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## PRODUCT INNOVATION AND SALES PERFORMANCE OF CONSUMERS' GOODS MANUFACTURING FIRMS IN RIVERS STATE

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### Abstract

*This paper examined Product Innovation as it relates with Sales Performance of Consumers' Goods Manufacturing Firms in Rivers State. Product Innovation represents the independent variable and its dimensions are incremental innovation and radical innovation. Sales growth and repeat purchase were used as measures of Sales Performance. 316 copies of the questionnaire were retrieved and subjected to data analysis. Hypotheses were tested using the Spearman Rank Order Correlation Coefficient with the aid of SPSS Version 21. The results revealed that there is a strong positive relationship between product innovation and sales performance. It was concluded that there exist a strong significant positive relationship between product innovation and sales performance.*

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**Keywords:** *Product innovation, sales performance, sales growth, repeat purchase, incremental innovation, radical innovation*

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### INTRODUCTION

The most preferable strategy of developing a business is by making consumers requirements (wants, desires, needs, design) available and affordable within the localized manufacturing industries, based on the skills and resources available to the business organization, leading to the issue of core competence (Holmes & Hooper, 2000). According to Webster (2004) when products are based on such core competencies, they define the organization's value proposition in each target market and the organizations business strategy. Thus the business strategy adopted by an organization must be able to give it a competitive edge over other competitors in the industry. Launching new products in the market for the satisfaction of the consumers represents an important source of increasing the size of a business and the profits of a producer or a company. The success of introducing new products to the market is a critical issue of the current marketing programmes (McCole, 2011). New Products Development (NDP) speed is critical because products life cycles are shrinking and occurring more quickly than in the past while competition also has

intensified. Consequently, to grow, it has become imperative for firms to move new products to market faster. New products promote company growth and yield increased in sales and profit as well as improving the standard of living of the consumers when products are affordable and accessible. New product development is essentially a vital step that all firms must undergo for the sustainable wellbeing of the consumers.

Product innovation is always recognized as the basic to the success of most firms. Product innovation is the market introduction of products that is either new to the firm or the market and their sales performance has for many years been centered to the literature on innovation (Teece, 2014). This focus is more clarified since new products is a key factor in which firms can achieve new sales, improve their market shares with the primary aim of making profit and satisfying the consumers. However, research has shown that attempts to introduce new products often fail both in the technological search phase, and in the market introduction phase (Vande Vrande *et al.*, 2009). The technological and commercial uncertainty surrounding the introduction of new products into the market is considerable and may hinder companies from reaping sales from new product introductions, or may even hinder them from trying to innovate at all.

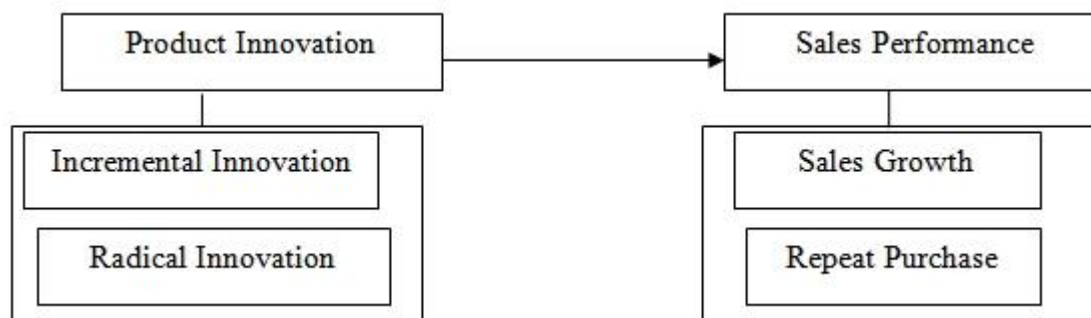
Moreover, some firms manage to invent new products successfully and reap high economic performance from doing so (Vande Vrande *et al.*, 2009; Clasen, 2013). Studies have examined different factors that promote product innovation and the sales performance of new products, such as marketing, external knowledge sourcing, research and development including firm size (Lauvesen & Salter, 2006).

The problem of product innovation and sales performance of consumer goods is that of affordability on the side of the consumer as well as failure to deal with change; based on the fact that many organizations do not use the myriad tools, techniques, perspectives and approaches to these ideas (Cooper, 2007). In this present economic environment where technological advances happen very quickly and products life cycle is cut short, firms need a strategy for new product development, but also need to know the factors that determine the market success of new products, for the taste, desire, need, satisfaction, durability, affordability of the consumer (Roerich, 2011). Moreover, studies indicate that the innovative organization is not less organized and more chaotic as some believe, but rather it is based on a fundamentally different system of organizing (Burns, 2014).

The purpose of this study is to investigate the correlation between product innovation and sales performance of consumer goods manufacturing firms in Rivers State. In view of this, the underlisted research questions are posed.

- To what extent does incremental innovation affect sales performance of consumer goods manufacturing firms in Rivers State?
- To what extent does radical innovation affect sales performance of consumer goods manufacturing firms in Rivers State?

**Figure 1: Conceptual Framework of the relationship between product innovation and sales performance**



Source: Desk Research, 2021

## LITERATURE

### Concept of Product Innovation

Innovation helps the company to deal with the turbulence of external environment and therefore, it is one of the key drivers of long-term success in business, particularly in dynamic markets (Baker & Sinkula, 2002; Darroch & McNaughton, 2002). What matters is that the firm chooses to pursue such innovations that most fit its strategies and available resources. Innovation is a process for creating and introducing something new, novel, or advanced with the intention of creating value or benefit (Kearney & Hisrich, 2014). Innovation has been measured in variety of ways in previous researches like the study of Madu (1992). His measures comprise of proactive and reactive characteristics of innovations. They are product, process and administrative innovations.

Product innovation takes place when a firm introduces a new product/service in the market (Carayannis et al., 2015). Product innovation is the development and market introduction of a new redesigned or substantially improved goods or services. It is the introduction of a good or services that is new or significantly improved with respect to its characteristics or intended uses. A new product concept is a statement about anticipated product features that will yield selected benefits relative to other products or problems solutions already available (Crawford & Benedetto, 2013). According to Belliveau et al. (2012), a new product is a product (either a good or services) new to the firm marketing it. Example of product innovation by a business might include a new product invention, technical specification and quality improvement made to a product; or the inclusion of a new components, materials or desirable functions into an existing product. A product is said to be new if it has been on the market for five years or less (Cooper, 2009). Product innovation is often short in the dark with the hope of hitting the right market with the right product at the accurate price.

Product innovation means introducing new product/services or bringing significant improvement in the existing products and services (Polder et al, 2016). Product innovation can only be effective when the product is either new or significantly improved with respect to its features, intended use, software, components and material. The aim of product

innovation is to attract customers. Firms introduce new products or modify the existing according to needs and desires of the customers to satisfy the consumers (Adner & Leveintal, 2011). Product innovation is the creation and subsequent introduction of a goods or services that is either new or improved on previous goods or services (Azaze et al., 2005). Product innovation is customer's desire oriented in highly competitive environment of today. Firms have to develop new products according to consumer's needs (Olson et al., 2014). Firms bring product innovation to foster efficiency in the manufacturing process (Polder et al., 2016).

## **Dimensions of Product Innovation**

### ***Incremental Innovation***

Incremental innovation has become a common tactic in the consumer technology industry, as companies strive to regularly improve personal devices with customer-friendly features. Moreso, incremental innovation is not about huge sweeping changes. On the contrary, firms that innovate incrementally tend to do so just a little bit at a time. Think of incremental innovation as cost cutting or feature improvements in existing products or services (Leifer, 2000). The reason incremental innovation is so popular is because it has reduced risk in comparison to radical innovation. Incremental innovation is relatively small deviation from current practices to improve old products or procedures without necessarily intervening in the existing structure and strategy of the firm (Koberg *et al.*, 2003). It is innovation that introduces relatively minor changes to the existing product, exploits the potential of the established design, and often reinforces the dominance of established firms (Nelson & Winter, 2002). It often calls for considerable skill and ingenuity and overtime has very significant economic consequences.

Smith (2011) is of the opinion that incremental innovation is a series of small improvements to an existing product or product line that usually helps maintain or improve its competitive position over time. Incremental innovation is regularly used within the high technology business by companies that need to continue to improve their products to include new features increasingly desired by consumers. Moreover, incremental innovation concerns an existing product, service, process, organization or method whose performance has been significantly enhanced or upgraded. This can take two forms: For example, a simple product may be improved (in terms of improved performance or lower cost) through use of higher performance components or materials, or a complex product comprising a number of integrated technical subsystems may be improved by partial changes to one of the subsystems (Ideala, 2011).

Okpaku (2010) also opined that incremental innovation is a series of small improvements or upgrades made to a company's existing products, services, processes or methods. The changes implemented through incremental innovation are usually focused on improving an existing products development efficiency, productivity and competitive differentiation. Many enterprises use incremental innovation to help maintain or improve a

product's market position. Additionally, once a company has a product up and running it tends to have built up considerable amounts of human capital and competencies so the firm may as well devote time to making it better or reducing costs.

### **Radical Innovation**

According to Harvard Business School (2017), radical innovation is a product, process, or service with either unprecedented performance features or familiar features that offer potential for significant improvements in performance and cost. Radical innovations help a company to stand out from the competition, enable rapid growth, and create high return on investment. It creates such a dramatic change in processes, products, or services that they transform existing markets or industries, or create new ones.

A radical innovation is an innovation that has a significant impact on a market and on the economic activity of firms in that market. This concept focuses on the impact of innovations as opposed to their novelty. The innovation could, for example, change the structure of the market, create new markets or render existing products obsolete. However, it might not be apparent that an innovation is disruptive until long after it has been introduced, and the cut-off point between incremental and radical innovation might be set at different levels. This makes it difficult to collect data on disruptive innovations within the period reviewed in an innovation survey, typically two years. In Schumpeter's view "radical" innovations create major disruptive changes, whereas "incremental" innovations continuously advance the process of change (Schumpeter, 2012). Furthermore, radical innovation is an invention that destroys or supplants an existing business model. Radical innovation blows up the existing system or process and replaces it with something entirely new. Radical innovation changes both the components and how the components interact and puts them together in a new way to create a unique solution. In business and technology terms, radical innovation happens when a new entry completely disrupts a business or industry.

Radical innovation gives rise to fundamental changes in the activities of an enterprise and express a significant deviation from current practices (Koberg et al., 2003). This type of innovation is more original and could provoke higher degree of uncertainty for its stage of development and application. More importantly, radical innovation shows how extensive and radically changed product innovation, process innovation, administrative innovation, technological innovation, marketing innovation and any other types of innovation could be in a firm (Weerawardena, 2003). Radical innovation seems more complicated to the members of an enterprise because it is more original and could provoke higher degree of uncertainty for its stage of development and application. Typically, large enterprises with higher potential success rates than smaller ones might introduce radical innovations because the type of these innovations requires technical knowledge and stock of resources.

### **Concept of Sales Performance**

Sales performance is how effective your sales team members are at hitting their goals. Sales revenue is one way to measure performance, but there are many other metrics, such as time spent per customer or the amount of repeat business they generate. Sales performance has been conceptualized in frameworks and various literature reviews to be the result of a vast array of endogenous, moderator, and mediating variables (Babakus et al. 1996; Verbeke, Dietz, & Verwaal, 2011).

Sales and sales results can be considered the most important part of a traditional B2B (Business to Business) company's existence and without sales there can be no long-term future. Sales performance is used to assess the capability of a sales person in a business or organization. Sales performance is designed to measure the activity of a sales person in the work place. It can also serve as a training strategy to find out if the employees are meeting the companies stipulated selling standards. The sales performance of a company or business can be enhanced through product improvements, cost reductions, addition to the product lines, repositioning etc.

### **Measures of Sales Performance**

In most B2B companies the sales function is performed by sales people, working in contact with customers and colleagues, and attempting to translate the available products to meet customer needs (Kaario et al. 2003). From that point of view, the importance of how sales and sales performance is measured can be considered critical to company success. Other authors use sales growth as a measure of performance (Berry et al., 2006; Wren & Storey, 2002). Several researchers have suggested that sales growth is the most important performance measure in SMEs, since sales growth is a more accurate and easily accessible performance indicator than other accounting measures (Wiklund, 1999). Sales growth is measured as  $(\text{Sales}_{t+1} - \text{Sales}_t) / \text{Sales}_t$ , where "Sales" indicates the nominal dollar value of total annual sales generated for the financial year,  $t$  (Barbera & Hasso, 2013).

### **Sales Growth**

Dahlia and Bernadin (2013) defined Sales Growth as the ratio showing the increase percentage of the sales during the current year compared to the previous year. The Sales Growth is stated in decimal unit with the ratio scale. It is the amount by which the average sales volume of a company's products or services has grown, typically from year to year.

Sales growth is growth that comes from firms existing businesses as opposed to growth that comes from buying new businesses. Sales growth does, include growth over a period that results from investment in businesses which the company owned at the beginning and 'at the end of the period. Sales growth is a means of business expansion through increased in output, customer base expansion, or new product development as opposed to mergers and acquisitions, which is inorganic growth. Sales growth typically excludes the impact of foreign exchange "core growth" s the term that is used to refer to growth that includes foreign exchange, but excludes divestitures and acquisitions.

### **Repeat Purchase**

A repeat purchase is the buying of a product by a consumer of the same brand name previously bought on another occasion. A repeat purchase is often a measure of loyalty to a brand by consumers and is often taken into account by marketing research professionals to evaluate a business. A repeat purchase is often a measure of customer behaviour to a brand and is often taken into account by marketing research to evaluate a business. Financial returns depend on increases in market share and repeat-purchase loyalty (which is known to increase (decrease) as a brand's market share increases (decreases) (Ehrenberg *et al.*, 1990), or increases in the degree of insensitivity customers have towards competing offers (Sharp, 1998). This is the percentage or number of customers or buyers that patronizes or purchases particular commodity/goods for a second time. It refers to how often a customer buys goods again.

### **Product Innovation and Sales Performance**

Innovation has a considerable input on corporate performance by producing an improved market position that conveys competitive advantage and superior performance (Walker, 2014). Abiodun (2017) study examined types of innovation that could have significant impact on firm performance, considering the liability of smallness of SMEs in developing economy. Having employed PLS-SEM on data collected from SMEs in Nigeria, the results of their study suggest product innovation, process innovation and administrative innovation are statistically significant and positively related to firm performance.

However, some studies did not find significant and positive relationship between innovation and firm performance (Damanpour *et al.*, 2009; Love & Mansury, 2007). Previous studies usually focus on the innovativeness of the firm, which is to say, on the degree to which the organizational culture promotes and supports innovation (Keskin, 2006; Lee and Tsai, 2005) or analyzes only one type of innovation, mainly product innovation (Salavou & Lioukas, 2003). While Simpson, Siguaw and Enz (2006) posited that innovation could be expensive and risky, sometimes with positive outcomes on firm performances at the same time could also have negative outcomes, such as greater than before exposure to market risk, costs' increase, employee dissatisfaction or unnecessary changes. Nevertheless, despite the probable detrimental effects resulting to an innovation-performance relationship and some conflicting evidences, theory and most of the empirical studies (Gronum *et al.*, 2012; Jimenez-Jimenez & Sanz-Valle, 2011; Zeng *et al.*, 2010) suggest a positive relationship between innovative activities (product, process, administrative/organizational, technological, incremental and radical innovation) and firm performance.

The studies of other researchers have found positive significant relationships between product innovation and firm performance (Therrient *et al.*, 2011; Artz *et al.*, 2011; Jimenez-Jimenez & Sanz-Valle, 2011; Atalay *et al.*, 2013; Hung & Chou, 2013; Loof &

Heshmati, 2006; Zeng, Xie & Tam, 2010; Chao & Pucik, 2005; Gronum *et al.*, 2012; Jaske, 2011).

### **Incremental Innovation and Sales Performance**

Empirical studies have found incremental innovation to be very important for SMEs and a significant predictor of firm performance (Egbetokun, Siyanbola & Adeniyi, 2010). Most of the empirical studies suggest a positive relationship between incremental innovation and performance (Gronum *et al.*, 2012; Jimenez-Jimenez & Sanz-Valle, 2011; Zeng *et al.*, 2010).

Another study by Baker and Sinkula (2002) found significant relationship between incremental innovation and performance. Incremental innovation is an important strategic tool for the success of SMEs that operate in highly competitive markets (Bhaskaran, 2006).

### **Radical Innovation and Sales Performance**

The vast majority of the literature reviewed in this study found significant relationship between innovation and performance. For instance these studies (Therrient *et al.*, 2011; Artz *et al.*, 2011; Jimenez-Jimenez, 2011; Atalay *et al.*, 2013; Hung & Chou, 2013; Loof & Heshmati, 2006) found relationship between product innovation and firm performance. Another study found significant relationship between radical innovation and firm performance (Baker & Sinkula, 2002). More importantly, radical innovation shows how extensive and radically changed product innovation, process innovation, administrative innovation, technological innovation, marketing innovation and any other types of innovation could be employed in a firm (Weerawardena, 2003). Rubera and Kirca (2012) found that radical innovations are more of an enabler for positive performance. Most of the empirical studies suggest a positive relationship between radical innovation and firm performance (Gronum *et al.*, 2012; Jimenez-Jimenez & Sanz-Valle, 2011; Zeng *et al.*, 2010).

## **METHODOLOGY**

A descriptive type of survey design was used in this study due to the fact that it will properly describe and analyze the product innovation and sales performance of consumer goods of manufacturing firms in Rivers State. The population of the study is 1690 made up of consumers, the production department staff, the administrative staff, management staff and the marketing staff of the selected manufacturing firms in Rivers State. Since the population is large the sample was determined by using Taro Yamen's formula giving 400. 316 copies were retrieved and used for the analysis. The hypotheses were tested using Spearman Ranking Order Correlation with the aid of SPSS Version 21.

## **ANALYSES AND RESULTS**

### **Test of Hypothesis One**

There is no significant relationship between Incremental Innovation and Sales Growth



**Table 1: Correlation result for Incremental Innovation and Sales Growth**

		Incremental Innovation	Sales Growth
Spearman's rho	Incremental Innovation	Correlation Coefficient	1.000
		Sig. (2-tailed)	.696**
		N	.000
Sales Growth		Correlation Coefficient	1.000
		Sig. (2-tailed)	.696**
		N	.000
		N	316

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

The result in Table 1 shows a strong positive relationship exist between incremental innovation and sales growth. The *rho* value 0.696 indicates this relationship. Thus, there is a significant relationship between incremental innovation and sales growth of consumers' goods manufacturing firms.

### Test of Hypothesis Two

There is no significant relationship between Incremental Innovation and Repeat Purchase.

**Table 2: Correlation result for Incremental Innovation and Repeat Purchase**

		Incremental Innovation	Repeat Purchase
Spearman's rho	Incremental Innovation	Correlation Coefficient	1.000
		Sig. (2-tailed)	.779**
		N	.000
Repeat Purchase		Correlation Coefficient	1.000
		Sig. (2-tailed)	.779**
		N	.000
		N	316

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

Source: SPSS 21.0 Data Output, 2021

The results shown in Table 2 with *rho* value = 0.779, means that a strong positive relationship exist between incremental innovation and repeat purchase of consumers goods manufacturing firms.

### Test of Hypothesis Three

There is no significant relationship between Radical Innovation and Sales growth

**Table 3: Correlation result for Radical Innovation and Sales growth**

		Radical Innovation	Sales growth
Spearman's rho	Radical Innovation	Correlation Coefficient	1.000
		Sig. (2-tailed)	.846**
		N	.000
Sales Growth		Correlation Coefficient	1.000
		Sig. (2-tailed)	.846**
		N	.000
		N	316

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

The results shown in Table 3, with a *rho* value = 0.846, means that a very strong relationship exist between radical innovation and sales growth. The relationship is

significant at  $p = 0.000 < 0.05$  significance level. This implies that there is a significant relationship between radical innovation and sales growth of consumers' goods manufacturing firms.

#### Test of Hypothesis Four

There is no significant relationship between Radical Innovation and Repeat Purchase

**Table 4: Correlation result for Radical Innovation and Repeat Purchase**

		Radical Innovation	Repeat Purchase
Radical Innovation	Correlation Coefficient	1.000	.524**
	Sig. (2-tailed)	.	.000
	N	316	316
Repeat Purchase	Correlation Coefficient	.524**	1.000
	Sig. (2-tailed)	.000	.
	N	316	316

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

Source: SPSS 21.0 Data Output, 2021

The results shown in Table 4 with *rho* value = 0.524, means that a moderate positive relationship exist between radical innovation and repeat purchase. This relationship is significant at  $p = 0.000 < 0.05$  significance level. This means that there is a significant relationship between radical innovation and repeat purchase of consumers' goods manufacturing firms.

## DISCUSSION OF FINDINGS

### Incremental Innovation and Sales Performance

The test of hypotheses one and two as shown in Tables (1 and 2) respectively depicts that a strong and positive relationship exist between Incremental Innovation and each of the Sales Performance measures. The high positive value of (0.696) and (0.779) shows the strength of the relationships between the variables. Furthermore, the p-value (0.00) is less than the level of significance of (0.05). Therefore a positive and significant relationship exists between incremental innovation and sales performance. Our finding is in line with Smith (2011) opinion that incremental innovation is a series of small improvements to an existing product or product line that usually helps maintain or improve its competitive position over time. Incremental innovation is regularly used within the high technology business by companies that need to continue to improve their products to include new features increasingly desired by consumers.

This study findings also is in line with earlier empirical studies that have found a positive relationship between incremental innovation and performance (Gronum *et al.*, 2012; Jimenez-Jimenez & Sanz-Valle, 2011; Zeng *et al.*, 2010; Egbetokun, Siyanbola & Adeniyi, 2010; Baker & Sinkula, 2002; Bhaskaran, 2006). Okpaku (2010) also opined that incremental innovation is a series of small improvements or upgrades made to a company's existing products, services, processes or methods. The changes implemented through incremental innovation are usually focused on improving an existing products development efficiency, productivity and competitive differentiation.

### **Radical Innovation and Sales Performance**

The test of hypotheses three and four as shown in Tables (3 and 4) respectively depicts that a strong and positive relationship exist between Radical Innovation and each of the Sales Performance measures. The high positive values of (0.846) and (0.524) show the strength of the relationships between the variables. Furthermore, the p-value (0.00) is less than the level of significance of (0.05), therefore a positive and significant relationship exists between Radical Innovation and Sales Performance. In line with Harvard Business School, (2017) stated that radical innovation is a product, process, or service with either unprecedented performance features or familiar features that offer potential for significant improvements in performance and cost. Radical innovations help a company to stand out from the competition, enable rapid growth, and create high return on investment, it creates such a dramatic change in processes, products, or services that they transform existing markets or industries, or create new ones.

The vast majority of the literature revealed significant relationship between radical innovation and firm performance (Therrient *et al.*, 2011; Artz *et al.*, 2011; Atalay *et al.*, 2013; Hung & Chou, 2013; Loof & Heshmati, 2006). This corroborates this study finding that a relationship exists between radical innovation and sales performance. Another study found significant relationship between radical innovation and firm performance (Baker & Sinkula, 2002; Weerawardena, 2003; Rubera & Kirca, 2012; Gronum *et al.*, 2012; Jimenez-Jimenez & Sanz-Valle, 2011; Zeng *et al.*, 2010).

### **CONCLUSION AND RECOMMENDATIONS**

This study using descriptive methods investigated the relationship between Product Innovation and Sales Performance of consumers' goods manufacturing firms in Rivers State. The findings revealed a significant positive relationship exist between Product Innovation and Sales Performance using the Spearman's rank order correlation tool and at a 95% confidence interval. From the findings of the study, it was concluded that there is a strong positive relationship between Product Innovation and Sales Performance of consumers' goods manufacturing firms in Rivers State.

Successful product innovation depends on a variety of factors which include the nature and quality of information acquired or known during the new product process, the proficiency of process activities, characteristics of the marketplace, the compatibility of the resource base of the firm with new product project requirements, the level and complexity of the technology used, organizational structures of the firm, and the innovativeness of the product itself. Based on this, manufacturing firms should create different product innovations in order to increase their sales performance and survive in this competitive era.

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