



PRODUCT INNOVATION: A TOOL FOR COMPETITIVE ADVANTAGE IN NIGERIA

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ABSTRACT: *The study examines the impact of product innovation on the performance of manufacturing companies with a particular focus on selected companies in Ibadan, Oyo State. The main objective of this study is to investigate the impact of product innovation on competitive advantage while the specific targets are to: investigate the impact of product improvements on customer satisfaction, determine the impact of product design on competitive advantage, and evaluate the impact of product color on competitive advantage. The survey population consisted of 500 marketing managers from these selected companies. Simple random sampling was used to select 30 marketing managers from each company, resulting in a total of 256 responses. The sample size for the study was 300. Data was collected from both primary and secondary sources and a questionnaire was administered to 30 employees of the reference organization. Analysis of the collected data revealed several findings: Decreasing sales and profits necessitated product innovation due to the market influence of competitors. There was a need to increase the company's sales and maximize profits. Customer satisfaction has increased. There is a need to maximize equity capital through increased sales and profits. The study concludes that product innovation not only satisfies the changing tastes of customers but also helps in increasing sales and profits. Recommendations include that companies should innovate their products regularly to reduce the costs associated with value analysis strategies. In addition, companies should thoroughly research and not neglect their research and development departments and other sources of information in their strategic planning for new products.*

KEYWORDS: Product Innovation, Competitive Advantage, Product planning, Product Policy, Marketing Innovation.



INTRODUCTION

Innovation is a fundamental tool in growth strategies to enter new markets, improve performance in existing markets, expand market share, and gain competitive advantage. Increasing global competition has led companies to recognize the importance of innovation, as the added value of existing products and services rapidly declines due to rapidly changing technology and fierce global competition (Darroch & McNaughton, 2002). Therefore, innovation is an essential part of corporate strategy for several reasons. Innovation introduces more productive manufacturing processes, achieves better market performance, builds a positive reputation among customers, and ultimately gains a sustainable competitive advantage.

Rapid advances in technology and increasing competition make it risky for companies to rely solely on existing products. Consumer tastes and preferences are often uncertain and change frequently. Companies that have long focused on quality control, downsizing, and outsourcing production processes are realizing that a different approach is needed to be successful (Nachmias & Nachmias, 2005). Modern organizations are increasingly focusing on effective and efficient factors to achieve competitive advantage. This includes appropriation of different production factors that competitors may overlook. Numerous studies have investigated the relationship between competitive advantage and other variables that may lead to superior market share, customer satisfaction, and financial performance (McCarthy & Perrenault, 2002). These studies often focus on the relationship between building product brands and competitive advantage. However, innovation and price levels as sources of competitive advantage have received relatively little attention so far. Therefore, there is a need to fill this gap by exploring product innovation as a means of achieving competitive advantage (David, 2001).

Research Objectives

The main objective of this study is to investigate the impact of product innovation on competitive advantage. The specific targets are:

- i. To investigate the impact of product improvements on customer satisfaction.
- ii. Determine the impact of product design on competitive advantage.
- iii. Evaluate the impact of product color on competitive advantage.



LITERATURE REVIEW

Conceptual Review

Product Innovation

Product innovation is about developing a new product, modifying the current product design, or using new technologies or methods in an existing production process. It focuses on the existing market for an existing product by differentiating the existing product through features or functions that are not present in the current product. Product innovation can be seen from two perspectives:

- Internal: This is determined by the company's knowledge, capabilities, resources, and technology.
- External: The focus is on consumer needs and owner expectations.

The meaning of the terms used in the field of product innovation has evolved over time (Reguia, 2014). For example, "design" originally meant "creating a drawing," but its meaning has expanded greatly. Similarly, "product development" today refers to the development of a product, process, or service. "Innovation" originally meant bringing about a major change, but has come to be used in many different contexts in recent years.

Types of Innovation

i. **Process innovation** is the introduction of new or significantly improved production methods. These methods may involve changes in equipment, production organization, or both. They can aim to produce new or improved products that cannot be produced with previous equipment or production methods, or to significantly increase the production efficiency of existing products (Kleinschmidt & Cooper, 2015).

ii. **Marketing innovation** satisfies customer needs and builds competitive advantage through differentiation in areas such as desirable product features or design, size, ease of use, quality, time, price, cost savings, or additional revenue. In other words, it is the introduction of new marketing techniques that bring about significant changes in product design, packaging, product placement, advertising and pricing.

iii. **Organizational innovation** is the introduction of new organizational techniques in a company's business practices, work organization, external relations, etc. The aim is to improve the company's performance by reducing administrative and transaction costs and increasing employee satisfaction (Khin, Ahmad & Ramayah, 2010).

Product Innovation Stages

There are several phases that a company should go through in the product innovation process. These stages may vary slightly, depending on the author, but Hana (2013) identifies some common stages, which are outlined below:

a. Product Planning

During the product planning phase, product direction is formulated and new product ideas are generated. Decisions are made about which products will be developed and when. Finding a



fruitful product idea requires not only creative development, but also proper selection and identification of advantageous opportunities. A new product idea serves as the basis for product designers and marks the beginning of the rigorous development stage.

b. Product Policy

Product policy includes goals and strategies. A company may have various policies such as: investment policy, research and development policy, human resources policy, and sales policy. Almost every policy area contains elements that are important for the development of a new product. The main strategic elements, namely the type of product the enterprise wants to produce and the functional market it wants to develop, are called product-market strategy. In addition, the product policy sets goals in the form of criteria for the evaluation and selection of product ideas.

c. Rigorous Development

At this stage, the idea for a new business activity is developed into a detailed plan for product, production and sales. These plans are developed using the new product idea as a starting point, and it is important that they are properly coordinated.

d. Engineering Development Process

The goal of manufacturing is to produce a large number of products according to a particular design. This goal is a key objective of the product development process. The idea of a new business activity includes a first rough formulation of this goal in the form of a product idea and a statement of the number of items planned to be produced. In the process of technological development, material objectives are refined and the means of production are developed. Technological development is an iterative or spiral process in which the design of a product and its manufacture evolves in successive cycles from a vague idea to a concrete plan.

Competitive Advantage

Competitive advantage is defined as the capabilities that allow a company to differentiate itself from its competitors. They also serve as an important basis for developing business strategies aimed at sustainable growth (Hana, 2013). The main elements of competitive advantage related to creating value for customers are outlined by Oksanen and Hautamäki (2015). They introduced three generic strategies: cost leadership, differentiation, and focus. These competitive strategies effectively target business objectives and are widely adopted by companies. To achieve competitive advantage, companies need to create economic value for their customers (Mappigau&Hastan, 2012). Therefore, creating competitive advantage must include all business processes with a focus on value for customers. When customers perceive the value of a product or service, it differentiates it from competitors' products. However, for emerging companies facing intense competition, creating competitive advantage depends on the business environment.



Categories of Competitive Advantage

Competitive advantage can be categorized into three types:

1. **Cost Leadership:** Offering products and services at the lowest prices in the industry.
2. **Differentiation:** Differentiating your products and services from those of your competitors.
3. **Focus:** Meeting the needs of a specific target market segment.

For SMEs and start-ups, strategic options to gain competitive advantage are very flexible and depend on market demand, business environment, and internal and external factors that contribute to building competitive advantage. Therefore, start-up entrepreneurs need to utilize their own energies, resources, business skills and collaborative network of suppliers and intermediaries to achieve competitive advantage in all value chain activities.

Theoretical Review

Dynamic Capabilities Theory

The dynamic capabilities theory of the firm is a theoretical framework that explains how firms differentiate and compete with each other, recognizing that they must evolve and reconfigure their operations to remain competitive (Heaton et al., 2019; Micallef et al., 2016). The theory defines innovation as a firm's ability to build capabilities, seize opportunities, and avoid threats while maintaining a competitive advantage by improving, combining, protecting, or redeploying the firm's tangible and intangible assets (Bagheri et al., 2019; Faghih et al., 2018). Dynamic capabilities theory has expanded the understanding of innovation based on the resource creation process that firms use to create new resources or regenerate existing resources in response to changes in the environment (Bownam&Ambrosini, 2003; Fallon-Byrne & Harney, 2017; Teece et al., 1997). Feinschmidt et al. (2019) and Nimfa et al. (2019) recognized that the relationship between dynamic capabilities and competitive advantage depends on the strategic fit between organizational and environmental factors, contributing to a more rigorous and configurational view of dynamic capabilities. In this study, dynamic capabilities explain the relationship between the two components of innovation: competitive advantage (customer preferences and strategic business model) and product quality, and technology adoption is considered to be a key dynamic capability that SMEs need to sustain growth in the competitive manufacturing sector. Therefore, based on this view, SMEs should always keep in mind their competitive advantage through innovation in order for product quality to meet customer preferences and represent a strategic business model that competitors cannot replicate. This will enable SMEs to lead the market and achieve more sustainable growth.

Empirical Review

The empirical analysis was conducted by Oboreh and Samuel (2023): An Analysis of Product Innovation and Competitive Advantage in Selected Plastic Manufacturing Industries in Onitsha, Anambra State, Nigeria. The study used a descriptive research design for the investigation. Employees of four selected plastic factories in Onitsha make up the population of 168 people studied. A sample size of 120 was achieved using Yamane Taro's formula. The



research data was generated using a structured questionnaire. Primary data was collected from the respondents. The collected data was analyzed using multiple regression. The study found that the ability to perceive, recognize and innovate has a significant positive relationship with competitive advantage on the impact of innovation on competitive advantage and product quality for the long-term growth of SMEs. Partial least squares structural equation modeling was used to examine survey data from 245 manufacturing SMEs in Nigeria. The results supported previous researchers' findings that technology adoption mediates the relationship between consumer preferences and product quality, but consumer preferences do not directly affect product quality. Product quality was found to be significantly and positively affected by firm strategy, with technology adoption also playing a mediating role in this relationship. The impact of product innovation and pricing on the comparative advantage of beer products in Kabale, Uganda was studied by Agaba, Emenike, and Olutayo (2018). Data was analyzed using the multiple regression technique. According to the study, "Product innovation and pricing have a significant impact on the competitive advantage of beer products and producers in Kabale, Uganda." The study concludes that paying attention to innovation and pricing factors can help firms increase their competitive advantage.

Wuryanti and Wa (2017) investigated the "relationship between sustainable competitive advantage and product innovation as a driving force." The study sample consisted of 110 rabbit meat sellers in Gabrak-Magelang region. Data analysis was performed using partial least squares (PLS) structural equation modeling (SEM). The results showed that product innovation has a significant positive impact on market driving forces, competitive advantage, and sustainability. The results also suggest that market forces have a favorable and significant impact on long-term competitive advantage.

Adeolu and Femi (2020) conducted a study on "Product Innovation and its Impact on Sustainable Competitive Advantage." The sample size of the study was set at 330 participants. Data analysis methods included descriptive statistics and correlation. The study revealed that manufacturing companies in Ibadan utilize product innovation as a tactic to gain competitive advantage in the market. The study also found that product innovation is essential for manufacturing companies to sustain their competitive advantage. The study concluded that product innovation has a significant positive impact on manufacturing companies' ability to sustain competitive advantage. According to the report, manufacturing companies need to pay more attention to and invest more resources in product innovation to ensure benefits beyond long-term competitive advantage.

METHODOLOGY

A survey research design was used in this study. The study was conducted in selected manufacturing companies in Ibadan, Oyo State. To ensure valid and comparable conclusions, the study population included 500 people from production, marketing and sales departments as well as senior management. Data analysis was carried out using SPSS version 20.0. The sample consisted of 300 respondents from 10 randomly selected companies within the Ibadan metropolis with 30 respondents from each company. Of the 300 questionnaires distributed, 256 were completed and returned, which represents about 85% of the targeted sample size. The questionnaire was designed to gather relevant information and was administered



personally to the respondents. The data collected was analysed using descriptive statistics, such as sampling rate and frequency tables.

Data Analysis

The following table shows the response rate and number of questionnaires distributed.

Table 1: Analysis

Gender					
Valid		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	192	75.0	75.0	75.0
	Female	64	25.0	25.0	100.0
	Total	256	100.0	100.0	
Academic Qualification					
Valid	HND	110	42.9	42.9	42.9
	BSc	44	17.1	17.1	17.1
	Others	102	39.8	39.8	100.0
	Total	256	100.0	100.0	
Constant Product Innovation Is an Integral Process of Our Operation					
Valid	Disagree	15	5.9	5.9	5.9
	Undecided	93	36.3	36.3	42.2
	Agree	96	37.5	37.5	79.7
	Strongly agree	52	20.3	20.3	100.0
	Total	256	100.0	100.0	
Do you Innovate your Product and Process to Meet the Market Demand					
Valid	Disagree	19	7.4	7.4	7.4
	Undecided	85	33.2	33.2	40.6
	Agree	104	40.6	40.6	81.3
	Strongly agree	48	18.8	18.8	100.0
	Total	256	100.0	100.0	
Product Innovation Has a Positive Effect on Our Profitability					
Valid	Strongly disagree	2	.8	.8	.8
	Disagree	24	9.4	9.4	10.2
	Undecided	94	36.7	36.7	46.9
	Agree	100	39.1	39.1	85.9
	Strongly agree	36	14.1	14.1	100.0
	Total	256	100.0	100.0	



Continuous Product Development Accounts for Our Market Share					
Valid	Strongly disagree	1	.4	.4	.4
	Disagree	16	6.3	6.3	6.6
	Undecided	70	27.3	27.3	34.0
	Agree	103	40.2	40.2	74.2
	Strongly agree	66	25.8	25.8	100.0
	Total	256	100.0	100.0	
Our Customers Increases Every Year Due to Improvement in Our Products					
Valid	Strongly disagree	2	.8	.8	.8
	Disagree	23	9.0	9.0	9.8
	Undecided	83	32.4	32.4	42.2
	Agree	98	38.3	38.3	80.5
	Strongly agree	50	19.5	19.5	100.0
	Total	256	100.0	100.0	
To Remain Relevant in Business, Product Development Is Inevitable					
Valid	Strongly disagree	2	.8	.8	.8
	Disagree	20	7.8	7.8	8.6
	Undecided	82	32.0	32.0	40.6
	Agree	108	42.2	42.2	82.8
	Strongly agree	44	17.2	17.2	100.0
	Total	256	100.0	100.0	

Source: *Field Survey, 2024*

The table above shows that there is a predominance of male respondents in the manufacturing industry in Ibadan urban. Of the total respondents, 192 (75%) are males and 64 (25%) are females. The educational qualifications of the respondents include 110 (43%) Higher National Diploma (HND), 44 (17%) Bachelor's Degree (BSc) and 102 (40%) other qualifications.

Opinion on product innovation: 20% of the respondents strongly agreed that "continuous product innovation is an integral part of our business," 38% agreed, 36% were indifferent and 6% disagreed. Nineteen percent (19%) strongly agreed that "we innovate our products and processes to meet market demand," 41% agreed, 33% were indifferent and 7% disagreed. Fourteen percent (14%) strongly agreed that "product innovation has a positive impact on profitability," 39% agreed, 37% were indifferent, 9% disagreed and 1% strongly disagreed. Twenty-six percent (26%) strongly agreed that "continuous product development contributes to market share," 40% agreed, 27% were indifferent, 6% disagreed and 1% strongly disagreed. Twenty percent (20%) strongly agreed that "our customer base grows every year due to product improvements," 38% agreed, 32% were indifferent, 9% disagreed and 1% strongly disagreed. Seventeen percent (17%) strongly agreed that "product development is



essential to stay relevant in business," 42% agreed, 32% were indifferent, 8% disagreed and 1% strongly disagreed.

DISCUSSION OF RESULTS

This study focuses on ten selected FMCG manufacturers in Ibadan metropolis and investigates the impact of product innovation on sustainable competitive advantage. The independent variables of product innovation include new product development and resource capabilities while the dependent variables include market share and customer satisfaction. The objective of this study is to assess how product innovation can be an effective tool in achieving sustainable competitive advantage among FMCG manufacturers in Ibadan.

Product innovation has been defined from various perspectives by numerous authors. This study specifically investigates how product innovation impacts sustainable competitive advantage. Both primary and secondary data sources were used to gather relevant information. The results indicate that there is a significant correlation between product innovation and sustainable competitive advantage of FMCG manufacturers in Ibadan. Regardless of size, manufacturers are increasingly looking for unique ways to differentiate their products with product innovation as a key strategy. Many organizations view innovation as a strategic asset and address its strategic and financial impacts (Warraich et al., 2013). In the context of globalization, the impact of innovation on products is a key trend affecting management and marketing today.

Effective product offerings enable companies to differentiate their products, do more business with existing customers, and attract new customers (Mukherjee et al., 2003). Companies use product innovation to increase their competitiveness through improved quality, advanced technology, and effective marketing.

According to EIZuhairy et al. (2015), product innovation is a key element of competitive advantage that is embedded in a company's organizational structure, processes, products, and services. It is a key growth strategy for entering new markets, expanding market share, and gaining competitive advantage. Both developed and developing countries recognize the value of innovation in manufacturing.

The study concludes that product innovation has a positive impact on the sustainability of competitive advantage of manufacturing companies in Ibadan. This result is in line with the findings of Soliman (2013) that product innovation has become an important competitive tool for companies. This has led to the adoption of innovation-based thinking as a key perspective in strategic management, similar to the institution-based thinking introduced by Peng and Pleggenkuhle-Miles (2009). Incorporating an innovation-based perspective into global strategy can help manufacturing companies improve their global strategic deployment in a competitive business environment.



CONCLUSION

This paper concludes that adopting an innovation-based perspective is important for global strategies. The introduction of the four-fold global innovation strategy model highlights the possibility of integrating the innovation-based perspective with three established strategic perspectives: industry competition, resource-based, and institutional perspectives. This integration can help companies strengthen their efforts to achieve sustainable competitive advantage.

RECOMMENDATIONS

- i. Product innovation requires more attention and effort from manufacturing companies as it brings benefits beyond simply achieving sustainable competitive advantage.
- ii. This focus will enable the manufacturing industry and its stakeholders to identify and implement the critical corrective actions required to maintain a sustainable competitive advantage.
- iii. A manufacturing company's long-term competitive success depends on its ability to manage and improve its core technologies.
- iv. Thus, while product innovation is crucial, it must be complemented by technological innovation to stay ahead in the competitive landscape.
- v. Product innovation is crucial, but to stay ahead in this competitive environment, it must be complemented by technological innovation.

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