

## INFLUENCE OF PRODUCT INNOVATION STRATEGIES ON GROWTH OF SMALL AND MEDIUM WATER BOTTLING ENTERPRISES IN KENYA

*Kimani Ndegwa*

Phd student, Jomo Kenyatta University of Agriculture and Technology (JKUAT) Kenya

*Dr. Patrick Karanja Ngugi*

Lecturer, Jomo Kenyatta University of Agriculture and Technology (JKUAT) Kenya

*Dr. Willy Mwangi Muturi*

Lecturer, Jomo Kenyatta University of Agriculture and Technology (JKUAT) Kenya

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### *Abstract*

*In Kenya, the SMEs in bottled water businesses are not growing as expected. This is shown by failure of water bottling firms to meet the demand of bottled water products. The increase in demand which grew by over 12 percent is not in tandem with growth of water bottling businesses with sales turnover increasing by only 3 percent. The study found strong relationship between product strategies and growth of SME water bottling firms in Kenya. . One of the major implications of this research is that firms can increase sales by offering the right marketing tools. Therefore organizations should carefully plan their marketing strategies, and allocate adequate marketing budget giving preference to the more effective tools. The SME water bottling entrepreneurs should also build capacity on the entrepreneurial marketing strategies to apply in their businesses and invest more in web based technology and infrastructure.*

## Introduction

Marketing strategy has therefore become an important tool globally for any organization seeking to survive in a competitive market environment. Aremu and Lawal (2012) view strategy as a pattern of resource allocation decisions made throughout an organization. This encapsulates both desired goals and beliefs about what are acceptable and most critically, unacceptable means for achieving them. Aremu and Lawal, (2012) further opines that strategy involve analysis of the market and its environment, customer buying behavior, competitive activities and the need and capabilities of marketing intermediaries. Marketing strategy therefore, can be defined as a method by which a firm attempts to reach its target markets. Marketing strategy starts with market research, in which needs, attitudes and competitors' products are assessed. This is followed by advertising, promotion, distribution and where applicable, customer servicing, packaging, sales and distribution. Marketing strategy must focus on delivering greater value to customers and the firm at a lower cost (Chiliya, Herbst & Roberts- Combard, 2009). According to Owomoyela, Oyeniyi & Ola (2013) marketing strategy is a way of providing a quality product that satisfies customer needs, offering affordable price and engaging in wider distribution and backing it up with an effective promotion strategy. Marketing strategy is a vital prerequisite of firm's ability to strengthen its market share and minimize the impact of the competition.

## Entrepreneurial Marketing

Past researches on entrepreneurship have mainly dwelt on a single aspect of entrepreneurship at a time. These aspects are motivational factors; family entrepreneurship; entrepreneurial skills; external factors; characteristics of entrepreneurship and entrepreneurship education (Mayasari, Maharani & Wiadi, 2009). This study will focus entrepreneurial marketing strategies perspective to growth of SMEs covering the four marketing mix of price, promotion, product and

distribution. The term “Entrepreneurial Marketing” (EM) has come to describe the marketing activities of small and new ventures. The theoretical foundation of entrepreneurial marketing is consistent with resource advantage theory which allows for both conventional approaches to marketing and entrepreneurial marketing (Mayasari et al., 2009). Marketing facilitates the ability of firms to create new resources through innovation by combining resources. Marketing is crucial for success or failure of an enterprise. The degree of market orientation of an enterprise may well impact its overall business performance.

Entrepreneurial marketing has been defined variously by different scholars. Kraus, Harms & Matthias (2009) contends that “Entrepreneurial marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders, and that it is characterized by innovativeness, risk-taking, pro-activeness, and may be performed without resources currently controlled”. According to Morris, *et al* (2002), entrepreneurial marketing is the proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leverage and value creation. Entrepreneurial marketing strategies seek novel ways of creating value for desired customers and building customer equity. It places innovation as the core marketing responsibility and key means to sustain growth and competitiveness.

Entrepreneurial marketing strategy thus captures the interface between entrepreneurship and marketing hence bring on board the many emergent perspective of marketing (Mayasari *et al*, 2009). Entrepreneurial marketing covers eight dimensions. These are pro-activeness, calculated risk-taking, innovativeness, and opportunity focus (Zahra & Garvis, 2000); resource leveraging (Morris *et al*, 2002) and customer intensity and value creation that are consistent with market

orientation of the firm. Consequently an entrepreneur has to continually seek new ways to achieve competitive advantage in his or her methods of product development, pricing, promotion and distribution.

Entrepreneurial marketing does not consider the external environment as given rather; proactive behaviors differentiate people in the extent to which they take action to influence their environment. The three best-known and most successful forms of EM in terms of an entrepreneurial approach to promotion are guerrilla marketing, buzz marketing, and viral marketing. However, an entrepreneurial approach to marketing can also cover the elements of product, place, and price (Ahuja, Michels, Walker & Weissbuch, 2007).

### **Global Perspective on Water Bottling Industry**

According to Ferrier (2001), purified bottled water can be water from any source which is distilled, carbonated or treated in any manner. Bottled water can also come from mineral and spring water sources which must come from an underground source (not a public water supply) and can't be altered with chemicals. Mineral water has a higher amount of dissolved mineral salts.

Worldwide consumption of bottled water is increasing at 10 % every year with the fastest growth seen in developing countries (Gleick, 2004). This demand for bottled water has been necessitated by changes in lifestyle, increased income levels, convenience, health consideration and safety consciousness among consumers (Sambu, 2010). To stress the level of challenge the world faces with water, OECD (2010) have posited that a further 1 billion people are expected to live in severe water-stressed areas by 2030, raising a challenge in terms of the policies and financing needed to ensure access to clean water. A reliable supply of clean wholesome water is highly

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essential in a bid to promoting healthy living amongst the inhabitants of any defined geological region (Mojekeh & Eze, 2011). Functional bottled water has therefore taken root and continues to see growth with new product development featured around weight management, improvement in mental function, skin hydration and anti-ageing benefits (Devas, 2009).

The growing phenomenon of bottled water started to become a y tap water at little or no cost. According to Paul Easton from the Dominion Post (6 April 2008), New Zealanders spend more than \$20 million a year on bottled water and about \$100 billion is spent each year on bottled water worldwide. According to the International Bottled Water Association (2012), the consumption of bottled water worldwide in 2002-2007 had increased by 7.6%.

major trend in industrialized countries despite most of them having access to high-quality

According to Wilk (2008), the value of the bottled water market in Europe, the US and Japan is forecast to grow at an annual average rate of 5.3% between 2006 and 2012 and will be worth almost \$76.4 Billion by the end of that period. Bottled water growth in the US market is expected to be double that in Europe, such that the US market will account for 32% of market revenue by value. However, Europe will remain the leading region, and will account for 61% of total market share by 2012. Growth will be driven by manufacturers promoting the provenance of water by placing greater emphasis on the source. Companies are also demonstrating their ethical and green credentials by seeking to adopt more socially responsible business practices and reducing carbon footprints. Flavored still water is the most innovative bottled water segment, with 8.8% of all launches in this area classed as being innovative between 2005 and 2008. Flavored sparkling was the least innovative category with 2.6% of innovative product launches.

Although major consumers of bottled water are in Europe and North America, the most promising markets are in Asia Pacific with an annual growth rate of 15%. In its latest market

research report titled Bottled Water Market in India 2013, a wide spectrum of concerns with regard to sale of bottled water in India have been identified (Sheela, 2013). Bottled water industry caters to one of the most thriving markets within India. Right from the year 1995, the bottled water industry has witnessed healthy growth in terms of the number of licensed units and market size. The consumption of smaller bottled water units of 500 ml capacity has increased by around 140%. The 20-litre bulk water jars have found phenomenal acceptance in households and at workplaces. Due to the growing market size, one can expect a substantial increase in employment opportunities within the bottled water segment in the near future. Identification of product innovation opportunities by key players has also led to a surge in demand for bottled water (Sheela, 2013).

Bottled water sector is a growing market in India as quality consciousness among the consumers is on the rise. Every year an estimated 800 million litres of bottled water are marketed in plastics and the demand continues to grow. Besides bottled water, there is also a large market for plastic pouches, especially in the states of Tamil Nadu and Gujarat (PET Planet Insider, 2003).

In Malaysia, the bottled water market is characterized by high levels of competition and consolidation among established participants (Rajasekaran, 2009). According to Rajasekaran (2009), the trend in the Malaysian bottled water market seems to follow the path of other industrialized nations. Growth in this market is on an upward trend with more products and competitors entering the market. As far as the bottled water market in Malaysia is concerned, *still* bottled water continues to dominate the market over its “fizzier” counterparts. *Still* bottled water is expected to secure the largest part of the Malaysian bottled water market (Rajasekaran, 2009). Water from vending machines is becoming increasingly popular as many of these

machines are strategically located for the convenience of consumers. They also cost less per unit when compared to single-serve bottled water (Canadean, 2003).

### **Product Strategies and Growth of SMEs**

The reviewed literature below was guided by the specific objective 2: To establish the influence of product strategies on growth of small and medium water bottling enterprises in Kenya.

New Product Development (NPD) is widely recognized as an essential property of the firm (Lam, Shankar, Erramilli, & Murthy, 2004). Life cycle of products is decreasing every year and the customer demand on the other hand is increasing dramatically. With the need to respond quickly to customer requirements, increased complexity of product design and rapidly changing technologies, selecting the right set of features of a new product is critical to long-term success of the firm (Chen, Kang, Xing, Lee, & Tong, 2008). Obviously, due to SMEs limited technical and financial capability, the situation is even more severe than for large organizations (Mi, Shen, & Zhao, 2006).

Product characteristics have been defined differently by various researchers. Generally, it is the process that covers product design, production system design, product introduction processes and start of production (Johansen, 2005). Loch and Kavadias (2008) in the Handbook of New Product Development Management say that NPD consists of the activities of the firm that lead to a stream of new or changed product market offerings over time. This includes the generation of opportunities, their selection and transformation into artifacts (manufactured products) and activities (services) offered to customers and the institutionalization of improvements in the NPD activities themselves.

According to Griffin & Somermeyer (2007), new product characteristics is defined as the overall process of strategy, organization, concept generation, product design, pricing, branding and commercialization of a product. Krishnan and Ulrich (2001) defined product development as the transformation of a market opportunity and a set of assumptions about product technology into a product available for sale. NPD has been described in a general form and there is no specified definition to be adopted by SMEs in developing countries. This research has extracted the main factors emphasized in NPD which forms the product characteristics that can influence the SMEs growth and development in developing countries. A study by Nasiruddin (2011) indicated that there was partial positive relationship between product features and performance of SMEs. The product development strategies in marketing include; branding, packaging and product quality as discussed below.

### ***Branding***

Usually, brand management concentrates on how firms can build strong consumer brands that differentiate one seller from another (Webster & Keller, 2004)). Webster and Keller (2004) state that the fundamentals of a brand strategy; market segmentation, targeting and positioning, apply to both consumer and business growth strategies.

Brand loyalty can tie a customer very strongly to a supplier. If, for instance, a customer is convinced that a certain brand of product is superior to the products of alternative suppliers, the customer will choose that brand even though there may be cheaper and better products on the market. It has been argued that brand reputation is a psychological factor that affects purchases (Wendelin, 2004). Brand reputation is not limited to consumer products and services, but can also relate to business growth and performance matrix (Wendelin, 2004).

Webster and Keller (2004) draw guidelines for successful industrial brands. They name the following ten guidelines: 1) The role and importance of branding should be tied directly into the industrial marketer's business model; 2) Understand the role of brand in the organizational buying process; 3) Be sure that the basic value proposition has relevance for all significant players in the decision making process; 4) Emphasize a corporate branding approach; 5) Build the corporate brand around brand intangibles; 6) Avoid confusing corporate communication and brand strategy; 7) Apply detailed segmentation analysis within and across industry-defined segments; 8) Build brand communications around the interactive effects of multiple media; 9) Adopt a top-down and bottom-up brand management approach and 10) Educate the entire organization as to the value of branding and the organization's role in delivering brand value.

Offerings in the successful branding strategy can be seen to consist of five elements (Ford, Berthon, Brown, Brown, Gadde, Håkansson, Naude, Ritter & Snehota, 2002). These are product, service, logistics, advice (such as to decrease customer uncertainties), and adaptation (tailoring to the specific needs of a customer). These elements can be used in branding for the SME development (Beverland, Napoli, & Yakimova, 2007). Differentiation from competitors is one of the major benefits of branding (Kotler & Keller, 2009). In brand management, companies can choose which brand elements to incorporate in their brands. Kotler and Keller (2009) identify six different criteria that help in choosing brand elements.

Three criteria help to build the brand, while the other three criteria are used to defend the brand from competitors. The brand building criteria are memorability (how easily the brand is remembered), meaning (what product qualities the brand suggests), and likeability (how it appeals to the customer). Elements that can be used in defending a brand are transferability (how

easily the brand can expand to new markets), adaptability (how easily it can be updated) and protectability (is it legally protected from competitors).

Wong and Merrilees (2005) distinguish three different branding strategies (minimalist, embryonic, and integrated) in the SME context. Minimalist applies to a company with a low interest in marketing. An embryonic strategy applies to company with a stronger emphasis on marketing, but which views branding as optional and unimportant. An integrated strategy applies to a company that places a strong emphasis on marketing and branding. An integrated strategy branding is an essential part of business. In a study by Eggers, O'Dwyer, Kraus, Vallaster & Guldenberg (2013) which aimed to establish the impact of brand authenticity on brand trust and SME growth from a CEO perspective, it was confirmed that brand consistency and congruency foster brand trust, which in turn drives SME growth. It was also established that it is not about whether business communications are perceived as authentic but about whether the company as a whole is perceived to be authentic.

### ***Packaging***

A great deal of academic literature continues to examine the roles of pricing, marketing communications and promotion strategies; with little attention to the role that packaging plays in a product's success or failure (Kotler, 2003). In addition to the traditional packaging roles of protection from damage during transit, extension of shelf life and innovations in product dispensation, packaging can influence consumer perceptions and make a significant contribution to the product's brand equity. Packaging is what consumers see first in this marketing endgame and will be a key differentiator of products in the near future (Lunardo & Guerinet, 2007).

Packaging is ubiquitous but invisible because consumers do not tend to put conscious thought into packaging until they are dissatisfied by its performance. They may not even realize that their dissatisfaction is the result of poor package design; as may be the case with foods with off flavors or drugs that lack efficacy by the time they reach the consumer (Lunardo & Guerinet, 2007).

Regardless of whether or not consumers realize that poor package design is the problem, once dissatisfied, it is unlikely that purchase will be made and negative word-of-mouth advertising may result. It is important that designers recognize the power of comprehensive package design and the complexities involved. The packaging matrix is one solution that simplifies the myriad of considerations that should be taken into account when considering packaging in SMEs promotional mix (Rita, Dovaliene & Navickiene, 2009).

When package design is not given appropriate credence, several problems can occur including: failure to fully protect the product, over-packaging, failure to attract the consumer for an initial purchase, and failure to serve the consumer (Sharma, 2008). As such, package may be viewed as part of the product since packages contribute to successful product performance, including maintaining shelf-life and ease of use. Package design may be intimately related to product price points. Perhaps most notably, packaging has been the focus of designers seeking to protect products through their channels of distribution, and promotion decision makers seeking to position and communicate product benefits (Rita et al., 2009).

Customer trial, satisfaction and repeat purchase, may be a direct function of packaging for many consumer non-durables and perhaps some durables as well. Packaging that fails to fully protect the product has the potential to result in excess damage and waste, diminished shelf life, and loss

of flavor or efficacy (Lunardo & Guerinet, 2007). Problems associated with insufficient protection are likely to lead to customer dissatisfaction and negative word-of-mouth advertising. Obviously, attracting the customer to a trial purchase is insufficient for true product growth and eventual maturity which is vital for SMEs growth in developing country.

The product package system must generate satisfaction, and poorly designed packages have the potential to discourage repurchase. Consumers who are frustrated by packages that cannot be easily opened or labels that cannot be read without magnification may opt for brands that have considered the human conditions in their package design (Selame, Selame & Kolligian, 1982; Wells, Farley & Armstrong, 2007). When all functions and environments are considered simultaneously, packaging becomes a socio-scientific endeavor (Sammer & Wüstenhagen, 2005; Sial, Gulzar, Riaz & Nawaz, 2011). When viewed this way, packaging is not just a means to protect or contain the product, but has the potential to impact the decisions of consumers, and the lives of those interfacing with it. Nasiruddin (2011) indicated that there was partial positive relationship between product features and performance of SMEs.

### **Product Quality**

According to Wanjau, Gakuure & Kahiri (2010), quality has a positive influence on growth and industrialization of an organization and economic development in general. Surprisingly, no statistical evidence was found to confirm the effect of investing in technology and adoption of quality. Wanjau *et al.* (2010) recommended that SMEs must create a culture that is conducive to and supportive of quality implementation.

Both large and small, production and service, and public and private organizations have made commitments to quality initiatives like total quality management (TQM) by making it fundamental to their growth (Oakland, 2004). Increasing product quality results in higher profits

because costs are decreased and productivity and market share are improved (Gupta, 2004). Researchers have defined the concept of quality in different ways ranging from perception of value (Summers, 2006) to conformance to requirements (Deming, 1986), fitness to use (Juran, 1979) and finally to meeting customer's expectations (Oakland, 2004).

According to Cozza et al. (2013), quality initiative is a strategic activity, and the decision to engage in quality endeavors is driven by entrepreneurial market opportunities. In the Kirchoff's framework, innovation which brings out new quality products is mainly pursued by new entrants in order to gain market share while trying to survive in a growing competitive environment. The same is true for all the other companies striving to achieve growth by introducing new quality products aimed at gaining market share from competitors (Kirchhoff, 1994). In this framework, the launch of a new product can be regarded as an outcome of a strategic product management, where new product development can be affected by quality attributes of existing products with aim to gain competitive advantage. As a whole there is a partial positive relationship between product features and performance of SMEs (Nasiruddin, 2011).

### **Methodology**

Descriptive statistics was used to analyze quantitative data. Descriptive statistics provides for meaningful distribution of scores using statistical measures of central tendencies, dispersion and distribution (Kothari, 2008). To permit quantitative analysis, data was converted into numeric codes representing attributes or measurements of variables. It was important that coding should include as much information as possible because once the coded data is entered into the computer, it is impossible to recover any details, which were omitted (Mugenda & Mugenda, 2003). Generalization was then done from the themes about the phenomena in question and interpreted in the light of the available literature (Kumar, 2005). Qualitative analysis is important

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since it supplements the quantitative analysis to create a better framework to the interpretation of the findings (Kothari, 2008). Inferential statistics using correlation and multiple linear regression models was undertaken.

Regression analysis was calculated using the following regression models:

$$1. y = \beta_0 + \beta_1x_1 + e$$

$$2. y = \beta_0 + \beta_2x_2 + e$$

$$3. y = \beta_0 + \beta_3x_3 + e$$

$$4. y = \beta_0 + \beta_4x_4 + e$$

$$5. y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + e$$

$$y = \beta_0 + \beta_1x_1 * x_5 + \beta_2x_2 * x_5 + \beta_3x_3 * x_5 + \beta_4x_4 * x_5 + e$$

to answer objective 5 the moderated regression equations will be as above

Where;

Y= is Growth of SMEs (Sales revenue, No. of employees and ROI)

X<sub>1</sub>=is the Promotion Strategies

X<sub>2</sub>= is the Product Strategies

X<sub>3</sub> is Pricing Strategies

X<sub>4</sub> is Distribution Strategies

X<sub>5</sub> is the Entrepreneurial orientation which will be 1 if present and 0 if absent.

$B_0$  is a constant which is the value of dependent variable when all the independent variables are 0.

$\beta_{1-n}$  is the regression coefficients or change induced by  $X_1, X_2, X_3, X_4$  and  $X_5$  on  $Y$ .

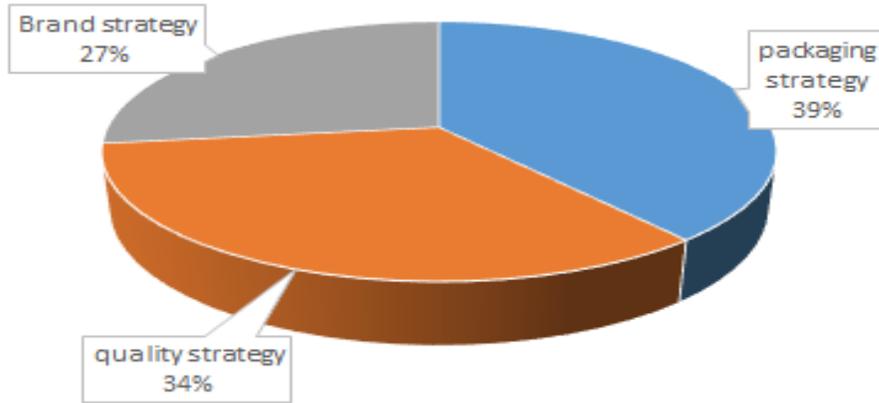
It determines how much each ( $X_1, X_2, X_3, X_4$ ) separately and with inclusion of  $X_5$  contribute to  $Y$ .

$e$  is the error of prediction.

### Findings of the study

According to the findings, majority (39%) of the respondents adopted packaging strategy, 34% of respondents adopted quality strategy and 27% of respondents adopted branding strategy.

The product development strategies in marketing include; branding, packaging and product quality. Further Krishnan and Ulrich (2001) defined product development as the transformation of a market opportunity and a set of assumptions about product technology into a product available for sale. According to Ebrahim et al. (2010), managers of firms in developing countries should consider the main factors in NPD. This next to process issues includes customers demand (people) and technology features. Ebrahim et al. (2009) avers that people and process are more important in a virtual team than technology. Nasiruddin (2011) also indicated that there was partial positive relationship between product features and growth of SMEs. Fast changing technology and new market situations have forced businesses to be more innovative and apply strategy of change with continuous innovations of their products.



**Figure 1: Product development strategies adopted**

**CORRELATION BETWEEN PRODUCT INNOVATION STRATEGIES AND GROWTH OF WATER BOTTLING SMES**

According to the findings, branding is significantly and positively correlated with employees’ growth with coefficients of 0.239 and p values of 0.023. This therefore confirms the power of branding of goods.

Product quality is positively and significantly correlated with employees’ growth with coefficients of 0.225 and p values of 0.033. This therefore indicates that customers are able to differentiate the quality of bottled water. Packaging is not significantly correlated with employee growth variable which may be explained by the fact that there was no significant difference of packaging material or design of bottles and most of the SMEs buys standard bottles from the same suppliers.

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Table 1: Correlation between product innovation strategies and employee growth

Correlations		Branding	packaging	product quality	product innovation strategies	Employees growth
branding	Pearson Correlation	1	.443**	.573**	.829**	.239*
	Sig. (2-tailed)		.000	.000	.000	.023
	N	90	90	90	90	90
packaging	Pearson Correlation	.443**	1	.674**	.797**	.057
	Sig. (2-tailed)	.000		.000	.000	.593
	N	90	90	90	90	90
product quality	Pearson Correlation	.573**	.674**	1	.894**	.225*
	Sig. (2-tailed)	.000	.000		.000	.033
	N	90	90	90	90	90
Product innovation strategies	Pearson Correlation	.829**	.797**	.894**	1	.222*
	Sig. (2-tailed)	.000	.000	.000		.035
	N	90	90	90	90	90
Employees growth	Pearson Correlation	.239*	.057	.225*	.222*	1
	Sig. (2-tailed)	.023	.593	.033	.035	
	N	90	90	90	90	90

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

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**Correlation between product innovation strategies and sales growth**

According to the correlation matrix of product innovation strategies and growth of water bottling SMEs, specifically the matrix indicates that, Branding and product quality are significantly and positively correlated with sales growth with coefficients of 0.242, and 0.223 with p values of 0.21, and 0.035 which is less than p value 0.05. This therefore confirms the power of branding of goods and that customers are able to differentiate the quality of bottled water. Packaging is not significantly correlated with sales growth variable which may be explained by the fact that there was no significant difference of packaging material or design of bottles and most of the SMEs buys standard bottles from the same suppliers.

**Table 2: Correlation between product innovation strategies and sales growth**

Correlations		branding	packaging	product quality	product strategies	sales growth
Branding	Pearson Correlation	1	.443**	.573**	.829**	.242*
	Sig. (2-tailed)		.000	.000	.000	.021
	N	90	90	90	90	90
packaging	Pearson Correlation	.443**	1	.674**	.797**	.058
	Sig. (2-tailed)	.000		.000	.000	.588
	N	90	90	90	90	90
product quality	Pearson Correlation	.573**	.674**	1	.894**	.223*
	Sig. (2-tailed)	.000	.000		.000	.035
	N	90	90	90	90	90
product strategies	Pearson Correlation	.829**	.797**	.894**	1	.223*
	Sig. (2-tailed)	.000	.000	.000		.035
	N	90	90	90	90	90
sales growth	Pearson Correlation	.242*	.058	.223*	.223*	1
	Sig. (2-tailed)	.021	.588	.035	.035	
	N	90	90	90	90	90

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

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Correlation between Product Innovation strategies and ROI growth

From the findings, branding, packaging and product quality are not significantly correlated with the growth variable of ROI.

Table 3: Correlation between product innovation strategies and ROI growth

Correlations		branding	packaging	product quality	product strategies	ROI
branding	Pearson Correlation	1	.443**	.573**	.829**	-
	Sig. (2-tailed)		.000	.000	.000	.168
	N	90	90	90	90	90
packaging	Pearson Correlation	.443**	1	.674**	.797**	-
	Sig. (2-tailed)	.000		.000	.000	.053
	N	90	90	90	90	90
product quality	Pearson Correlation	.573**	.674**	1	.894**	-
	Sig. (2-tailed)	.000	.000		.000	.066
	N	90	90	90	90	90
product strategies	Pearson Correlation	.829**	.797**	.894**	1	-
	Sig. (2-tailed)	.000	.000	.000		.120
	N	90	90	90	90	90
ROI	Pearson Correlation	-.168	-.053	-.066	-.120	1
	Sig. (2-tailed)	.114	.617	.539	.258	
	N	90	90	90	90	90

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

### Summary of Findings

The linear regression model shows a weak  $R^2 = 0.215$  and adjusted  $R^2 = 0.203$  which means that 21.5% change of growth of water bottling can be explained by a unit change of product innovation strategies. However, this improves to 27.4% when moderated by entrepreneurial orientation. The study found that generally SMEs used technology, customer based and brand based product technologies evenly. Slight majority though preferred technology based product strategies at 39%. The study is in line with Nasiruddin (2011) who indicated that there was partial positive relationship between product features and growth of SMEs. The product development strategies in marketing include; branding, packaging and product quality. Further Krishnan and Ulrich (2001) defined product development as the transformation of a market opportunity and a set of assumptions about product technology into a product available for sale. The study also found that branding was key in marketing with majority of SMEs branding products based on target customers. Market research on branding was evenly conducted by consultants 39%, on their own 34%, by their employees 27%. Most SMEs (95%) also perceived that branding had impacted positively the growth of their business

The study findings are in line with those of Webster and Keller (2004) who draw guidelines for successful industrial brands. They argue that the role and importance of branding should be tied directly into the industrial marketer's business mode and be sure that the basic value proposition has relevance for all significant players in the decision making process. A study by Eggers, O'Dwyer, Kraus, Vallaster & Guldenberg (2013) undertaken in 285 German SMEs which aimed to establish the impact of brand authenticity on brand trust and SME growth confirmed that brand consistency and congruency foster brand trust, which in turn drives SME growth. It was

also established that it is not about whether business communications are perceived as authentic; it is about whether the company as a whole is perceived to be authentic.

On what packaging play in product, most of the of respondents indicated protection from damage. The study findings are in line with those of Lunardo & Guerinet (2007) who stated that in addition to the traditional packaging roles of protection from damage during transit, extension of shelf life and innovations in product dispensation, packaging can influence consumer perceptions and make a significant contribution to the product's brand equity. Packaging is what consumers see first in this marketing end game and will be a key differentiator of products in the near future. It was found out that packaging design also influenced the buying decision of their customers

The study found that most SMEs value quality in product development as it enhances sales. This is exhibited in acquisition of KEBS marks. These findings concur with Oakland (2004) who found that both large and small, production and service, and public and private organizations have made commitments to quality initiatives like total quality management (TQM) by making it fundamental to their growth. Quality also has positive influence on growth and industrialization of an organization and economic development in general (Wanjau, Gakuure & Kahiri, 2010). Increasing product quality also results in higher profits as productivity and market share are improved (Gupta, 2004).

### Conclusion of the study

According to the findings, for viral marketing, it is important for the client to have a personal benefit to forward the marketing message, which is lacking in small and medium water bottling SMEs, which make it unsuccessful. Personal selling where businesses use people (the "sales force") to sell the product after meeting face-to-face with the customer, promote the product through their attitude, appearance and specialist product knowledge, method of promotion is still practice by water bottling SMEs in Kenya despite it expenses.

The product development strategies in marketing which include branding, packaging and product quality are practiced by the water bottling SMEs. They have used consultants, self and employees to come up with these strategies. The strategies are technology based, customer based and brand base which are employed by the water bottling SMEs with varying success across the firms. Firms which are able to successfully utilize the strategy have being able to growth their firms. Targeting of customers is the highest consideration in branding, and consultants are mostly used to develop brand name of the water products. Brand names have positively impacted growth of these firms.

Packaging is mostly used to protect goods from damage and to a lesser extent to resonate with customers, and has greatly influence the buying decisions of their customers and hence sales growth. Product quality features include KEBS, diamond mark of quality and ISO marks, most water bottling firms prefer KEBS mark as it resonate more with customers, and are sign of the firm's commitment to quality. Benefits of quality includes sales, pricing and brand royalty and it was found necessary for water bottling SMEs to invest in quality to positively sales and hence growth of their firms. To further enhance product quality and expand the market share it is

recommended that SMEs must create a culture that is conducive to and supportive of quality implementation. SMEs also need to embrace the tenets of entrepreneurship notable risk taking and bold decision making as entrepreneurial orientation plays a major role in supporting growth of enterprises. Water bottling SMEs should make bold decisions when faced with uncertainty on returns, innovate, take significant risks in their competitive strategies and product market and seek new business opportunities in a proactive manner.



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