

# Influence of Product Development Strategy on Performance of Middle Level Chain Stores

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**Abstract:** This study sought to determine the influence of product development strategy on performance of middle level chain stores. The research did adopt a descriptive research design. The population of the study comprised of three middle level retail stores. The retail stores selected for this study include Uchumi, Tusky's and Naivas supermarkets. A questionnaire was used to collect data. The population of study was chain stores in Nairobi City County that are operational. This consisted of 65 respondents who are the employees of the chain stores. A census was conducted in the study. The primary data was collected by use of self-administered semi-structured questionnaire. Data analysis was done by use of descriptive statistics such as frequencies, percentages, mean scores and standard deviation with the aid of SPSS and presented through tables, charts, graphs, frequencies and percentages. The study established that product development strategies employed by middle level retail chain stores in Nairobi City County positively and significantly influenced their performance. It was concluded that the retail chain stores were performing except Uchumi whose financial status is still poor. Further the study concluded that the firms engaged similar strategies and shared market segments. The study recommends that the middle level retail chain stores need to improve their branding, packing and perceived new product development through rebranding to enhance their sales performance. The study recommends that the firms need to regulate their pricing strategy to avoid plunging them to negative performance. The study recommends further that the firms need to enhance employment of the promotional mix to advertise their products and improve their sales.

**Keywords:** Product Development Strategy, Organizational Performance

## I. INTRODUCTION

Development of applicable marketing strategies presents a suitable and meaningful ways for firms to be competitive in serving a particular market segment. In the modern business environment, market competitiveness defines how well organization can develop strategies and implement them, though competitiveness can also influence the type of strategy selected by the firm (Elizabeth & Hugh, 2006). According to Koerte and Bernard (2010), a strategy can be defined as the commitment of an organization to specific markets, products, competitive approached method of business operation, and customers. Koerte and Bernard (2010) further asserts that firms which respond to competition strategically advance their business performance while remaining competitive as compared to those that do not. The strategies adopted ought to be characterized by a responsive work organization that is not only limited to the internal factors but also external factors

such as suppliers, customers, and competitors. Adaptability and flexibility should also be taken into consideration when developing sustainable competitive advantage, and applied in the new organizational strategies.

According to Palmer (2000), marketing has many definitions, but they all revolve around satisfaction of the needs of a customer as part of an exchange process. The chartered Institute for marketing alludes to marketing as a management process that identifies, forestalls, and supplies requirements of a customer profitably and efficiently. The American Marketing Association (AMA) outlines marketing as set of activity for organizations, and procedure for producing, communicating, delivering, and exchanging products which have value for clients, partners, customers and the society at large. Marketing strategy is a process whereby firms respond to situations of market forces and competitive market or respond to internal forces and environmental forces to enable them achieve specific objective in the target market (Slater et al., 2010). The classical marketing strategy is a design to pursue the objective of a firm or the way the organization will obtain its marketing goals in a particular market segment (Walker, 2011).

Keller and Kotler (2009) alludes that marketing strategies should incorporate integrated marketing that involve mixing and matching marketing activities to maximize individual and collective efforts. This usually happens at two stages. First, the various marketing functions that include advertising, marketing research, and product management must work together. Secondly, marketing ought to be well coordinated with other departments in the firm. Marketing works well when all employees recognize their effect on customer satisfaction. Coordinated marketing can be executed effectively when the management understands the value of this notion and makes it work in the firm (Lui, Shah & Schroeder, 2011). According to Chung, Jung, Baek and Lee (2008), marketing strategy may be implemented to combat competition, to improve company's position in the market or to grow the business. The main factors that influence the type of strategy to be adopted include: company strength, government influences, number and power of competitors, financial position, and size of business. They further elude that marketing strategy purposes at communicating to the customers added value of products and services.

Middle level chain stores operate in a competitive business environment that has intensified from upcoming stores as well

as foreign stores. These stores locate themselves in areas that have reasonable high population with high purchasing power in order to maximize on returns. Since they operate in competitive environment, they tend to lower prices of specific commodities from time to time in order to attract customers. Middle level chain stores played a major role in the growth of Kenya's economy. There is necessity to create more business opportunities as the economy grows by creating new stores and expanding the prevailing ones (Ndinda, 2012). In the recent times, there has been unprecedented expansion and growth of these stores in the major towns in the country. However, some of them have had to close shops while others decreasing the number of the branches all over the country. With the entrance of international retailers such as Woolworths and Carrefour, competition has continued to pile pressure on middle level stores making it necessary for them to adjust their marketing strategies (Mathura, 2010).

## II. STATEMENT OF THE PROBLEM

The objective of all businesses is to make profits and improve their organization overall performance by increasing its sales at remunerative prices. Marketing strategies play a key role in strategic change management. The dynamic and unpredictable nature of the business environment means that organizations need to align themselves to the current environment conditions or be faced out. As one of the most crucial success factor for firms, the selection of appropriate marketing approach has been one of the focal point within the supply chain and in the marketing channel structure of the retail store (Anyika, 2010).

Several studies have been undertaken both internationally and nationally on the need of marketing strategies by a firm. Covin, Green and Slevin, (2006) found that marketing strategies are more likely to be emergent and not explicitly intended than deliberate. Elbana and Child (2007) found that uncertainty is a crucial constituent that influences the marketing strategy making process since the uncertainty constituents plays a significant role in the strategy making process (Isabwa, 2008).

Masika (2012) did retail marketing strategies adopted by commercial banks in Kenya and found out that commercial banks in Kenya pursue marketing segmentation, product strategies, distribution, pricing, marketing relationship and promotions strategies. The retail chain industry in Kenya as such has changed very much due to changes in their environment and it also has experienced a continued growth over the last decade (Neven & Reardon, 2005). Supermarkets in particular have experienced tremendous growth and competition during the last decade. For instance, Uchumi Supermarket, which was a leading store before the year 2017, stiff competition from other supermarkets, mismanagement of resources, low staff morale led to poor business performance and this subsequently led to closure of many branches.

It is important to note that these supermarkets operate in the same external environment but the magnitude of success in these supermarkets varies widely. Therefore, there is need for

studies to investigate these observed trends and also why some stores thrive and not others. This study sought to establish the effect of product development strategy on performance of middle level chain stores in Nairobi City County, Kenya.

## III. LITERATURE REVIEW

Kotler and Armstrong (2013) described a product as being something which can be given to a market for use, or consumption o fulfil a specific desire. Consumer product can be further be illustrated as being the product that is bought by the final consumer to satisfy a specific need. As demonstrated by Mohammad, Wang, and Sunayya (2012) a product can be expressed and viewed by consumers differently based on the nature in which it fulfills its needs. The presentation of a product will determine the nature in which consumers are to view it (Black et al. 2001, Polatoglu, and Ekin 2001).

The effectiveness of a given product greatly determines son the firm's ability to consistently meet the needs of customer preferences (Cavusgil & Zou, 2009). The client's performance is obtained by an organization irrespective of the approach of marketing pursued meaning of either valuing standardization. Though, some researchers have argued that an organization that embraced product adaptation approach in a global market significantly results it increases of sales (Leonidou, Hult & Tomas, 2002).

As defined by Albaum, Johnson and McCullough (2007), provision of quality products is essential to sustain the current and potential customers. This is a factor that would sustain the firm's sales performance as well as the increased performance of the firm's financials (Albaum Johnson, and McCullough, 2007). Previous researchers provide tow observations concerning the quality of the product line with the marketing approach that is crucial. Some of the key provision of quality product would be stressed from European and empirical data studies that would associated product quality and customer performance (Terpstra & Sarathy, 2007). The correlation would provide that better quality products attracted more customers and increased the sales volume of the products. As further demonstrated by. Leonidou, Hult, and Thomas, (2002) for a firm's to effectively improve its sales volume , it should serve more clients segments and marketing and spread its exportation costs on other products a factor referred as product adaptation (Beamish and Munro, 2009).

## IV. RESEARCH METHODOLOGY

The research did adopt a descriptive research design. The population of the study comprised of three middle level retail stores. The retail stores selected for this study include Uchumi, Tuskys and Naivas supermarkets. A questionnaire was used to collect data. The population of study was chain stores in Nairobi City County that are operational. This consisted of 65 respondents who are the employees of the chain stores. A census was conduct in the study. The primary data was collected by use of self-administered semi-structured questionnaire. Data analysis was done by use of descriptive

statistics such as frequencies, percentages, mean scores and standard deviation with the aid of SPSS and presented through tables, charts, graphs, frequencies and percentages.

## V. FINDINGS

The findings of the study sought to determine the effect of product development strategy on performance of middle level chain stores in Nairobi City County, Kenya. The respondents were asked to indicate their level of agreements with the following statements relating to product development strategy and how it affects retail store performance on a five-point Likert scale. The findings are presented in Table 1.

Table 1: Product Development Strategy and Performance of Retail Stores

Statements	Mean	Std.Dev
Innovation have led to increase in market share	3.77	0.837
Sales Volume is high as a result of product development	4.11	0.822
Product innovation has improved development index	3.69	0.781
Penetration levels has increased because of product innovation	3.98	0.776
Product development has guaranteed customer satisfaction	3.80	0.811
Product development has improved company's Pre – Tax Profits	3.74	1.492
Cost management has been achieved due to product development	3.71	1.551
Product development has led to innovation & Creativity	3.91	0.901

Source: Field data, 2019

As expressed from Table 4.4, the participants would agree that innovation has led to increase in market share of the stores, sales volume is high as a result of product development, product innovation has improved development index, penetration levels have increased because of product innovation, product development has improved company's pre-tax profits, cost management has been achieved due to product development and product development has led to innovation and creativity as expressed by a mean of 3.77, 4.11, 3.69, 3.98, 3.80, 3.74, 3.71 and 3.91 respectively. This expressed that product development strategy as a market strategy is significantly embraced by the middle level retail chains and has a positive effect on their performance in terms of market share development, profitability, efficiency, innovations, sales and customer satisfaction. Salah & Craft (2005) made similar conclusions in their study on marketing segmentation and marketing strategies on product development translated to customer satisfaction and firm performance. The research indicated that product development plays a major role in firm performance. Black et al (2001) and Polatoglu & Ekin (2001) equally established that incorporating customer needs and requirements in product development promotes demand and firm performance.

## VI. CONCLUSIONS AND RECOMMENDATIONS

The study concluded that product development strategy employed by middle level retail chain stores in Nairobi City

County positively and significantly influenced their performance. It was concluded that product development strategy to a significant extent influenced performance of middle level retail chain stores. The strategies were employed to various extents among the firms given their varied level of influence on firm performance. It was concluded that the retail chain stores were performing except Uchumi whose financial status is still poor. Further the study concluded that the firms engaged similar strategies and shared market segments.

The research provided that the middle level retail chain stores need to improve their branding, packing and perceived new product development through rebranding to enhance their sales performance. The research provided that the firms need to regulate their pricing strategy to avoid plunging them to negative performance. The research provided further that the firms need to improve employment of the promotional mix to advertise their products and improve their sales. The study further recommended that the firms need to embrace leaner logistics management to improve the distribution of goods and services to where customers need them and are.

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