Product Innovation and Performance of a Kenyan Medium Sized Company

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Abstract

Innovation has been touted to be the central catalyst of entrepreneurship. This view has dominated research in start-ups as well as small and medium enterprises. Therefore, the relationship between innovation and firm performance has been a subject of interest to many researchers and policy makers. Through a longitudinal approach, this study investigated the influence of product innovation on the performance of Haco Tiger Brands, a medium sized fast-moving consumer goods (FMCG) company in Kenya’s East Africa market. The study looked at the product innovation activities within the company for a period of 7 years for a total of 35 products across the five major brand categories of the company. Using a secondary data capture form, data on sales revenues for both the company and innovated products for the past 7 years was obtained. Data on the innovated products launch time and type of innovation was also obtained. Using time series and linear regression analysis, the results indicate that the total company sales revenues less innovation grew at a slower rate of 50% as compared to growth when product innovation sales revenues were included in the total company sales revenues accounting for a faster sales growth rate of 76%. The influence of product innovation on performance was statistically significant (p<0.05) accounting for 92.19% variation in performance. These findings provide irrefutable empirical basis that product innovations have significant revenue growth rates, hence the need for managers of medium sized companies to invest in research and development to sustain product innovation and spur growth. The results sit well within theory and other empirical studies with additional contribution to methodology. Based on the study limitations, further areas for research have been suggested.

Key Words: Product Innovation, Performance, Fast Moving Consumer Goods Company, Haco Tiger Brands

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Introduction

The relationship between innovation and firm performance has been a subject of interest to many researchers and policy makers. Many studies suggest a close link between innovation and revenue growth (Nelson and Winter, 1982; Aghion and Howitt, 1992; Klette and Griliches, 2000; Klette and Kortum, 2004). However, there are various other scholars who have concluded that successful innovation does not appear to have significant effect on growth rate of sales (Geroskiet al., 1997; Bottazziet al., 2001; Del Monte and Papagni, 2003; Loof and Heshmatt, 2006). Those with this view argue that for there to be a significant contribution to company revenues, introduction of new products or processes must be timed well because some products have a slower market acceptance despite there being a need or gap for them and that the innovations must be rapidly accepted if innovation is to impact on firms’ profitability. Despite this varied view, researchers seem to agree that proper implementation of innovation does have a positive impact on firms’ performance.

Wheelwright and Clark (1992) cite innovation as the key to the success of any business. They argue that in the ever-changing business environment and with the globalization of markets any company needs to innovate to continue being in business. They argue that the essence of innovation for any company is to gain competitive advantage on the long term which normally results in sustainable company profits. Other scholars (Del Monte and Papagni, 2003) differ with this view arguing that companies can innovate and still not grow their revenues. They highlight factors such as proper timing of product launches or new introductions and acceptance of the new product by the target consumer as the drivers to revenue growth.

An innovation is any new or significantly improved product that a firm first develops or those that a firm adopts from other firms or organizations which result to commercial value (profit). Product innovation therefore means introducing new products or services (Polder et al, 2010). The product must either be new or significantly improved with regards to its features or components. Product innovation can also refer to change in product design that changes how the product is used or how it looks like (its characteristics) (OECD, 2005).

Companies engage in different types of product innovation. In the current market setting, consumers are more knowledgeable and hence demand certain things from producers of goods and services. This means that the new products must be developed according to customer needs (Olson et al. 1995). Products also have life cycles that are short and hence the need for firms to innovate to ensure that their products do not die (Duranton and Puga, 2001) and remain relevant to their customers. The other way that firms innovate is by modifying the existing product (renovate) or introduce new products altogether (Adner and Levinthal, 2001).

Fast Moving Consumer Goods (FMCG) companies are companies that sell products which are consumed frequently. Such products include perishable products such as food, beverages, hair care, skin & body care, and cleaning products and non perishables such as consumer electronics (Brierley, 2002). These products are mostly branded and packaged and are targeted to the mass market. They are available in retail outlets such as hypermarkets, super markets, grocery store and kiosks. Given their nature, the frequency of purchase range from daily, to weekly, to monthly, to annually
and over several years (non perishable goods) (Majumdar, 2004). Typical consumers of FMCG are any persons with a consumption need, who although make up majority of the population, are very price sensitive.

According to Kavitha (2012), Kenya’s FMCG market is one of the major drivers of the country’s economy. Euromonitor (2014) estimates the FMCG market in East Africa at USD 6.6 billion in value. The players in this sector are both local and international companies although the multinationals dominate. KPMG listed EABL as the top beer company. Coca Cola leads in the soft drinks category, Unilever in personal care and Reckitt Benckiser in Home care (KPMG, 2014). Strong local players include Bidco, which is both in foods and detergents; Inter Consumer Goods whose popular hair care brand Nice and Lovely has now extended into skin care; Haco Tiger Brands the number one pen brand manufacturer and also plays in home care and personal care categories. Since FMCGs are generally similar within categories, retailers have to compete on the basis of price, making competition fierce which impacts on company margins. As a result, companies that are not efficient end up being pushed out of business. At the end, companies are forced to offer value added products by being innovative so as to survive this stiff competition.

Haco Tiger Brands (HTB) East Africa was established in the early 1970’s with the name Haco Industries as a single product manufacturer. From its humble beginnings Haco Tiger Brands has since grown into a diversified and strong player in the FMCG sector in East Africa and COMESA markets. Beginning with stationery and shaver products, Haco diversified its operations into personal and home care products in the mid 1990s. Principal to this process were international partners such as Societe Bic France, Pro-line International Inc. USA, Alberto Culver Inc. USA, E.T. Browne Drug Company Inc. USA and Jeyes Plc. UK.

In 2008, HTB entered into a joint venture partnership with Tiger Brands Limited, one of the largest manufacturers of fast moving consumer goods (FMCG) products in South Africa. Tiger Brands is one of the top 40 listed companies in the Johannesburg Stock Exchange (JSE) with a proud record of solid financial performance over several decades. It has a distribution network that now spans more than 22 African countries. Today HTB is one of the region’s leading FMCG manufacturers, supplying a wide range of products to the entire Eastern Africa (Uganda, Tanzania, Rwanda, Burundi & Ethiopia) and COMESA markets.

The introduction of Miadi marked the first specially tailored products to be launched from Haco Labs, the company’s Research and Development division. The launch also came as the culmination of Haco’s 20 year plus involvement in the hair-care market, associated with leading international brands such MOTIONS and TCB. With the mission of “Adding Value to Life” HTB continues to pursue its vision of being “The Most admired branded FMCG company in Eastern Africa”.

Competition within the FMCG sector continues to intensify and the Kenya customer has become more demanding with expectations that keep changing. Product life cycles have also become much shorter as compared to the past. Products are maturing faster than before hence the need to innovate often if firms are keen to continue being profitable. In the backdrop of this reality, innovation has always been part of how HTB conducts business. However it was not until the year 2008 that HTB made innovation its key corporate agenda. A new product development
(NPD) team was formed, a team which comprised of members from manufacturing, R&D, logistics, finance, sales and marketing. This cross functional team was mandated by the organization to oversee all NPD projects to help re-launch existing brands and innovate on new ones. By 2010 HTB’s management incorporated innovations as a key thrust of driving growth of the business. This was to be done in 3 ways. The first was entry into new categories to generate new additional revenues, which was to be pursued by innovating on new products or carrying in products from Tiger Brands SA and introducing them into the Kenyan market. The second way was through renovation of the core brands that existed in the Kenyan market but needed significant pack upgrade and formulation change to drive and sustain consumer appeal as a result of changing trends and tastes. Third and lastly was through green field projects that required capital expenditure (CAPEX) to enable local manufacturing.

Haco Tiger Brands has been actively innovating in the past seven years. Some products have been successfully developed and launched; others have been launched and failed while others are still in the innovation pipeline awaiting full development before launch. To date HTB continues to innovate and grow its product portfolio beyond what it has always been known for, the BIC pen. Haco has significant market shares across the hair care, skin care, fabric care, toilet care, baby nutrition and foods. Despite HTB’s ability to launch innovative products and existence of an active innovation pipeline, there is need for Haco Tiger Brands to evaluate if these innovation efforts are really yielding profits and leading to business growth.

Based on the previous studies, companies can innovate, and either be profitable or have no impact on revenues. Many research studies in Kenya have focused on innovation strategies and how these strategies help different Kenyan companies perform. Most studies have focused on banking and telecommunication sector. Letangule and Letting (2012) for instance studied the effect of innovation strategies on performance of firms in telecommunication sector in Kenya. The study looked at different types of innovation and how they impact the performance of firms specifically in the telecommunication industries. Others such as Mwenje (2012) looked at product innovation as a competitive strategy in Barclays and Kemoli (2012) studied strategic innovations & performance of commercial banks listed in the NSE. These two studies revealed that a strong positive relationship exists between innovation strategies and organizational performance. Not so much effort and attention has been expended to analyse how product innovation impacts company performance in the FMCG sector where innovation is a constant requirement.

Based on the aforementioned studies, and with this view, it is clear that companies engage in innovative activities with the main purpose of improving their performance by growing revenues. Different companies have adopted innovation in different ways such us implementing innovation strategies to help them compete better. Many of these organizations lack proper measures that can be used to conclude that innovation or innovative activities influence company performance holds. Haco Tiger Brands in particular has launched into the Kenyan market new products with some succeeding while others failing. It is, therefore, important to interrogate whether HTB’s innovation efforts actually yielded additional revenues for the company as perceived or the efforts have just been part of the usual business activities. Within this backdrop, what is the influence of product innovation on performance of Haco Tiger
Brands East Africa? It was, therefore, the objective of this study to determine the influence of product innovation on performance at Haco Tiger Brands.

Organizational performance refers to the analysis of a company’s performance as compared to its goals and objectives (Dawes, 1999; Harris, 2001). Within corporate organizations, there are three primary outcomes analyzed: financial performance, market performance and shareholder value (Business dictionary). Organization performance is usually reflected in the annual sales and profits generated by the firm. Organizations measure performance in various ways but measuring financial performance is key in determining company profitability. According to Gopalakrishnan (2000) financial measures include increase in profit, return on investment and return of assets.

Organizational performance can also refer to achievement of an enterprise based on a certain criterion (Machuki and Aosa, 2011). These two scholars view organization performance as an indicator of the organization’s effectiveness. They also argue that measuring organizational performance can pose a challenge but common measures such as earnings per share and share holder value analysis can be used to measure performance. This paper, however, focused on annual net sales revenue as a key indicator of organizational performance by specifically looking at the revenue generated from innovation in relation to total company revenue.

**Theoretical and Empirical Literature**

The traditional ways of staying ahead of competition are no longer sustainable forcing organizations all over the world to find new and better ways of doing business (Tidd 2001). Evolving technologies, explosive industrial growth in some sectors and global recession are cited as the main reasons for this change (Wheelwright and Clark, 1992). The Schumpeterian approach of simply producing a given set of goods or employing a given set of inputs and processes is not enough. Companies must ensure that products are adopted and accepted by the key consumer as argued by Rogers (1962) in his diffusion of innovation theory. To be successful over a long period of time, firms must develop the ability to innovate and then to profit from that innovation (Nelson, 1991). This study was based on these theoretical anchorages as a guide to understanding innovation.

To date scholars have not found dominant innovation theories that explain the ability of a company or person to innovate. Most researchers have based their research on Schumpeter’s (1991) entrepreneurship theory and Rogers’ (1962) diffusion of innovation theory. Both theories form a strong base of research in this area of innovation. How innovations are received and adopted affect the companies’ earnings from such innovation activities since acceptance or rejection of new products is determined by adoption by targeted consumers.

The diffusion of innovation theory finds its origin in communication and explains how, over time, an idea or product gains momentum and diffuses into a social system. The end result of this diffusion is that people, as part of a social system, adopt a new idea, behavior, or product. By people perceiving an idea, behavior or product as new (innovation) they adapt to it. The theory further explains that this adoption is not simultaneous, some people adopt more than others within the same social system. According to this theory, how people adopt these innovation varies. The
adopter categories include the innovators who are usually the first to develop ideas and are willing to take risks; there are the early adoptors who are mainly opinion leaders. This lot is aware of the need to change are comfortable to adopt to new idea – they don’t need convincing. Then there are the early majority who need evidence of the innovation work and are mostly the average person. The late majority are very skeptical and will only adopt to new innovation after it has been tried by the majority. The last category is the laggards who are very traditional and conservative. They don’t like to change and are the hardest to convince.

It is important that researchers understand the characteristics of the target population to fully comprehend how that impacts on adoption of any innovation. In measuring the impact of innovation on performance of different companies, various factors must be evaluated within a defined set up. This theory will be a good basis of the research in examining these different variables. Like many theories, this is not without its limitations. Key to note is that this theory works better with adoption of behaviors rather than cessation or prevention of behaviors and doesn’t take into account an individual’s resources or social support to adopt the new behavior (or innovation).

Innovation is viewed differently by different people and organizations but most scholars generally agree to three schools of thought. The first is the market-based view of innovation which explains that the market conditions provide the context which facilitate or constrain the extent of firm innovation activity (Slater & Narver, 1994; Porter, 1980, 1985). The other school of thought is the resource-based view. In this school of thought, the firm focuses on the firm’s own resources to provide a much more stable context in which to develop its innovation activity, and to shape its markets in accordance to its own view (Tidd et al., 2001; Shavinina, 2003; Patel & Pavitt, 2000) and the last school of thought views innovation as a result of luck and good fortune thus serendipity. In this view, firms stumble on certain innovation while busy innovating on others attributing their success to luck or good fortune.

Various models have been adopted to demonstrate the process of innovation. Earlier traditional models of technology push and market pull were popular in the 1960s and 1970s (Trott, 2008). Over time and given the changing technologies, linear representations of innovation failed to capture all the effects in the innovation process such as the external environment. Organizations which are serious about commercialization of their innovation need to therefore adopt better models. This is because introduction of new ideas is not a guarantee of profitability. Del Monte and Papagni (2003); Loof and Heshmatt (2006) argue that other factors within the environment such as timing and slower market acceptance affect how people adopt to these new introductions. It is important to note that different groups of people within the same environment adapt to new things at different times (Rogers, 1962) and this means that market share growth increases with more people adopting the new product or service. This also means that, if people do not adapt to new introductions, then the innovation may fail.

Most organizations use financial performance as a way of measuring the effect of innovative activities (Loof, et al., 2002; Bessler, et al., 2008). Apart from this measure, there are other innovation metrics of measuring the influence of innovative activities on an organization’s performance. One way of measuring innovation effectiveness is by looking at the number of new product introductions into the market within a defined period of time, usually annually.
Hitt et al. (1996) cite new product announcements as an indicator of innovativeness of a company. There is also a positive relationship between new product announcements and patents (Devinney 1993). Organizations must however be cautious when using this measure as most press releases on new products originate from marketing departments and little or no screening appears to be undertaken. Success or failure of launched products can help an organization measure how effective their innovation is. Not all innovation succeeds. The process of idea screening and feasibility testing filters ideas leaving those viewed as viable for development and launch. Some of these succeed while others fail. Failure and success of a product is part of the innovation process and companies must learn from both if innovation is to matter.

Another way of measuring innovation is by looking at the total number of projects in the innovation pipeline awaiting commercialization. An active pipeline is an indicator of an organization’s commitment to looking at ways of adding value to the existing products or providing new offerings into the market (Mankin, 2007). The research and development team can work on product improvements or new products. This can help in faster introduction into market once a need is identified. The final way an organization can gauge its innovativeness is by their ability to commercialize faster commonly referred to as speed to market. Tidd, Pavitt and Bessant (2001) cite speed of innovation as the differentiating factor between innovative companies and those that are not. The first mover advantage plays a critical role in setting an organization apart from its competitors. Organizations that are fast to launch are viewed as the originators whereas those that follow are viewed as imitators. With this in mind, it is clear that measuring innovation effectiveness on a global perspective can be quiet elusive. This however does not mean that it is impossible.

As earlier discussed many scholars have attempted to link innovation to firm performance. The relationship between innovation and firm performance has been a subject of interest to many researchers and policy makers. Most studies have reported a positive relationship between innovation and firm performance (Loof, et al., 2002; Bessler, et al., 2008). Performance was measured using sales and export revenues, return of assets and productivity. These were measured in relation to sell of new products by their employees, employee growth and operating profit. Other researchers have found a positive relationship between innovation output and sales growth but no evidence that relates innovation output and employee growth (Klomp and Leeuwen 2001).

Other researchers have looked at the innovation process and channels as a way of realizing better performance (Crepon, et al., 1998; Hall, et al., 1998; Loof, et al., 2002; Kemp, et al., 2003; Loof, idr., 2006; Bessler, et al., 2008). The different stages in the innovation process are able to help an organization better commercialize their products enabling them to realize profits from those products. The sequence flow of process from the decision to innovate to innovation output is cited as what links innovation activities to positive firm performance (Crepon et al. 1998). OECD reports point out decisive and rapid innovation by organizations as a key contributor to higher productivity and incomes. Such companies also enjoyed better qualified workers, they paid higher salaries and provided better future plans for their employees (OECD Oslo Manual, 2005). This research differs from others that look at market share and profitability as measures of innovativeness to productivity and efficiency.
McAdam and Keogh (2004) in their research found out that firms which are more inclined to innovation enjoy a competitive advantage despite the competitive environments they operate in but other scholars looked at proper timing and product acceptance as a proper way to measure the contribution of innovation to performance (Geroski et al., 1997; Bottazzi et al., 2001; Del Monte and Papagni, 2003; Loof and Heshmatt, 2006).

A lot of research has been done in the area of innovation and firm performance. Positive company performance (Derfus et al., 2008; Ferrier et al., 1999, and Young et al., 1996) has been linked to a firm innovativeness (Roberts and Amit, 2003). Most of these studies have however concentrated in developed or mature markets. This is mostly because in mature markets, individual companies must find ways to manage their business given the competitive business environment. A lot of maturing or developing markets lack satisfactory research on this area.

Most scholars agree that innovation does influence company performance. The key enablers of innovation from the reviewed literature include proper use of the innovation process, decisive and rapid innovations, measuring innovation efforts, an innovative culture and proper timing during introduction of new products. Sales revenue growth is cited as the major result of these innovation activities. This research will look at these influencers in relation to innovation and their influence on firm performance.

**Methods**

This research used longitudinal study design. The study analyzed the impact of innovation on company performance by empirically examining product innovation activities at Haco Tiger Brands using longitudinal data from a cross section of product brands that have been innovated or renovated over a period of seven years.

Longitudinal study was the best design for the research because it allowed an in-depth analysis of innovation and performance elements at Haco Tiger Brands. Because of its nature, the design allowed for year on year capturer of data and analysis, which made it easier for the researchers to observe change in performance implications of product innovation over the specified period of time. Longitudinal studies require enormous amounts of time and are often quite expensive to carry out. However, this was not a disadvantage to this research given that there was secondary data for the study period. Accessing data did not pose a challenge because the data required was documented in Haco Tiger Brands’ financial records and sales reports. There was also no cost incurred in accessing this data.

The study made use of secondary data, which were collected from secondary sources by use of secondary data capture form. This form detailed all the product innovations at Haco Tiger Brands and when they were introduced into the market. It also captured revenues generated from these innovations in relation to total company revenue. The review of secondary data spanned seven years from 2010 through to 2016 and was from filed financial and sales reports.

Collection of secondary data using the secondary data capture form was appropriate for the study mainly because it was the most feasible method for this type of study (longitudinal study) that usually covers a period of time. This
method was also time saving because the needed information already existed and was quickly and conveniently accessible. Unlike in the past where long hours were spent analyzing physical books, most of the information needed for this study was found on the Oracle system saving lots of time for collecting data. The researchers lacked control over the quality of data, but Haco Tiger Brands guaranteed the quality of the data shared hence this disadvantage of the method was overcome.

The study used linear regression analysis to identify and spot patterns on trends with regards to innovation and performance at Haco Tiger Brands. Collected data were first checked to ensure completeness and consistency. The data were then analysed using Mini Tab to bring out the trend of innovation revenues and company sales over a period of seven years. Charts and graphs were used to show growth trend of revenue generated from innovation over the past seven years. Analysis of revenue impact on total company sales was also analysed over the same period to establish whether the relationship was statistically significant.

Trend analysis was also used to show past trends which are useful for predicting the future outlook of an organization’s performance, identifying unexpected variances that may indicate strategic or operational changes or entity weaknesses worthy of additional exploration and analysis.

**Findings**

The study started by examining the broad categories within which the several brands fall. It was established that Haco Tiger brands has a broad brand portfolio in stationery, shavers, hair care, skin care, home care and foods. A total of 35 products made up the list of all the innovations carried out by the company for the past seven years. The locally manufactured products accounted for 44% whereas 56% were carry in products from within the Tiger Group companies from 6 countries across Africa or through contract manufacturers. Revenue contribution from locally manufactured products were significantly higher at 79% than that from the carry ins at 21% (Figure 1), an indication that perhaps locally manufactured goods give better margins as compared to those being imported from other Tiger Group companies. Out of the 35 products innovated, the carry in brands were the most (56%) yet the revenue contribution was lower than the locally manufactured products.
The study also looked at the revenue growth year on year from 2010 to 2016. From the analysed data and as shown in Figure 2, innovation revenues for Haco Tiger Brands doubled for the period between 2010 and 2016. From just under 200 million in 2010, HTB now enjoys revenues of over 0.5 billion from innovation products. There is a clear upward trend and although the growth seemed to have stagnated in financial year 2011/2012, there was a leap in 2013 where innovations sales revenues grew by a significant 4%, the highest annual growth since 2010.
The study’s main objective was to establish the effect of product innovation on the total company sales. Table 1 summarizes the revenues generated for the past 7 years. Contribution from innovation products grew from 10% in 2010 to 18% in 2016, an indication that revenue generated from innovation had influenced growth of Haco Tiger Brands.

**Table 1: Contribution of Product Innovation to Company Sales**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Company NSR (Kshs)</th>
<th>Innovation Brands NSR (Kshs)</th>
<th>% Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,981,232,337.30</td>
<td>200,752,665.30</td>
<td>10.0%</td>
</tr>
<tr>
<td>2011</td>
<td>2,656,614,988.40</td>
<td>282,095,149.00</td>
<td>11.0%</td>
</tr>
<tr>
<td>2012</td>
<td>2,863,940,189.70</td>
<td>296,973,949.30</td>
<td>10.0%</td>
</tr>
<tr>
<td>2013</td>
<td>2,909,522,992.80</td>
<td>419,505,791.00</td>
<td>14.0%</td>
</tr>
<tr>
<td>2014</td>
<td>3,381,152,252.00</td>
<td>554,776,176.20</td>
<td>16.0%</td>
</tr>
<tr>
<td>2015</td>
<td>3,698,135,275.63</td>
<td>606,786,442.72</td>
<td>17.5%</td>
</tr>
<tr>
<td>2016</td>
<td>3,803,796,283.50</td>
<td>624,123,198.23</td>
<td>18.0%</td>
</tr>
</tbody>
</table>

Source: Haco Tiger Brands Annual Sales reports
The results in Figure 3 show the growing contribution of revenue streams from product innovations in relation to the total company sales. As compared to 2010, the contribution was lower but moving towards 2016, there was significant revenues coming through from innovation, faster than the company sales growth. Table 2 gives an in depth understanding of the relevance of innovation to total company sales. The total revenue growth without innovation was 50% compared to 76% when product innovation revenues were included. This is an indicator that innovation activities within Haco Tiger Brands have added value in terms of revenue growth for the past seven years. From Figure 3, it seems clear that the company has grown its revenues in general from 1.9 billion in 2010 to 3.8 billion in 2016. Therefore, innovation accelerated this growth and helped the company grow its total sales revenue faster.

*Figure 3: Seven years trend contribution of innovations verses company sales*

Source: Haco Tiger Brands Annual Sales reports
Table 2: Revenue growth 2010 - 2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Company NSR (000, Kshs)</th>
<th>Innovation Brands NSR (000, Kshs)</th>
<th>TT company less innovation (000, Kshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,982.00</td>
<td>201.00</td>
<td>1,781.00</td>
</tr>
<tr>
<td>2011</td>
<td>2,657.00</td>
<td>283.00</td>
<td>2,374.00</td>
</tr>
<tr>
<td>2012</td>
<td>2,864.00</td>
<td>297.00</td>
<td>2,567.00</td>
</tr>
<tr>
<td>2013</td>
<td>2,910.00</td>
<td>420.00</td>
<td>2,490.00</td>
</tr>
<tr>
<td>2014</td>
<td>3,382.00</td>
<td>555.00</td>
<td>2,827.00</td>
</tr>
<tr>
<td>2015</td>
<td>3,699.06</td>
<td>607.03</td>
<td>3,092.03</td>
</tr>
<tr>
<td>2016</td>
<td>3,804.75</td>
<td>624.38</td>
<td>3,180.38</td>
</tr>
<tr>
<td>% growth 2010-2016</td>
<td>54%</td>
<td>76%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: Haco Tiger Brands Annual Sales reports

Data was also analyzed using Minitab data analysis software to establish if there was a relationship between innovation brands sales and total company sales. The analysis also set out to determine if product innovations had a statistically significant influence on company performance over the seven-year period that the study covered. Both the relationship and influence were tested at 95% level of significance (p<0.05). Figure 4 presents the summary of the outputs of the analysis.
The findings in Figure 4 show a perfect strong positive correlation and statistically significant correlation between total company net sales revenue (NSR) and innovation brands sales ($r=0.96$, $p<0.05$). This positive correlation indicates that when innovation sales revenues increase, the total company sales revenues also tend to grow. The results also show that influence of product innovations on company performance is statistically significant in which product innovations accounted for a very high variation in total company net sales revenue ($r^2=92.19$, $p<0.05$).

**Summary and Discussion of the Findings**

The objective of the study was to determine the influence of product innovation on performance at Haco Tiger Brands. It was established that Haco Tiger Brands had engaged in active product innovation for the past seven years and had introduced over 30 new products into the Kenyan markets. HTB did this through local manufacturing of some products and also by carrying in new products from other Tiger groups of companies. The carry in products (imported) were more than those that were locally manufactured, but the revenue generated from the locally manufactured products was significantly higher, meaning that they were most profitable.

*Source: Haco Tiger Brands Annual Sales reports*
Product innovation had a positive influence on the performance of Haco Tiger Brands. The study established that product innovation was relevant to the company as it contributed significantly to the sales growth of the company. This was by generating new additional revenue streams of over half a billion from innovation by 2016 up from under two hundred million in 2010. Product innovation also helped to accelerate total company sales revenue. The results showed that the total company sales revenues less innovation grew at a slower rate of 50% as compared to growth when product innovation sales revenues were included in the total company sales revenues accounting for a faster sales growth rate of 76%.

This study was anchored on the diffusion if innovation theory which explains how products gain momentum and diffuse into a social system. Product innovation contribution at Haco Tiger Brands seemed to have started slowly but steadily grew from a base of Ksh. 200 million in 2010 to over Ksh. 0.5 billion in 2016. The theory may explain the possible significant leap in innovation sales in 2013. In early 2010 as products were introduced, consumers may not have adopted to these new products immediately an explanation given in the theory. The theory explains how different people adopt to new things at different times. Conservative consumers for instance may have wanted to see proof that the products work and may have joined the bandwagon much later which may explain the revenue growth in years 2013/2014.

Del Monte and Papagni (2003); Loof and Heshmatt (2006) argue that other factors within the environment such as timing and slower market acceptance affect how people adopt to these new introductions. It is important to note that different groups of people within the same environment adapt to new things at different times. This could possibly explain the sudden leap in 2012 and the gradual upward growth trend of Haco Tiger Brands sales as seen in the earlier analysis. Rogers (1962) in his research explained that market share growth increases with more people adopting the new product or service. This also means that, if people do not adopt to new introductions, then the innovation may fail or the revenues from these innovations may be of no significance to the organization. From the data analyzed, product introduced into the market by Haco Tiger Brands appears to be accepted by the consumers but at slower rate with some products dropping off due to poor revenues generated.

Loof, et al., (2002); &Bessler, et al., (2008) reported positive relationship between innovation and firm performance. The study established that HTB’s innovation activities had a positive influence on company performance over the past seven years. It’s however important to note that whereas product innovation brought in new revenues to the business, the growth was slow but steady. Financial years 2011/2012 saw stagnation in innovation revenue growth with a sudden leap in 2013.

The study also established that product innovation had helped Haco Tiger Brands accelerate its growth. The total company sales revenue growth stood at 37% from normal revenues of the company’s brands. However, a significant 64% growth in sales revenues was accounted for when product innovation sales were included in the total company sales. Klomp&Leeuwen (2001) found a positive relationship between innovation output and sales growth. Their research established that companies experienced accelerated sales growth as a result of more output from
innovation. Haco Tiger Brands increased its product innovation outputs from 2010 to 2016 growing the list of new product introduction to 35 which accounted for over half a billion new revenue sales for the company. The product innovations grew faster than the company revenues leading to accelerated company growth.

Conclusion
It is clear from the study that Haco Tiger Brands has engaged in innovative activities for the past seven years by entering new product categories and also renovating some of its older brands. In just seven years, the over 30 new products introduced cut across all categories saw HTB grow its total sales revenues and double its annual sales revenues by 2016. Since 2010, product innovation sales revenues had an upward growth trend, an indication that perhaps these new product introductions gained acceptance in the market. Haco Tiger Brands had engaged in product innovation by launching 35 new products into the Kenyan markets. These products cut across several brand categories and were either locally manufactured or imported from Tiger group of companies across six African countries or through contract manufacturers. It is, therefore, concluded that product innovation had a positive influence on company performance. These findings support theory and previous similar empirical studies.

Recommendations for Policy and Practice
The study recommends that Haco Tiger Brands diversifies its local manufacturing capacity. From the research findings, the locally manufactured products delivered more revenue to the company and value to consumers as compared to the imported ones from other Tiger group of companies or contract manufacturers.

The study also recommends that Haco Tiger Brands investigates the performance of carry in products. From the research finding, most of these products generated the least revenue, yet they were the majority of the 35 innovated products over the past 7 years. This will help the business invest in innovation activities that add more value to the company and those that are relevant to the Kenyan consumer.

The study further recommends that Haco Tiger Brands adopts other ways of measuring innovation effectiveness within the company. From the study, HTB focused on annual total sales revenues and innovation sales revenues as a key measure of how successful these activities are to the company. The company can use other measures such as speed to market and success or failure of products launched into the market.

Limitations and Suggestions for Further Study
The study was limited to a specific measure of performance. Annual total sales revenue was used to measure performance of both product innovation and company sales. The study did not examine other measures such as failure or success of launched products and speed to market. The study suggests that future researchers conduct a similar study but incorporate other measures of performance. This will enable them effectively measure the effect of product innovation on company performance because the study will be wider and more conclusive.
The study was limited to the use of longitudinal approach in assessing product innovation influence on company performance. Other factors outside the defined study period and data availed may influence the research results. The study recommends that further research be done covering the same period beyond 2016 to understand the research finding in a wider context. This will bring out other factors that could have been missed in this research but could have influenced the research findings.

The study was limited to quantitative data from HTB’s financial and sales reports. There were no views collected from company employees with regard to how product innovation has impacted company performance. The study suggests that future research incorporate qualitative data by interviewing the staff and senior management at Haco Tiger Brands to incorporate their views into the research findings. This will help generate additional findings that may help in interpreting the research better.

References


