabix
33. Spin Knit Limited	NRB	Foods	Dairy products
34. Unga Group	NRB	Foods	Maize meal
35. Unilever Kenya Ltd.	NRB	Foods/ Health	Margarine
36. Biersdorf (E.A) Ltd	NRB	Health care	Nivea
37. Colgate Pamolive (E.A) Ltd.	NRB	Health care	Soaps
38. Cussons & Company Ltd.	NRB	Health care	Soaps
39. Kuguru food complex	NRB	House hold	
40. Reckitt-Benkiser Ltd	NRB	Hygene	Harpic
41. Johnson Wax (E.A) Ltd	NRB	Hygene products	Jik
42. Excel Chemicals	NRB	Hygene/ Foods	Juices, spirits, Yeast
43. Menengai Oil & Soap Factory	NKU	Hygiene	Soap

COMPANY	LOCATION	CATEGORY	EXAMPLES
44. Haco Industries	NRB	Stationary	Pens
45. BAT Kenya Ltd.	NRB	Tobacco	Sportsman
46. Mastermind Tobacco Ltd.	NRB	Tobacco	Supermatch
47. Razco Food Products Limited	NRB	unknown	unknown

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