NEW PRODUCT DEVELOPMENT PROCESS
THE CASE OF BANKS IN NAIROBI

BY

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A Project Report submitted to the School of Business in Partial Fulfillment of the Requirement for the degree of Masters in International Business Administration (MIBA)

UNITED STATES INTERNATIONAL UNIVERSITY

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STUDENT'S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ___________________________ Date: 17th June 2004

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This project paper has been presented for examination with my approval as the appointed supervisor.

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ABSTRACT

The objective of this study was to analyse the product and service development process in banks so as to understand how new products come about. The study also sought to establish whether there is a link between the development and the success or failure of products and services within the banking industry in Kenya.

The study was descriptive in nature as it sought to find out the processes that banks go through when coming up with new products. The research design used was a survey with a structured questionnaire containing both open structured questions followed by some likert scale type of questions being administered to the respondents. Sampling was done through the stratified random sampling method with the population being divided into large, medium and small sized bank based on their deposit base.

Data analysis was done first through editing, coding and tabulation. The data findings were then analysed using descriptive statistics. This method was used to analyse the quantitative data in terms of frequency distribution. Analysed data was then summarised and presented in tables and charts using Microsoft excel spreadsheets.

The findings on how banks come up with new products revealed that 58% of banks involve their customers in the process of idea generation and only 8% involve the bank employees in this process. The study also showed that 24% of banks proceed with the new product idea if they find it viable whereas 17% proceed on with the idea if it is in line with the bank's operation and technological systems as well as the bank's strategy and existing regulations set by the central bank of Kenya. Once the ideas have been passed, the study found that 33% of the banks vet the ideas a second time whereas 8% pass them for approval after they have been vetted the first time. Research established that a total of 92% of the banks go ahead and develop the new ideas into products.

The study also showed that 83% of banks test new products in the market before launching them whereas 17% of the banks launch the new products without testing them with 40% of the banks using their customers to test the products while 20% use focus groups. When it comes to the launching of the products, the study found that 8% of banks launch their new products through sponsorship of events such as golf and cricket whereas 41% prefer to invite their target market to cocktails and luncheons. A
total of 48% of these banks use print media such as newspapers, magazines to advertise their new products.

In finding out the factors that make banks introduce new products, the research revealed that 67% of the banks have at least 10 different products on offer to their customers and 8% of the banks have at most seven products to offer. Of these banks, 42% introduce new products once every two years whereas 8% introduce new products once every four years. On the success of the products, the study established that 50% of the banks have a success rate of 0-25%, 17% of the banks have a success rate of 51-75%. No bank has a success rate of between 76 to 100% on its products.

As to why some products succeed whereas others fail, the study showed that print media is the most successful method of launching new products at 42% followed by cocktails and luncheons as the second most successful method with a score of 25%. Further to that, it was shown that 75% of the banks advertise their products as well as launch their new products specifically to the product users who are the main target market. Another 8% of the banks launch to the entire market. Success of new products is measured through increase in volumes in the business by 58% of banks whereas 25% use the bank’s profits as a way of measuring the success of new products.

The study recommends that banks should consider ideas from both customers and employees. Either this can be done internally or a research firm can be commissioned to carry out this exercise. The stages in the development of new products are crucial and should be followed. Even though the process in each stage differ from bank to bank, it is important for the banks to go through each of the stages carefully to successfully output the new product or service.

The study also recommends that developing a new product, follow-up after the launch is necessary to tackle the "teething" problems as they come out. This will help reduce the failure level of the products. Most of the products fail after launch and commercialisation hence the need to continuously monitor them after these final stages.
DEDICATION

This research project is dedicated to Jesus Christ who is my Lord and Saviour and who has made it possible for me to achieve this master's degree. To my parents who were constantly following up on my studies and encouraging me to go on even when things were tough. In addition, to my loving husband from whom I drew my strength to go on.
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Now to my family members Eddie, my son, and Tim, my husband, who endured the many days and nights when I had to sit up compiling this project. Tim also assisted me with ideas, printing and binding of this proposal. He also helped me obtain reference books from other university libraries thus helping me carry out a thorough research on this topic. I ask those that assisted me and have not been mentioned here to receive my heartfelt acknowledgement.
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Chapter 1: Introduction

1.1 Background of the Problem

Marketing is one of the most powerful tools employed by organisations in their never-ending struggle for survival. According to Dalrymple and Parsons (1995) marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individuals, organisations and societies. Within the marketing management process, a marketer is involved in planning and implementing a sequence of activities that help the firm achieve its goals.

Perhaps the most creative and challenging steps in marketing are designing the right mix of marketing activities to tap the target market segment. The marketing mix, according to Dalrymple and Parsons (1995) is the specific collection of actions and associated instruments employed by an organisation to stimulate acceptance of its ideas, goods or services. One is likely to have a large number of alternatives when trying to determine the best marketing mix for one’s goods and services.

According to Kibera and Waruingi (1988) the term “Product” is anything that is offered to customers for acquisition or purchase. Defined this way, the term embraces physical objects, personalities, services, places and ideas. The two chose to classify goods and services as follows:

- Durability and Tangibility of goods and services: According to this classification method, there are durable and non-durable goods and services.

- Buying Effort Expended: Products under this classification are on basis of the buying effort that customers expend before buying. The buying effort can be defined in terms of time-spent either comparing available brands or looking for the outlets carrying the desired products. On this basis there are convenience, shopping and speciality goods.

- Perishability of products: According to this, there are perishable and non-perishable products and services. Agricultural products in their natural state are perishable. However, industrial processing, including canning, can make them less perishable. Services on the
other hand are highly perishable. For example, the empty queues in the banking halls, the empty seats in aeroplanes and cinemas are all as a result of business that is lost.

- **Industrial verses consumer goods**: Industrial goods are products that are purchased by business organisations either for resale or for conversion or use by business to make other products. Consumer goods, on the other hand, are products that are purchased for final consumption by household buyers.

- **Standardised versus Custom-made Products**: A product that is mass-produced so that it will appeal to different categories of customers either locally or internationally is termed as standardised products. Non-standardised or custom-made products are produced to meet individual customer specifications. They cater for the peculiar or unique characteristics desired by an individual customer.

Palmer (1998) defines a service as any activity or benefit that one party can offer to another, which is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. Although services are not tangible products, they are still considered as products.

Under the marketing mix there are four variables that are mentioned. These are Product, Price, Place and Promotion. According to Dalrymple and Parsons (1995).

- **Product**: Instruments that mainly aim at the satisfaction of the prospective exchange party's needs e.g. options, assortments, brand name, packaging, quantity etc.

- **Price**: Instruments that mainly fix the size and method of payment for goods or services e.g. list price, usual terms of payment, usual quantity discounts, terms of credit etc.

- **Place**: Instruments that determine the intensity and manner in which goods and services will be made available e.g. different types of distribution channels, density of distribution system, trade relation mix etc.

- **Promotion**: This is the ways and means by which a company's target audience is informed about what the company is offering. Promotions can be directed either at intermediaries through channels called trade promotions, or at the ultimate buyer, called consumer promotions.
Looking at the marketing mix for services, Palmer (1998) later expanded the mix by including four more variables.

- **People:** For most services, people are a vital element of the marketing mix. Everybody is a "part-time marketer", in that their actions have a much more direct effect on the output received by customers. While the importance attached to people management in improving quality within companies is increasing - for example, through the development of quality circles - people planning assumes much greater importance within the service sector. Service organisations should therefore spell out what is expected from personnel in their interaction with customers.

- **Physical evidence:** The intangible nature of a service means that potential customers are unable to judge a service before it is consumed, increasing the risk inherent in a purchase decision. Tangible evidence of the nature of service helps reduce the level of risk. A brochure for example can describe and give pictures of important elements of the service product. The appearance of staff can give evidence about the nature of a service. Buildings are frequently used to give evidence of service nature.

- **Processes:** Production processes are usually of little concern to consumers of manufactured goods, but are often of critical concern to consumers of 'high' contact services where the consumers can be seen as a co-producer of the service. The amount of time it takes to process a cheque for a customer in a bank, or transfer funds or queue for cash affects a customer either positively or negatively.

- **Customer service:** Although this is not a "P" according to Palmer (1998), it is considered as one of the important aspects of the marketing mix when looking as services as a product. The meaning of customer service varies from one company to another. Within the service sector, it can best be described as the total quality of the service as perceived by the customer. As such, responsibility for this element of the marketing mix cannot be isolated within a narrowly defined customer services department, but becomes a concern of all production personnel, both those directly employed by the organisation and those employed by suppliers.
conversion of customers' wants into real products or services lose their attractiveness over time, product organisations.

The need for developing new ones services every stage all the way to the decline stage as explained below.

typically go through a number of stages between for adjustments to marketing activities. The life cycle

generally costly to develop and launch and may have trying something new, especially a new service whose therefore tend to be slow and are restricted to those they can gain status or benefit by having it.

as been tested and the problems have been resolved. readily available. Buyers now start to see benefits that es start to increase greatly and this is a signal for

ants to buy the service or product have now done so, and services which are brought as a one-off rather than a tors in the market has risen.

any competitors and no further growth in the market. or on the basis of price.

new substitute products appearing, organisations drop
Different products move through the life cycle at different paces. Some products have been in the maturity/saturation stage for many years whereas others disappear very soon after introduction. This life cycle helps in promotional planning with emphasis placed on the launch phase on raising awareness through public relations activities. Building on this through the growth phase with advertising, resorting to sales promotion incentives as the market matures and becomes more competitive, and finally possibly allowing promotional activity to fall as the service is allowed to go into decline.

Some products tend to have similar life cycles in the banking sector with some products remaining at the maturity/saturation stage for years. An example of these is the current accounts products. Most of these are generic products that exist in all banks and have been there since conception. What different banks try to do is to modify their features every now and then to attract existing and potential customers. Some of the other generic bank products that exist are the loans, call accounts, fixed deposit accounts and savings accounts.

Due to continued competition amidst a declining economy, banks are creating and modifying their products in order to attract and retain customers. Some banks have an upper hand due to availability of capital needed in creating new products or in re-creating the existing products. In Kenya we have international banks as well as locally incorporated banks. International banks tend to receive a lot of support from their mother banks abroad. They are thus able to implement and introduce new products and services cheaply due to the economies of scale within the group. An example of such a bank is Standard Chartered. This bank has its headquarters in London. With London on a higher platform both technologically as well as financially, they are able to carry out research globally, develop products globally and implement the products in each and every country targeted at lower costs.

A bank like African Banking Corporation bank that is locally incorporated on the other hand would incur high costs in carrying out research, developing and implementing new products and service. As such they tend to adopt products that are already in the market.
Some banks tend to react to the move in the market by a competitor as opposed to following their lifecycles. They wait to react to new developments by the competition whereas others do not bother to change their products and insist on selling them even at the decline stage hoping that they will rise again. It is due to a lack of this level playing field that this research sought to find out how banks develop their new products and services. It looked at the different activities carried out by banks when developing new products and services. This will help in understanding why some products in the banking industry succeed whereas others fail.

In Kenya, today, we have a total of forty-five licensed and operational banks. Out of these six are internationally based with branches in Kenya whereas the others are locally incorporated and established. Among the international banks we have Barclays Bank of Kenya, Standard Chartered Bank and Citibank and many others. Among the locally incorporated banks, we have Kenya Commercial Bank, Commercial Bank of Africa, NIC Bank, CFC Bank, Investments and Mortgages Bank just to mention a few.

Over the last five years banks have had to either closed down or merge with other banks due to the stiff competition within the industry. This has been mainly due to the declining economical situation in the country. Today we have a good number of banks trying to survive whereas a couple of them are doing well. The Central Bank of Kenya which is the regulating body for the banks has attributed the crisis within the banking sector to several factors as quoted in the Market Intelligence magazine of May (1999).

- Poor lending practices intensified by mismanagement and sometimes-outright fraud, all yielding a high level of non-performing loans.
- Clear conflict of interest as manifested by shareholders participating in the day to day management of their banks.
- Difficulties in loan recovery owing to the constraining judiciary process in Kenya.
- Most members of the industry being under-capitalised.

These problems have contributed greatly to the decline in bank’s performances over the last few years. It is because of their struggle to survive that competition among banks has increased hence the increase in new products and services all aimed at “wooing” the customers to ones bank.
Under commercial banking services, banks offer generic products and services such as:

**General services:**
- Current accounts, Call accounts, Notice deposits accounts, fixed deposits accounts both in local and foreign currencies.
- Bankers Cheques
- Inter-account transfers
- Inter-bank transfers
- Third party payments
- Safe custody services
- Travellers' cheques issuing and encashment.

**Foreign Exchange**
- Issuing of drafts
- Telegraphic transfers
- Trade finance activities e.g. Import letter of credit, Bills collections etc.

**Treasury Products**
- Spot and forward foreign exchange contracts
- Deposit rates
- Application for Government of Kenya Treasury bills and bonds
- Currency swaps

**Credit Facilities**
- Overdrafts
- Term loans
- Bank guarantees
- Documentary Letters of Credit
- Bills discounted
Different banks then tend to improve on these products by developing them further in ways that suit their target market/customer and in line with the bank's product development. It is in this developing of the product that new product and service development takes place. Different banks then brand the products to suit the need of their customers and in line with their strategies and market it in the market.

1.2 Statement of the Problem
Organisations are increasingly recognising the need to regularly develop and introduce new products and services in the market. There is stiff competition in all industries in our economy and a lot of products are getting to the declining stages of product life cycle a lot sooner than expected. New products must replace the maturing as well as declining products if organisations are to remain in business.

Developing new products is a complex and time-consuming activity. Too often products are introduced to the market prematurely or developed during a crisis situation. Often the unfortunate results of this ad-hoc process are new products do not sell because they do not meet the needs or wants of the clients. Brand (1999)

This study aimed at finding out the processes that banks go through when coming up with new products. The study also sought to find out why some products succeed yet others fail. Different banks go through different processes as they seek to develop products that will help them acquire a good share of the market both among the corporate as well as retail market. Through this study, the following three questions were answered. How do banks come up with new products and services? Why do banks need to develop new products? And lastly, what causes some bank products to succeed whereas others to fail?

Fletcher (1997) came up with a product development model concept that started with basic idea screening and ended up with commercialisation stage. This model was used as a guide when generating the questionnaire for the research. The assumption was that different banks use different methods while developing new products and services and also that different banks develop their products and services at different times of the year.
This study adopted Dalrymple and Parsons (1995) classification of a new product, which states that new products are goods and services that are basically different from those already marketed by the organisations. A product can be “new” in the sense that it can either be

a) New to the firm taking the company into new markets, technologies or new product methods.

b) New to the market, the first of its kind, i.e. what some people call innovation.

c) It can also be new to a certain country or town. To the company selling the product, it is not new but to the customers it is a new product.

The research focused on both products and services, whether generic or not, but as long as they are new to the bank, new to the banking industry or new to a particular branch in either a town, city or country.

1.3 Purpose of the study

The purpose of this study was to analyse the product and service development processes in banks so as to understand how new products come about. Over and above the development of the products, the research also sought to establish whether there is a link between the development of these products that can be connected back to the success or failure of these products and services in the banking industry.

1.4 Research Questions

a) How do banks come up with new products and services?

b) Why do banks need to develop new products?

c) What causes some bank products and services to succeed whereas others to fail?

1.5 Importance of the Study

In analysing the different product development processes used by different banks, marketers as well as organisations will be able to understand the different processes available as well as to compare the methods used elsewhere with their own, with a view to understanding where they need to improve on by either adopting the identified method or using the researched method to better one’s own. These findings will also help organisations understand why some products succeed whereas others fail. They then can compare the process with their own and see how to
relate the two sets of processes and see where they can improve on.

Researchers also, can use this information as secondary data when carrying out further research on either this topic or on product development as a whole. Policy makers in companies also on the other hand can use this information as they will be able to learn from the findings of this study which methods are successful and why.

1.6 Scope of the Study
This study carried out a research among banks in Kenya. Since all banks have their head offices in Nairobi, this research was focused more on banks within Nairobi. Interviews were carried out within Nairobi only and not any other town or city within the country.

1.7 Chapter Summary
This chapter highlighted how the research on the process of product development in banks was carried out and that the research was within Nairobi. The purpose of this study was to analyse the product and service development processes in banks so as to understand how new products come about. Over and above the development of the products, the research also sought to establish whether there is a link between the development of these products that can be connected back to the success or failure of these products and services in the banking industry. This study will be of importance to banks, marketers as well as organisations who will be able to understand better the different product development processes available as well as to compare the methods used elsewhere with their own with a view to understanding where they need to improve on by either adopting the identified method or using the researched method to better one's own. The scope of the research was banks in Kenya. Since all banks have their head offices in Nairobi, this research was focused more on banks within Nairobi. Interviews were carried out within Nairobi only and not any other town or city within the country. Chapter two considers literature review according to the specific objectives. Chapter three dwells on the research methodology, while results and findings of the study will be presented in chapter four. Finally, chapter five presents the discussion, conclusions and recommendations of the study.
Chapter 2: Literature Review

2.1 Introduction
This chapter considers the relevant literature review on the development of new products. It is presented in three main areas according to the research questions. The study looks at what different authors have to say about the developed new products. It also looks at what the authors have to say about failure or success of products in the market.

2.2 New Product Development Process
A product is anything that can be offered to satisfy a need or a want according to Kotler (1967). Wainright (1994) in his book “Principles of Marketing” says, “In a narrow sense, a product is a set of attributes assembled in an identifiable form. In a broader sense, it is a set of tangible and intangible attributes including packaging, price, colour, price, quality and brand plus the sellers’ services and reputation. A product may be a good, service, place, person or idea”.

A product as explained by Brand (1999) is anything that satisfies a customer’s need or want. Micro Finance Institutions that design products to meet these needs and wants create value for their customers, and in so doing, have a strategic competitive advantage. In order to be sure that one is meeting the needs and wants of the customers, it is helpful to think of the broadest definition of product to include its component parts:

- Core Product (The Why): The reason why the customer pays money - a benefit (e.g., financial return, and security) or the need it fulfils (e.g., liquidity, and livelihood).
- Actual Product (The What): The specific feature that characterises what the customer is buying – including how it is designed (terms, interest rates, eligibility requirements) and packaged.
- Augmented Product (The How): How the customer receives the product – the way in which it is delivered and serviced (application turnaround time, hours of operation, waiting room facilities, and customer service- in terms of friendliness, accessibility before and after the loan is closed; product knowledge of all the staff.

New product development involves refining and expanding these component parts in a systematic manner.
New products are not required just because they are new products. They are required because they serve both the customers as well as the organisation's need. The organisation's need could be articulated in the organisational strategy. According to Pearce and Robinson (1997), product strategy will express how the organisation seeks to differentiate itself, distance itself from its competitors and be the bedrock of its market positioning.

According to Dalrymple and Parsons (1995) new products are goods and services that are basically different from those already marketed by the organisation.

A product can be "new" in the sense that it can either be:

a) New to the firm, taking the company into new markets, technologies or new product methods.

b) New to the market, the first of its kind, i.e. what some people call innovation.

c) It can also be new to a certain country or town. To the company selling the product, it is not new but to the customers it is a new product.

New product development is a process in product development of focusing on customer needs to ensure that your product range continues to offer short- and long-term profit opportunities. New products ensure that the company's product range continues to be focused and remain competitive. The head of research at Sharp, the Japanese consumer electronics group is quoted by Dalrymple and Parsons (1995) as having declared, "In the past, we could see market needs very clearly. But from now on, they will become more diverse. We must do in-depth studies of what consumers really want. Research must be focused. We must explore potential needs hidden below the surface".

Dalrymple and Parsons (1995) also state that the management of Sony Ltd has admitted that in the past its products were technology driven in the expectation that new ideas would catch on with consumers. 'Market research was often neglected on the grounds that consumers would not have a sensible opinion about an entirely new product'. Now the company accepts that consumers' needs must be studied more, if innovations are to succeed. He continues to say that any firm, or indeed any country, engaged in world trade in advanced industrial products, must repeatedly modernise its manufacturing processes and introduce new or updated products if it is not to loose markets and go
out of business because of competition from advances elsewhere. Hence the constant need for market awareness and for technological innovation.

According to Lewis (1997), new product development is the process that transforms technical ideas or market opportunities and needs into a new product that is launched into the market. Attempts to determine what is and what is not a new product is not a trivial task. A product is a multidimensional concept. Some dimensions will be tangible and others intangible. For instance, the provision of different packaging for a product does not necessarily lead to a new product. New packaging, coupled with additive marketing effort, especially in terms of marketing communications can help to reposition a product. Lewis (1997) illustrates his point with the following example. SmithKline Beecham successfully achieved this with its beverage product Lucozade. Today, this product is known as a sport drink, yet older if you can recall, it was initially packaged in a distinctive bottle wrapped in yellow cellophane and commonly purchased at pharmacists for sick children. This example illustrates the difficulty of attempting to alter a simple definition for a new product.

Looking at new service development Palmer (1998) says that this becomes a necessity as a result of analysis and evaluation of an organisation’s product mix. Palmer (1998) gives typical circumstances, when new services may be necessary:

- If a major service has reached the maturity stage of its cycle and may be moving towards decline, new services may be sought to preserve sales levels.
- New services may be developed as a means of utilising spare capacity.
- New services can help to balance an organisation’s existing sales portfolio and thus reduce risks of dependency on only a few services offered within a range.
- In order to retain and develop a relationship with its customers, an organisation may be forced to introduce new products to allow it to cater to customers’ diverse needs.
- An opportunity may arise for an organisation to satisfy unmet needs with a new service as a result of a competitor leaving the market.

Palmer (1998) goes on to define a “New service” to mean anything from a minor style change to a major innovation. He mentions five types of “new services”:

- Style changes: These include changes in décor or changes in logo or livery.
- Service improvements: These involve an actual change to a feature of the service already on offer to an established market.
- Service line extensions: These are additions to the existing service line product range.
- New services: These are new services that are offered by an organisation to its existing customers, although they may be currently available from its competitors.
- Major innovations: These are entirely new services for new markets.

2.2.1 Stages in New Product Development Process

This section reviews literature on Fletcher's (1997) new product development model and also compares the model with those of other authors. Fletcher's (1997) model consists of the following seven stages. These stages are important for systematic and effective handling of the new products. The research referred to Fletcher's (1997) model for both product and service development.

1. Idea Generation
2. Basic Idea Screening
3. Preliminary Investigation
4. Determination of specifications
5. Product or service development
6. Field test
7. Commercialisation

2.2.2.1 Idea generation:

This is to generate a steady and reliable flow of new products or service ideas that may be considered for possible adoption. The business-marketing manager has to develop methods of encouraging new ideas. New ideas are either internally or externally generated. Internally, new ideas could be sought from research and development, marketing, sales department, top management and the rest of the employees. Externally they could be sought from customers and prospects, suppliers, channel intermediaries, trading partners, competitors and distributors. In addition reading trade publications, attending trade shows, participating in trade associations as well as consulting with government agencies might also help in discovering new ideas. Fletcher (1997). During the idea generation process, different stakeholders give their ideas to the
organisations. According to Doyle (1943), two principles influence the idea generation phase
namely; the business needs to have lots of ideas and secondly, management has to recognise that
not all-successful products are 'breakthroughs'. This is the first step in the new product
development process. Smith (1997) mentions that NPD is not an activity that is carried out by the
research and development team only, but different people are involved during different stages,
such as, research and development staff carry out the detailed survey required, product managers
develop the programme requirements, marketing managers ensure that the product meets
customer requirements, manufacturing managers to ensure that the manufacturer of the new
product is cost effective.

The most common source of ideas for new products lies within the company itself. A survey
revealed that 80 percent of industrial and 46 percent of consumer new product ideas came from the
research staff, engineers, salespeople, marketing research personnel; and other executives and
employees of the firm. Another 28 percent of industrial new product ideas and 30 percent of
consumer new product ideas came from users. In addition, consumers are often studied by using
depth and focus group interviews to find opportunities for new items in individual product

Ideas for new products can come from the same source product variants do, says Lehman &
Winner (1998). However new products have a certain radical quality, thus the emphasis may be on
asking (or listening) dissatisfied customers, asking non-representative customers, using open
ended, qualitative procedures, involving customers as co-developers, listening to scientists and
newcomers and lastly, scanning the literature for interesting possibility.

Kibera and Waruingi (1988) also look at the aspect of idea generation as the first stage of NPD. A
pool of new product ideas is generated in the hope that at least one of them will be developed into a
successful product or service. Since products and services are developed to satisfy customer
needs and want they are a very important source of new product ideas. These ideas can be
obtained through direct customer surveys, focused group discussions, suggestion systems and
letters received from customers. Competitors are also occasionally a good source of new product
ideas. After carefully studying the attributes of a product, one can modify his product either by
adding/deleting some of the attributes in an already existing product. The problem with this strategy is that the marketer is reacting rather than initiating.

Kotler (1967) on the other hand states that the new product development process starts with the search for ideas. Top managers should define the products and markets to emphasise and should state the new products' objectives. They should also state how much effort should be devoted to developing breakthrough products, modifying existing products and copying competitors' products. New ideas can come from many sources: customers, scientists, employees, and competitors channel members and top management. Kotler (1967) states that new product ideas can come from:

- **Imitations**: Rather than creating an innovation, a firm may find it expedient to imitate competitive offerings. In a survey he carried out, 27 percent of industrial new product ideas and 38 percent of consumer new product ideas came from the analysis of competitors.

- **Acquisition**: One of the most attractive ways of acquiring new products is to buy other companies that have developed new items. This procedure has the advantages of eliminating all the costs of search, testing and commercialisation. It also involves fewer risks because someone else has already built up a satisfied group of customers and dealers.

- **Licensing new products**: According to Dalrymple & Parsons (1995), obtaining new product ideas through licensing offers several advantages for firms that wish to avoid the high cost of product development yet lack enthusiasm for acquiring going concerns. The most important attraction is that there are more firms willing to license their ideas than there are firms willing to sell successful products.

According to Wainwright. (1994), sources of new product ideas come from:

- Customer needs and wants
- Scientists, engineers, designers and employees
- Competitors' products and services.
- Sales representatives and middlemen.
- Top management.
2.2.2.2 Idea Screening

Fletcher (1997) mentions that this is the first critical evaluation in the new product development process. It is the initial decision to commit or not to commit resources to a new project. Screening involves an objective and orderly assessment of the product or service ideas. According to Smith (1997), idea screening can be done by carrying out research and development work to create a completely new product. It can also be done by modifying the existing products to provide higher performance or to meet different operating requirements, developing new products based on competitive specifications or adding new features to existing products.

The objective of the idea screening is to maximise the number of suggestions. The purpose of the screening stage is to select those few that have the potential to be winners. There are different techniques used for the screening process. According to Doyle (1943) screening is a tricky problem because it involves balancing between two types of error. Type one errors result from not eliminating a product idea that subsequently fails. Type two errors result from eliminating ideas that would have been successful.

Evaluating new products take a long time from conception to development and from initial development to mass sales. Lehman and Russell (1998) state that in evaluating the products one looks at issues such as relative advantage, compatibility, risk, complexity, observability and divisibility. Kotler (1967) contribution is that the promising ideas then move into a full-scale screening process. The purpose of screening is to drop poor ideas as early as possible. The rationale is that product-development costs rise substantially with each successive development stage. Is the product idea compatible with company objectives, strategies and resources?

According to Kibera and Waruingi (1988) the screening stage is the first phase of idea evaluation and pruning process. The pruning process should be carefully carried out to avoid either throwing away “the child with the afterbirth or throwing away the child and retaining the afterbirth.” The new product developer should at least weigh his new product ideas against the following factors:

- The extent of existing or potential demand for the new product if developed.
- Marketing compatibility or the extent to which the proposed product harmonises with the existing marketing variables (product, price, place and promotion).
- Durability or the expected life-cycle pattern of the product.
- Technical capability or the degree to which the proposed product is in harmony with current production facilities.
- The long term expected sales growth of the proposed product.

If these five factors are weighed in terms of their importance to the individual organisations, the weight can then be used to assess the various new product ideas.

Screening can be viewed as a filtering process. Firstly, a fairly quick judgement is made on whether the idea is compatible with the company's plans, technical skills and financial capabilities. The second phase of the new product screening is more detailed and is designed to establish a ranking for the remaining ideas. This ranking is based on an evaluation of the factors that are considered relevant for the product development in a particular firm according to Dalrymple and Parsons (1995),

2.2.2.3 Preliminary investigations

According to Fletcher (1997) products or ideas that have successfully passed the basic screening step now become candidates for a more thorough research. Here is a logical extension of the screening process but it applies specifically to those ideas that are still considered worthy of more consideration. No business marketing manager wants to commit time, effort, and resources to a new product or service idea only to later realise that there is no clear defined market or that the market is too small to justify the expense or that competition is so strongly entrenched that the new product or service has no real chance of adoption. This is when the idea that gets through the initial screening process is developed as a consumer proposition and tested against potential customers. In the research we will establish what methods are used by different banks in determining this.

Smith (1997) on the other hand says that the speed of new product development programmes can be a vital factor in ensuring their success. The programme schedule includes a pilot programme to test the new products and access customer’s reaction, phase review meetings to assess the continuing viability of the programme and lastly, customer consultation to ensure initial acceptance of the programme.
Concept developing and testing: Attractive ideas must be refined into testable product concepts. A product concept is an elaborated version of the idea expressed in meaningful consumer terms. Kotler (1967).

2.2.2.4 Determination of specification
Fletcher (1997) says that specifications may be defined as a detailed precise presentation of those characteristics desired in the product or service. They should be described in the clearest and most technically accurate manner, so that all involved parties know exactly what is required. Specification spells out the exact form the new service or product will take. These specifications are things such as the substantial investments that will be made in developing the product and the infrastructure needed to market the product.

After management develops the product concept and marketing strategy, it can evaluate the proposal's business attractiveness. Management needs to prepare sales, cost and profit projections to determine whether they satisfy the company's objectives. If they do, the product concept can move to the product-development stage. As new information comes in, the business analysis will undergo revision and expansion Kotler (1967).

Kibera and Waruingi (1988) tend to combine both the Preliminary investigations and determination of specification and refer to these two stages as Business Analysis. The new product developer is at this stage concerned with projecting future sales, profits, and rates of return for the proposed new product and with determining whether these are congruent with company objectives. The relevant data can be obtained from potential customers.

2.2.2.5 Product or service development
According to Fletcher (1997), at this point specifications have been determined and must now be transferred to a product or service that meets those specifications. Whatever is produced at this step must conform to the previously determined specifications if market success is to be achieved. Once the idea has been converted to a physical product or a conceptual service, it is ready to be tested in the market. Product development is a brand development stage. The objectives here are first to design and develop a product prototype that matches the positioning concept and that can
be mass-produced and delivered in an efficient way. We also develop the element of the marketing mix at this stage which will augment the physical product and communicate its value to the target market.

Kotler (1967) mentions that the process is now transferred to the Research & Development department for further development into a physical product. Up to now it has existed only as a word description, a drawing, or a prototype. This step calls for large jump in investment that dwarfs the idea-evaluation costs incurred in the earlier stages. At this stage the company will determine whether the product idea can be translated into a technically and commercially feasible product. If it cannot, the company’s accumulated project cost will be lost except for any useful information gained in the process.

2.2.2.6 Field Test
The product or services that were developed in the previous stage are now ready to be tested in the market. Fletcher (1997) continues to say that if there are problems, these are corrected before entry into the total market. The purpose here is to see how the new product or service performs under actual conditions in the target market. Here, pre-tests with potential customers are done so as to help evaluate functional performance, efficiency, safety and apparent benefit to the customers. For consumer goods, pack tests helps check ease of use, performance and the image presented of the product.

Smith (1997) on the other hand states that consulting customers about new product development can have a number of important benefits. Customers are involved in the development process and are aware of your future developments. Customer feedback can form a valuable input to the development process and customers can incorporate the new developments into their new development programmes. The process of consultation can take a number of forms namely communicating new developments to customers through product releases; arranging pilot trials with selected customers and lastly, setting up user groups at access new assess new products.

According to Kotler (1967), after management is satisfied with the product’s functional and psychological performance, the product is ready to be dressed up with a brand name, packaging,
and a preliminary marketing programme. The goals are to test the new product in more authentic consumer settings and to learn how large the market is and how consumers and dealers react to handling, using, and repurchasing the actual product.

### 2.2.2.7 Commercialisation

Once the new idea has passed successfully through the screening and planning process and the decision is made to market it commercially, its introduction must be planned and not done haphazardly. The key to introducing new products or services is to increase the chances of success and to reduce the chances of failure. The company will have allocated costs for the new launch and sufficient funds to gear up production (Fletcher, 1997)

Lehman and Winner (1998) state that adoption and expansion: First purchases of a new product are crucial. Still, adoption implies something different, a commitment to using the product in the long run. This stage involves getting the product out into the market. It is done after a pre-test stage. This can be done either by regional rollout or national launch.

Market testing, according to Kotler (1967), presumably gives management enough information to decide whether or not they should launch the new product. If the company goes ahead with commercialisation, it will face its largest costs to date. The company will have to contract a manufacture or build or rent a full-scale manufacturing facility. The size of the plant will be a critical decision variable. Another major cost is marketing. To introduce a major new consumer packaged good into the national market; the company may have to spend a lot of money in advertising and promotion in the first year.

Kotler (1967) also states that after testing, the new product manager must develop a preliminary marketing strategy plan for introducing the new product into the market. The marketing strategy will undergo further refinements in subsequent changes. The marketing strategy plan consists of three parts. First part describes the target market size, structure, and behaviour; the planned product positioning and the sales, market share, and profit goals sought in the first few years.
The second part of the marketing strategy outlines the product's planned price, distribution strategy, and marketing budget for the first year. The third part of the marketing strategy plan describes the long-run sales and profit goals and marketing—mix strategy over time.

According to research in www.product.int on idea generation & basic idea screening, although these are the right steps to start with, in some cases the high level executives might have pushed a favourite idea through in spite of negative market research findings. This will make the idea go through all the processes even when along the way it does not ogre well in the later stages. This would easily lead to the failure of the new product because the information used during fact finding was not correct. By that time, the high-level executive involved has reaped his/her benefits and is ready to leave the organisation or alternatively he/she passes the blame onto a different department.

Also when looking at idea generation, it is possible that there could be a shortage of important ideas. There may be few ways left to improve some basic products. The ideas already contributed will go through all the processes but the new product may still flop because some important idea was not mentioned and was thus omitted. These are:

- **Market size:** When looking at the market size, it is possible to overestimate. This is worse than underestimating the market since it is very costly and the costs are not returned. One should ensure that they carry out proper research as to what target market uses the product or a similar product and then zero in as to what fraction of this target market are they looking to target.

- **Product design:** Although research has been carried out, it is easy to overlook the product design. A product that is not well designed will not sell effectively in the market. When looking at product design one needs to look at the different cultures existing, the convenience in size and structure and the print in the design. A good example is a colour red for a design. In some countries you will find that this colour signifies danger and therefore people would not want to buy it as a domestic product. You will also find out that shapes have different meanings and signify different things. Once a marketing organisation went to launch a new product in India. It so happens that the shape of this product resembled that of the Indian god. They did not buy the new product and the company had
to relocate, as the Indians turned hostile to them. They lost business and therefore made hefty losses.

- Incorrect positioning: Even after doing your research, it is possible that the product could be incorrectly positioned in the market, not advertised effectively or overpriced. One has to guard against these factors as they could contribute to the fall of the new product. When looking at price not only does one need to price according to the target market but also in line with the value of the product. In addition, where it is sold in the market matters, as it has to be sold in an area where its target market frequents.

- Higher development costs: Although research was carried out, there has been a span of time before the actual development takes place and now the company finds that development costs have shot up and therefore the cost of production will go up as well. This now makes the product very expensive to price and so the company makes a decision as to whether to go on with production or do away with the product all the same.

- Competitors: All research has been done, production has now taken place and the product has been launched. Another threat is now the competitors. They now sabotage and decide to undercut you in price to move you away. If this happens then it becomes very risky for the business to continue and depending on how strong the company with the new product is, it could lose the battle in areas pertaining to this particular new product.

- Social and government constraints: In all the stages, nobody mentions social and government constraints. New products have to satisfy such criteria as consumer safety and ecological compatibility. They have complicated product design and advertising decisions in industries.

- Capital shortage: Good research has been done but now there is no capital to manufacture or produce the products. This leads to the flop of the organisation.

- Faster development time: A Swahili saying states that a secret belongs to one person. If it goes beyond one person then it is not a secret any more. Many competitors are likely to get the same idea at the same time, and the victory often goes to the swiftest. When one is producing a new product, one needs to be aware of both the external and internal pressures before, after, and during the development until its launch.

- Shorter product life cycle: When a new product is successful, rivals are quick to copy it. This makes the new product not develop a monopoly in that particular field,
Wilmhurst (1995) asserts that, "It is not the products as such that the customers are interested in, but what it will do for them. What the customer buys is a set of satisfactions and those satisfactions are the product. Products must be evolved not purely in terms of design, presentation, packaging, brand image and all the attributes which together give customers the satisfaction he is paying for".

2.3 Need for new products

Every company must carry on new product development. Replacement products must be found in order to maintain or build future sales. Furthermore, customers want new products and competitors will do their best to supply them Nystrom (1990).

Brand (1999) mentions a few reasons why consumers care about new product development within the Micro finance Institutions (MFIs).

- Competition: New Non-governmental Organisations are forming in response to increased availability of donor funds to promote micro finance activity. In addition, traditional banks are beginning to explore the micro finance segment. As competition increases, each player will begin to more narrowly define their niches and tailor their products accordingly.

- Discriminating customers: As successful micro enterprises grow and develop a record of accomplishments, their need for comprehensive financial services similarly evolves. Institutions must respond to clients' demands for more sophisticated products to meet the changing needs of their customers. Even the most sophisticated of MFIs have suffered the consequences of failing to anticipate their customers' needs in the form of increased desertion.

- Increased accountability: Performance pressure is coming from a variety of sources, including board of directors, donors and private investors, shareholders and parent companies, regulatory authorities and peer institutions.

There are several reasons why new products are developed according to Kibera and Waruingi (1988):

- New products may help business organisations meet the pressure of competition.
- A new product may be introduced to utilise excess production and/or marketing capacity. An organisation may sometimes, after an expansion programme find itself with excess
capacity.

- Sometimes company growth can only be sustained through the development of new products. Products, and in particular, brands, have a life cycle and the profits from ageing products tend to continually decline over time and therefore, whenever feasible, new products should be introduced if the company sales and profits are to be maintained.

- In some cases, new customer needs may only be satisfied with new products. Human needs, both physiological and psychological, change over time either because of influences from other countries or from within the system. As these needs change, marketers must provide brands that will satisfy the new needs. However, they should not only react to consumer needs but should also influence consumer needs and wants.

Given the intense competition in most markets today, companies that fail to develop new products are exposing themselves to great risk. Their existing products are vulnerable to changing consumer needs and tastes, new technologies, shortened product life cycles and increased domestic and foreign competition. At the same time, new product development is risky. "Texas Instruments lost $660 million before withdrawing from the home computer business, RCA lost $575 million on its ill-fated videodisc players and Ford lost $350 million on its ill-fated Edsel and the French Concorde aircraft will never recover its investment". Nystrom (1990)

2.4 Success and Failure of products and services

According to Wainwright (1994), an important factor in determining the success or failure of products and services in exports markets is the selection of the most appropriate range of products to meet the needs of a particular market. Due to rapid technological advances and changes in consumer behaviour, there is a tendency for products to become obsolete and uncompetitive at a faster rate than ever before. In some cases, companies who have failed to carry out on-going research have overlooked the need to keep their products under constant review, resulting in failure to meet the challenge of both technological changes and the appearance in the market of competitive products from other sources.

The first commandment in marketing is "know your customer" and the second is "know thy product". The relative number of success of a company's new products is a prime determinant of its sales,
growth rate and profits. A firm can best serve its customers by producing and marketing want-satisfying goods and services". Stanton et al (1994)

Celantone and Cooper (1987) grouped failures into six categories:
The better mousetrap no one wanted. (28 per cent of failures): products, which, although possessing certain unique features, were not able to attract the interest of sufficient numbers of buyers; such products frequently originated from technical research and development without guidance from market research or sales staff.

- Me-too product experiencing head-on competition (24 per cent of failures): imitative products, which lacked any unique features or competitive edge.
- Competitive one-upmanship (13 per cent of failures): products, which soon suffered from, for example, inadequate, market analysis or poor devised market entry, and were easy prey for more professional competitors.
- Environmental ignorance (7 per cent of failures): products which were developed without adequate knowledge of the changes in economic, social, technological or other environmental factors affecting consumption patterns.
- Technological dog-product (15 per cent of failures): products that earned their pejorative label because they were fundamentally flawed in design, concept, delivery or capability.
- Price crunch (13 per cent of failures): products priced at levels above the value placed on them by customers, whose perceptions are likely to be influenced by comparative evaluations of competing products. This type of failure may be due to poor market knowledge, inefficient methods of production, inadequate costing systems, unrealistic pricing assumptions etc.

These six categories are likely to be discrete, and various elements of their underlying influences may contribute to specific product failures. Fundamental deficiencies, however, seem to be related closely to insufficient basic knowledge of market needs, which results in products/services being developed with little prospect of being able to satisfy the dynamic expectations of specific types of customers. Some of the prime causes of failure, such as categories 1 and 2, seem to be almost elementary mistakes that should not really have occurred.
2.5 Chapter Summary

Looking at all the mentioned writers, although the approach for the changes differ and although not all of them have the seven mentioned stages, they all tend to lean towards Fletcher's (1997) conclusion regarding the stages. One who is pretty close to Fletcher (1997) in the stages is Kotler (1967). He too has looked at the stages systematically and in detail. They both are exhaustive as opposed to the other two. Chances of error are few after going through the various stages named in the two citations.

Smith (1997) tends not to give a clear presentation regarding determination of specifications stage and he does not mention much about the product development stage. Adopting his approach entirely would confuse a marketer. Lehman and Sirner (1998) tended to talk more about the adoption and the expansion stages more than the other preliminary stages. Product development is chosen if managers feel that the firm's existing customers would be interested in products related to its current lines. Product development could also be based on technological advancement and other competitive advantages.

A company can add new products through acquisition and/or new product development. The new product development starts with the search for ideas. The search should not be casual. Top management should define the products and markets to emphasise. It should state the new product objectives, whether it has high cash flow, market share domination or some other objective. It should state how much effort should be devoted to developing breakthrough products, modifying existing products copying competitors' products.

Product development involves the substantial modification of existing products or the creation of new but related products that can be marketed to current customers through established channels. The product development strategy often is adopted either to prolong the life cycle of current products or to take advantage of a favourite reputation or brand name. The idea is to attract satisfied customers to new products because of their positive experience with the firm's initial offering.
Chapter Three: Methodology

3.1 Introduction
This chapter deals with the research methodology used in carrying out this research. The design served to minimise the danger of collecting haphazard data and ensured that the data collected met the research questions. It covered the research design, population and sampling design, the data collection methods, research procedures and data analysis methods.

3.2 Research Design
The study was descriptive in nature as it sought to find out the processes that banks go through when coming up with new products. Through the same study, we also sought to find out why some products succeed yet others fail. Since descriptive research aims at describing the characteristic of a population or a phenomenon, it was appropriate for this study. The research design used was a survey. To survey is to question people and record their responses for analysis. One can either use personal interview or use questionnaires. Both methods were used in this study and the questionnaire used was designed by the researcher according to the specified research questions.

3.3 Population and Sampling Design
3.3.1 Population
The population was all the banks in Kenya as at December 2000. These were fully-fledged commercial banks registered under the Banking Act. They consist both of local as well as internationally incorporated banks. For purposes of grouping of the research, we further classified the banks according to their deposit base. We grouped them as large sized banks, medium sized banks and small sized banks. Only the Nairobi offices were contacted for purposes of this research. This is because all the banks have their head offices in Nairobi and that is where the marketing department’s headquarters are based. A list of all the banks with their deposit base as at end of 2000 is attached under Appendix 1. The marketing managers, the marketing assistants, or any other person responsible for new product development in banks was targeted for this research. In three banks, both the marketing manager and the business development manager were interviewed.
3.3.2 Sampling Design and Sample Size

3.3.2.1 Sample frame

The researcher obtained the list of banks from the Market Intelligence journal for April/May 2001 and referred to the records given in their Banking Survey report for statistics on deposit base as at the end of 2000. Under this category, there were fifty-two (52) banks. The list was then edited to reflect the true position in 2002 as some banks had since merged whereas others had closed. The total number of banks operating as at January 2002 was 45 banks.

3.3.2.2 Sampling Technique

The population of the study was assessed through stratified random sampling method. The study employed probability sampling with a stratified random sampling technique. According to Cooper and Emory (1995), most populations can be segregated into several mutually exclusive sub-populations or strata. The process by which the sample is constrained to include elements from each of the segment is called stratified random sampling. The population was divided into large, medium and small sized banks in Kenya.

The large banks were divided based on a deposit base of ten (10) billion shillings and above as at end of year 2000 under which there were eight Banks. The medium sized banks were divided based on a deposit base of between two (2) billion shillings and 9.9 billion shillings as at the end of year 2000 and we enlisted 19 banks. Small sized banks were those with a deposit base of 1.99 billion and below as at the end of year 2000 and under this category there were 18 banks.

<table>
<thead>
<tr>
<th>Banks</th>
<th>Population (N)</th>
<th>Proportion</th>
<th>Sample %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large sized banks</td>
<td>8</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>Medium sized banks</td>
<td>19</td>
<td>8</td>
<td>40%</td>
</tr>
<tr>
<td>Small sized banks</td>
<td>18</td>
<td>8</td>
<td>40%</td>
</tr>
<tr>
<td>Total</td>
<td>45</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 1 shows the population and sample proportion of banks in Kenya. The sample represented 44% of the population. Simple random sampling was used to pick the four banks under the large sized category, the 8 banks under the medium sized category and the 8 banks under the small sized category. Simple random allows for a known and equal chance of being selected. The random sampling was done without replacement because the numbers were very small and if replaced it would have given us a high chance of picking the same repeatedly.

3.4 Data Collection Methods

The data collection method employed was a survey method with a structured questionnaire containing both open structured questions followed by some likert scale type of questions was administered to the respondents using the interviewing technique. The questionnaire was hand delivered and a follow-up call made when necessary. In cases where it was not be possible to hand deliver the questionnaire, telephone interviews with the managers was carried out. The phone was also used to remind the ones who accepted the questionnaire to complete them and return before the set deadline. This exercise took approximately between three to four weeks.

3.5 Research Procedure

The data collection instrument was designed with the aim of addressing the issues detailed in specific research questions and the questionnaire was not tested. This research was conducted with the help of a research assistant Ms. Leah Symekher.

Step One: The questionnaire was prepared and approved.
Step Two: A list of banks in Nairobi together with their deposit base was obtained.
Step Three: Briefing session with assistant.
Step Four: Random selection of the banks was done and a fresh list obtained.
Step Six: Appointment calls were made to the different banks selected and a schedule of appointments obtained.
Step Seven: Visit to the different banks was done by my assistant.
Step Eight: Telephone interviews done for those who were not available later.
Step Nine: New appointments set and new banks visited or called on phone.
Step Ten: Review of the response and follow-up initiated for the questionnaires.
Step Eleven: Final review done and information tabled.
3.6 Data Analysis Methods

Once the questionnaires containing the required data were filled and returned, the data was first edited, coded then tabulated. The findings was then analysed using descriptive statistics method. The descriptive statistics was employed to analyse the quantitative data in terms of frequency distribution. Analysed data was then summarised and presented in tables and charts using Microsoft excel spreadsheets. The analysis was done according to the specific research questions.

3.7 Chapter Summary

This chapter considered the research methodology that was used in carrying out the research. The research design used was a survey with the population, sampling frame, sample size and sampling technique being specified. The data collection instrument used was a structured questionnaire. The data analysis method used in terms of quantitative approach was descriptive statistics. The banks were categorised as large, medium and small based on their deposit base and 44% of the population was interviewed. Analysis of the data was presented in tables and charts generated using Microsoft excel spreadsheets.
Chapter Four: Results and Findings

4.1 Introduction
This chapter presents research findings obtained from the questionnaires administered in the research. The presentation was based on the specific research questions. The results were presented in tables and Microsoft Excel spreadsheets was used to generate the charts.

4.2 Development of new products and services
4.2.1 Parties involved in the new product idea generation
In finding out how banks come up with new product ideas, we first needed to understand who is involved in this process. Data on parties involved in the new product development idea generation was analysed and the findings presented in figure 1.

Figure 1: Parties involved in idea generation

Figure 1 shows that 58% of banks involve their customers in the process of idea generation and only 8% involve the bank employees in this process.
4.2.2 Factors that are considered when screening ideas.

Data on factors that are considered when screening ideas were analysed and findings are presented in figure 2.

![Pie chart showing factors considered in screening ideas]

- Looking at Bank strategy and existing regulations: 17%
- Viability: 17%
- Political and economical situation: 24%
- Competition: 17%
- No idea: 17%
- Bank operations and technology: 8%

Figure 2: Factors that are considered when screening ideas

Figure 2 shows that 24% of banks proceed with the new product idea if they find it viable whereas 17% proceed on with the idea if it is in line with the bank's operation and technological systems. A total of 17% of banks also proceed in the ideas are in line with bank's strategy and existing regulations, in line with the competition and if it's in line with the current political and economical situation of the country.
4.2.3 What then happens to the screened ideas?

Figure 3 shows findings of analysed data on measures taken by different banks after the ideas have been screened.

![Bar chart showing measures taken on analysed ideas](image)

**Figure 3: Measures taken on analysed ideas**

Figure 3 shows that 33% of the banks vet the ideas a second time whereas 8% pass them for approval after they have been vetted the first time.

4.2.4: Banks that finally develop idea

Data on banks that develop or do not develop the screened ideas is analysed and the findings presented in figure 4.

![Pie chart showing banks that develop or do not develop ideas](image)

**Figure 4: Banks that develop the screened ideas**

Figure 4 shows that 92% of the banks go ahead and develop the new ideas into products.
4.2.5 Parties that banks involve in the actual process of product development.

Data on parties involved in the idea production process were analysed and the findings presented in figure 5.

Figure 5: Parties that banks involve in the process of product development.

Figure 5 above show that 42% of banks work together with research firms whereas 8% of banks contract the whole process of product development.

4.2.6 New Product Development Budget

Data indicating whether banks allocate a budget to the production of new products was analysed and the findings presented in figure 6.

Figure 6: New product development budget
Figure 6 show that 58% of banks set aside a budget to the production of new products every year whereas 42% do not have an annual set budget for it.

4.2.7: Testing of new products

Data on banks that test their new products was analysed and the findings are presented in figure 7.

![Figure 7: Testing of new products](image)

Figure 7 show that 83% of banks test new products in the market before launching them whereas 17% of banks launch the new product without testing them.
4.2.8: Ways of testing new products

Figure 8 shows analysed data on the ways used by banks to test their new products.

Figure 8: Ways of testing new products

Figure 8 shows that 40% of banks use test customers whereas 20% use focus groups to test the new products.
4.2.9: Ways of launching the products

Figure 9 shows the analysed data on the different ways of launching new products internally.

![Pie chart showing ways of launching new products]

Figure 9: Ways of launching new products

According to the results presented in figure 9, 8% of banks launch their new products through sponsorship of events such as golf and cricket whereas 41% prefer to invite their target market to cocktails and luncheons.
4.2.10 Media channels used when advertising new products

Figure 10 presents findings on the media channels used by banks when advertising new products.

![Pie chart showing media channels used](image)

**Figure 10: Media channels used when advertising new products**

According to figure 10, 48% of banks use print media such as newspapers, magazines to advertise their new products.
4.3 Factors that make banks introduce new products

In looking at factors that make banks introduce new products, this research looked at the number of products that banks have, frequency of introducing new products as well as the success rate of the products.

4.3.1 Products offered by banks

Figure 11 presents analysed finding on the number of products offered by different banks.

![Bar chart showing number of products offered by banks.]

Figure 11: Products offered by banks

According to figure 11, 67% of the banks have at least 10 different products on offer to their customers and 8% of the banks have at most 7 products to offer.
4.3.2 Frequency of introducing new products

Figure 12 presents analysed data on the frequency of introduction of new products by banks. The table wishes to establish how many banks produce products over a certain period.

![Frequency of introducing new products](chart)

**Figure 12: Frequency of introducing new products**

According to figure 12, 42% introduce new products once every two years whereas 8% introduce new products once every four years.
4.3.3 Success rate of new products

Data on the success rate of new products was analysed and the findings presented in figure 13.

![Success rate of new products](image)

**Figure 13: Success rate of new products**

According to figure 13, 60% of the banks have a success rate of between 0 to 25% on their new products whereas 17% have a success rate of 51 to 75% on their new products. No bank has a success rate of between 76 to 100% on its products.
4.4 Causes of new products success or failure
In looking at the specific research questions, this research sought to analyse data on the causes of the success or failure of new products. The research looked at the effectiveness of the different launch methods, the target market selected when launching or advertising the new product together with the ways used in measuring the success of new products.

4.4.1 Effectiveness of the different launch methods ways
Table 2 shows the success levels of the different launch methods used by the different banks.

Table 2: Success levels of the different launch methods

<table>
<thead>
<tr>
<th>Different ways available</th>
<th>Number of banks</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct mail</td>
<td>1</td>
<td>8.33%</td>
</tr>
<tr>
<td>Radio</td>
<td>1</td>
<td>8.33%</td>
</tr>
<tr>
<td>Television</td>
<td>3</td>
<td>25%</td>
</tr>
<tr>
<td>Print media</td>
<td>5</td>
<td>41.67%</td>
</tr>
<tr>
<td>Cocktails/Luncheons/Dinners</td>
<td>3</td>
<td>25%</td>
</tr>
<tr>
<td>Meetings</td>
<td>1</td>
<td>8.33%</td>
</tr>
<tr>
<td>No Comment</td>
<td>1</td>
<td>8.33%</td>
</tr>
</tbody>
</table>

According to table 2, print media is the most successful method of launching new products at 42% followed. Launching of new products through cocktails and luncheons is the second most successful method with a score of 25%.
4.4.2 Target market for advertising and launching

Table 3 shows analysed data on the target market for banks when launching and advertising their new products.

Table 3: Banks' target market

<table>
<thead>
<tr>
<th>Customer criteria</th>
<th>Number of banks</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key existing customers</td>
<td>6</td>
<td>50%</td>
</tr>
<tr>
<td>Product users – main target market</td>
<td>9</td>
<td>75%</td>
</tr>
<tr>
<td>Entire Market</td>
<td>1</td>
<td>8.33%</td>
</tr>
</tbody>
</table>

According to table 3, 75% banks advertise their products as well as launch their new products specifically to the product users who is the main target market. 8% of the banks launch to the entire market.

4.4.3 Ways of measuring the success of new products

Data on the ways of measuring the success of new products was analysed and findings presented in figure 14.

Figure 14: Ways of measuring the success of new products.

Figure 14 show that 58% of banks measure the success of their new products by an increase in volumes in the business whereas 25% use the bank's profits as a way of measuring the success of new products.
4.5 Chapter Summary

In this chapter, the results of the research have been presented. The researcher gathered information from the respondents using questionnaires, which were administered for the purpose of the research. The results were tabulated and charts and tables used to present the findings.

It was noted from the study that 58% of banks involve their customers in the process of idea generation and only 8% involve the bank employees in this process. The study also showed that 24% of banks proceed with the new product idea if they find it viable whereas 17% proceed on with the idea if it is in line with the bank’s operation and technological systems, in line with bank’s strategy and existing regulations, in line with the competition and also if its in line with the current political and economical situation of the country. Once the ideas have been passed, the study showed that 33% of the banks vet the ideas a second time whereas 8% pass them for approval after they have been vetted the first time. 92% of the banks go ahead and develop the new ideas into products.

The study also showed that 83% of banks test new products in the market before launching them whereas 17% of banks launch the new product without testing them with 40% of banks using their customers to test the products whereas 20% use focus groups to test the new products. When it comes to the launching of the products, the study revealed that 8% of banks launch their new products through sponsorship of events such as golf and cricket whereas 41% prefer to invite their target market to cocktails and luncheons. 48% of these banks use print media such as newspapers, magazines to advertise their new products.

According to the study, in finding out the factors that make banks introduce new products, the research revealed that 67% of the banks have at least 10 different products on offer to their customers and 8% of the banks have at most 7 products to offer. Of these banks 42% introduce new products once every two years whereas 8% introduce new products once every four years as revealed by the study. Among the products introduced, 50% of the banks have a success rate of between 0 to 25% on their new products whereas 17% have a success rate of 51 to 75% on their new products. No bank has a success rate of between 76 to 100% on its products.
The study showed that print media is the most successful method of launching new products at 42% followed. Launching of new products through cocktails and luncheons is the second most successful method with a score of 25%. Further to that, it was shown that 75% banks advertise their products as well as launch their new products specifically to the product users who is the main target market. 8% of the banks launch to the entire market. Success of new products is measured through increase in volumes in the business by 58% of banks whereas 25% use the bank's profits as a way of measuring the success of new products.
Chapter 5: Discussion, Conclusions and Recommendations

5.1 Introduction
This chapter discusses research findings in chapter four and give recommendations according to the researcher's interpretation of the findings. The chapter begins by presenting the summary of the research report. The results and findings, which were analysed from the data and presented in chapter four, will be the basis for discussions in this chapter. Recommendations for both improvement and for further studies have also been presented.

5.2 Summary
This final chapter analysed the product and service development processes in banks so as to understand how new products come about. Over and above the development of the products, the chapter sought to establish whether there is a link between the development of these products that can be connected back to the success or failure of the products and services in the banking industry. The discussions were based on the following research questions:

a) How do banks come up with new products and services?
b) Why do banks need to develop new products?
c) What causes some bank products and services to succeed whereas others do not succeed?

The research design was a study. The population, the sample frame, the sample size and sampling techniques we also specified. The population of the research were the banks in Kenya. The study employed probability sampling with a stratified random sampling technique. The primary data was collected through interviews using structured questionnaires, which were designed by the researcher. The data was analysed using descriptive statistic. The descriptive statistics were employed to analyse quantitative data in terms of frequency distribution. The data was analysed using tables and charts generated using Microsoft excel spreadsheets.

From the findings of this study, it can be deduced that there is need to carefully analyse why one needs to produce a product or a service and to ensure that they receive their target market's input from the beginning. Having this in mind, we will be able to choose the features of the product as well as how and to whom we are launching this product. If the product is tailor-made to meet the needs
of the target market, if it is what the target market wants, then once it’s commercialised, it will bring about an increase in volumes, which will result in an increase in profits in the end. At the initial stage, may be banks should not measure the success rate of the new product using an increase in profits because they would need to possibly break even before we start to make profits. An increase in volumes, if priced correctly will give the banks an indication of how they are performing.

5.3 Discussion
5.3.1 Development of new products and services
New product development is a sensitive area in the bank. It involves details such as bank strategy, financial involvement, risks as to whether the product will be successful or not, compliance with the banking act and legal issues of the country of operation and even research and the scope of the research. According to the study, 50% of banks let the Managing directors’ and/or the general managers get involved in the creation and the development of the new products as illustrated in Figure 1. After the heads of the organisations have seen the ideas generated, most banks then proceed to discuss the ideas in a committee before proceeding with the production. The committee can be that of the executives or even the management committee. This committee is responsible for analysing and ensuring that this idea is worth the venture.

The research findings as indicated in figure 1 of the study show that only 8% of the banks involve their employees and their staff in idea generation process. This I find very strange because normally the people who are down on the ground are the ones who tend to interact with the customers the most. They definitely should have some contributions to make regarding the needs of the customer. The customers on the other hand would be in the best position to tell the banks what they want their banks to do for them. They would also be able to tell their banks what other banks are doing since a good number of customers are normally multi-banked. The research showed that the customers are also poorly represented in the entire process of idea generation by only 8.33%. Both the customers and the employees do not have a major role to make during this stage of idea generation. It is ironical how banks can make products and services for the customers and yet not involve the customers themselves. One wonders how these banks know the needs of their customers without asking them.
This is not in line with Fletcher (1997) who says, "New ideas are either internally or externally generated. Internally, new ideas could be sought from research and development, marketing, sales department, top management and the rest of the employees. Externally they could be sought from customers and prospects, suppliers, channel intermediaries, trading partners, competitors and distributors. Banks should therefore involve these two parties during the idea generation stage. This according to Smith (1997) can be carried out through research. Lehman & Winner (1998) also states that ideas can come about by organisations asking (or listening) to dissatisfied customers, asking non-representative customers, using open-ended questions and qualitative procedures.

Due to the seriousness of the new product development, once ideas have been discussed and vetted, they are then vetted further. This is shown in figure 3 where "vetting again in discussion groups" scores 33% of the marks. This is to ensure that the ideas selected are the correct ones and there is no mistake in this matter. These ideas are then passed through the departmental managers and the product heads because they too need to look at the viability of the product in their area and see what their contribution would be. This is important because it would not be viable to just pass a decision about a product affecting the whole bank from the top level without ensuring that all the departments involved are aware of what is going on. According to the research, 33% of the banks share the ideas with the board of directors during the screening stage. The directors would therefore only be able to know about this product either at the commercialisation stage or in a report given to them by the bank.

According to Kotler (1967), the purpose of screening is to drop poor ideas as early as possible. The rationale is that product-development costs rise substantially with each successive development stage. Questions to ask, according to him are that; is the product idea compatible with company's objectives, strategies and resources. Screening is hence a very important stage and banks should ensure they go through this process.
As presented in figure 5, only 8.33% of the banks involve research firms in the process of new product development. It seems that either some bank prefer to do the research job themselves or probably do not carry out any research. In as much as thorough research is very important when producing new products, it seems that most banks do not use research firms but instead prefer to carry out their own research. This can prove to be very inadequate as well as expensive as most banks do not have the work force or the equipment. Dalrymple and Parsons (1995) quoted the head of research at sharp as saying, “In the past, we could see market needs very clearly. But from now on, they will become more diverse. We must do in-depth studies of what consumers really want. Research must be focused.” It is therefore very important for banks to carry out focused research about the needs of their customers before developing products.

Regarding the budget it seems that, a good number of banks do not have a specified amount of money allocated for new products in their budget. This is represented by a margin of 42% as illustrated in figure 6. This can turn out to be tricky because some of the new products especially electronic related would involve a colossal amount of money and if an organisation do not have such an amount of money, they would then cancel or dismiss this project. An organisation could miss a good opportunity simply because it did not have funds allocated for new products. This explains why a good number of banks tend to seek for approvals in cases where a budget is exceeded. It is because there was no specific budget clearly thought. Some of the banks suspend the project in cases where the budget exceeds the overall specified budget.

According to figure 7, 83% of the banks test their products in the market before launching with 40% as illustrated in figure 8 using existing customers to test the new products. A sample of the product is then rolled out to a selected category of customers and comments recorded after tight monitoring has been done. Some straightforward issues are then sorted out immediately whereas the vetting committee discusses those that need detailed scrutiny.

Fletcher (1997) prefers testing the products among potential customers to help evaluate functional performance, efficiency, safety and apparent benefit to the customers. Smith (1997) also believes that customer feedback can form a valuable input to the development process and customers can
incorporate the new development into their development programmes. Once the products are tested and are ready for the market, they are then commercialised. There are both internal and external ways of doing this. Internally, 41% of the banks organise cocktails or luncheons for the target customers as a way of launching their new products. The study shows that 17% of the banks opt to sending mail to the target market either through email or through post office. Leaflets are other times inserted and dispatched alongside the customers' statements.

The use of print media has the highest usage among the banks as a way of launching their new products. Figure 10 show that 40% of the banks use this channel. Print media has the highest readership and coverage because it is read both by the rural and urban dwellers. The main dailies are Nation, Taifa Leo and Standard Newspapers. In addition, research has proved that it is easy to remember what one has read and one can easily refer when need be since it can be stored. A section of the banks top up the print media with Television advertising or news items on Television. This is most effective in urban dwellings. For this to be successful, the target market must be situated in the urban areas and not the rural areas. It is also easy for people to remember what they saw and heard on television. Today we have three main television channels in Kenya i.e. Kenya Broadcasting Corporation, Kenya Television Network and Nation television. Advertising is in two sections. They all have prime time and off prime time. Depending on ones target market, advertisements are either through sponsorship of programmes or during the breaks.

Radio is also an effective way of communicating the new products since it transcends across a wide spectrum of people and it is in almost all districts. In Kenya, we have around eight radio channels today and each of them has their target market. Like on television, one can either post an advert in between a program or one can sponsor a program. They too have prime time and off prime time. When selecting these channels one has to be careful when to run or post the advert because different people listen to different radio channels of communication at different times and days. One has to know what the preference of the customer is.

Fletcher (1997) believes that the introduction of the products into the market must be planned and not done haphazardly. The channel of communication to be used is determined by the target
market. According to the study, 75% of the banks involve their target customers only for the launches whereas 50% launch the product to all the existing customers. When organising for a launch meeting or for advertising, one has to carefully select their target market and get to know what they like or do not like. When they watch, listen to television and radio and when they do not so as to place the advert at the right place and time.

5.3.2 Factors that make banks introduce new products

Banks are now moving into developing new products every other time so as to keep up with the changing needs of the customer. Statistics show that 42% of banks work at introducing a new product once in every two years as illustrated in figure 13. The research findings also show that 33% of banks also develop new products once in every six months. This is to meet a target of two new products every year. Speaking to a few of these banks, they clarified that modifying or re-branding of existing products is also part of the new product development process. This brings in the possibility of introducing a new product and modifying an existing product. This is in line with Dalrymple and Parsons's (1995) statement that “new products are goods and services that are basically different from those already marketed by the organisation.

According to figure 12, it is clear that many of the bank products existing today were developed in the last four years. Banks have few if not similar products to offer to the same broad target market. The competitive edge is on how you package the product or service. Because of this, banks have to every now and then come up with improved or totally new products for the market. Also as illustrated in figure14, 50% of the banks have only a quarter of their products succeeding. Because of this, they have to constantly come up with new products to replace the 75% products that did not succeed after a given period.

5.3.3 Success or failure of new products

Looking at the percentages of success of products in figure 14, 50% of the banks have only a quarter of their products succeeding. A number of banks attributed the low level of success of their products to stiff competition in the market hence other banks offering improved versions of their new
products. Some attributed the problem to lack of enough funds to aggressively advertise and market the new product hence customers tend to forget the existence of the new product and are then attracted to another newly introduced product in the market. Only one bank attributed the lack of 100% success to poor planning and research at the initial stages.

According to Wainwright (1994), the success or failure of a product is determined by the selection of the most appropriate range of products to meet the needs of a particular market. He continues to blame the failure of products on the rapid technological advances and changes in consumer behaviour. Because of these two factors, products tend to become obsolete very fast and hence the need for banks to keep developing new products. This research clearly shows how different banks operate differently yet a good number of them succeed in the developing of the new products.

Success of new products is mostly measured by increase in volumes and increase in profits. The study shows that 58.33% prefer measuring success by increase in volumes since in most cases banks tend to under price or not price their services when launching a new product. This is supposed to act as a puller to the customer. If one was to measure success by increase in profits in a case where the product has not broken even because of the low pricing, then the perception can be read wrongly. If one was to consider volumes, then no matter whether it's priced rightly or under priced or not priced at all, one would be able to gauge the response from the market and even know how to price the product correctly. According to the study, 50% of the banks also turn to the customers for comments on the product as a way of measuring success. It is also important to continuously check on the progress of the product since every new product has its own teething problems. We found out that 33.33% of the banks monitor the progress for a period of one month at most whereas 8.33% do not monitor the progress at all once the product has been launched.

Another factor that contributes to the success or failure of products and services is the launch method. According to table 1, the most successful method of launching new products in the banking industry is through print media. This is by advertising in the daily newspapers. Television and cocktails are also alternative methods that one can use to launch new products and services. Over
and above choosing the right avenue for launching the new products and services, one also needs to select the right target market to use.

5.4 Conclusion

Based on the findings of the study, it can be concluded that a number of banks are going about the process of new product development in the wrong way. Primarily, they should involve both customers and bank staff during the idea generation stage. Ideas generated should come from both internal sources as well as external sources. Internally, the ideas should be sourced from research, marketing, sales team, top management and the rest of the staff. Externally, the ideas should come from customers and prospects as well as the competition. Looking at the research findings, we see clearly that most of the ideas among banks are generated by the general managers and managing directors. Top management is also consulted. The employees and the customers are hardly consulted and their opinions and suggestions are hardly noted. Most banks hardly carry out any research to find out what the market needs. In screening of ideas, we find that most banks actually take time to screen the ideas generated before approving them. They go through the preliminary stages.

The ideas that pass through these stages are then processed or developed further. This seems to be the case with most of the banks. Like Fletcher's model, they are then passed through the development process and converted into product or service. Once the product or service is ready, like Fletcher says, the field test is important before launching the product or service. At this stage, if there are any problems, it is easy to correct before entry into the market. Most banks use customers at this stage. This is similar to Fletcher's suggestions on the field test. Commercialisation, according to Fletcher, should be planned and not just done haphazardly. Most banks do this either through organised cocktails, luncheons or dinners with the target market. Others back this up with advertisements and articles in the media. This could be print, television or even radio. It depends on what the target market prefers.
The development of new products by banks is inevitable because of its dynamic customers and the short life cycle of the banks’ products though I believe the life span of the products could be lengthened if banks consulted with customers before producing the products and produce products that will meet the needs of the customers and not produce a product that meets the need of the bank and sell it to the customer. In addition, with the stiff competition among the banks, the marketing and business development sections have to constantly give the customer a new product to meet the changing need of the customer.

5.5 Recommendations

5.5.1 Recommendations for improvement

In considering the new ideas, banks should give their customers and all employees a chance to contribute. They should have special questionnaires sent out to customers every now and again, maybe once every year where the customers give their suggestions, compliments, complaints about both the existing products and services and what they would like their bank to offer them. As for staff, they can have an internal way of obtaining this information. This can be through the internal news bulletin or departmental meetings where ideas suggested can then be presented to the executive committees of the various banks. Research firms should also be commissioned to carry out the necessary research at this stage.

The banks should ensure that during the production of either the product or service, the product prototype matches the positioning concept. The elements of the marketing mix should also be considered during the development of the product or service. The banks have to clearly spell out how their pricing strategy, their promotion strategy, where they plan to sell the product or service, the people that will actually sell the product or service to the target market. All this will determine how the product or service is developed. The research carried out both internally and externally will play a major role in this determination.

Due to the intense planning and organization of the whole process, it would be advisable for companies to annually consider having a separate budget set aside for new products
development. This budget will be used throughout all the mentioned stages. Banks should not just look at this process as part of a marketing overall budget but special emphasis with a properly laid out strategy should be written down. The more customer driven products a bank has, the more competitive they are likely to be.

Either the marketing department or the business development department should handle the process of generation of ideas. That way the headache will be moved away from the head of the organization, as he is involved in very many issues and might not give this process the time and effort it deserves. With the process having been delegated to either of these departments, it will be much more possible to spend adequate working and monitoring of a new product. That way the frequency of developing or modifying products could increase and the bank would then be in a much better position to be more competitive in the market.

Looking at the process through which ideas are screened and vetted, all the channels used by the banks are good, the teams involved during this stage are appropriate, and the people involved are good. However, I would recommend that a staff representative as well as a customer representative be included in this process. They too would be able to give their contributions from their different points of views. They should be part of the team up to and including the field-testing stage. These products and services are supposed to please the customer and having someone speaking for the customers will help bring a different light into the entire process.

When a product is passed on to the development stage, the public relations firm to be used or the advertising agency should be brought into the picture. This way, everybody involved will be able to understand the whole aspect and importance of this new product. The advertising firm will also get the required concept in their minds and know how to work on the advertising and launch campaign for this product. Newspaper agents and printing firms are not very necessary at this stage because it is still raw and there is not much news. On the contrary, having newspaper agents on board could lead to getting the public to know about the product before it is launched. A launch campaign should also not last too long since the target market tends to
get bored very fast. It should last a short time so that it is brief and interesting and you have the
attention of the target market. I would recommend it last a maximum of two weeks. Most
campaigns as per the research last between three to six weeks.

The whole process of developing a new product depends entirely on the type of product and the
details required. It could take as short a time as one month to even up to six months. The whole
idea is to ensure one has factored in all the necessary aspects in the planning and development
stages. In the planning of the product, follow-up after the launch of the product must be factored
in. It is very important for an organization to make a follow-up of the new product as opposed to
letting go and leaving the product to survive on its own. Every new product either in a new or old
market must undergo teething problems and it is of great importance for these teething
problems to be reviewed by the committee involved so as to fix them.

The process of new product development is a very integral part of any business that seeks to
grow, more so where there is a lot of competition. It should be part of an organisation's growth
strategy. This process should be handled with a lot of caution and care because if the products
developed were not what the customers need, then it would be a waste of time and resources.

5.5.2 Recommendations for further studies

In regards to screening of ideas, further research need to be carried out on the factors that are
considered when screening the ideas and the logic behind each factor. The factors identified by this
research were bank strategies, viability of the product, political and economical situations,
competition and bank operations and technology. The questions to be answered would be on what
basis are these considered as factors and are they measured or are they taken hypothetically. What
tools are used to measure these factors?

Further research could also be carried out to find out the success rate of products that are launched
straight without testing them in the market. These banks' practise goes against Fletcher's
recommendation. It would be interesting to find out if they succeed. If they do then maybe the testing stage is not necessary.
<table>
<thead>
<tr>
<th>References</th>
</tr>
</thead>
</table>
## Appendix A

<table>
<thead>
<tr>
<th>Name of Bank</th>
<th>Total Deposits as at end of 2000 ('000)</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Barclays Bank of Kenya</td>
<td>53,163,000</td>
<td>Large</td>
</tr>
<tr>
<td>2. Kenya Commercial Bank</td>
<td>52,459,000</td>
<td>Large</td>
</tr>
<tr>
<td>3. Standard Chartered Bank</td>
<td>39,299,000</td>
<td>Large</td>
</tr>
<tr>
<td>4. Citibank</td>
<td>19,745,000</td>
<td>Large</td>
</tr>
<tr>
<td>5. National Bank of Kenya</td>
<td>19,559,000</td>
<td>Large</td>
</tr>
<tr>
<td>6. Co-operative Bank of Kenya</td>
<td>18,312,000</td>
<td>Large</td>
</tr>
<tr>
<td>ABN Amro Bank (Closed)</td>
<td>12,072,000</td>
<td>Large</td>
</tr>
<tr>
<td>7. HFCK</td>
<td>11,132,000</td>
<td>Large</td>
</tr>
<tr>
<td>8. Commercial Bank of Africa</td>
<td>10,797,000</td>
<td>Large</td>
</tr>
<tr>
<td>9. Stanbic Bank</td>
<td>5,821,000</td>
<td>Medium</td>
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<tr>
<td>10. I &amp; M Bank</td>
<td>5,224,000</td>
<td>Medium</td>
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<td>11. CFC Bank</td>
<td>5,136,000</td>
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<tr>
<td>12. NIC Bank</td>
<td>4,703,000</td>
<td>Medium</td>
</tr>
<tr>
<td>13. First American Bank</td>
<td>4,509,000</td>
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</tr>
<tr>
<td>14. Credit Agricole Indosuez</td>
<td>4,306,000</td>
<td>Medium</td>
</tr>
<tr>
<td>15. Fina Bank</td>
<td>4,105,000</td>
<td>Medium</td>
</tr>
<tr>
<td>16. Diamond Trust</td>
<td>3,672,000</td>
<td>Medium</td>
</tr>
<tr>
<td>17. Giro Commercial Bank</td>
<td>3,589,000</td>
<td>Medium</td>
</tr>
<tr>
<td>Delphis Bank (Closed)</td>
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<td>20. Bank of Baroda</td>
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<td>21. Habib A.G. Zurich</td>
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<td>22. Victoria Commercial Bank</td>
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<td>23. ABC Bank</td>
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<td>24. Imperial Bank</td>
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<td>25. Habib Bank</td>
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<td>Bank Name</td>
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## Appendix B

### List of selected banks and comments

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<tbody>
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<tr>
<td>Co-operative Bank of Kenya</td>
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<td>Citibank</td>
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<td>I &amp; M Bank</td>
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<tr>
<td>NIC Bank</td>
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<td>Middle East</td>
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<td>Credit Agricole Indosuez</td>
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<td>Bank of Baroda</td>
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<td>ABC Bank</td>
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<tr>
<td>Akiba Bank</td>
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<tr>
<td>Equatorial Commercial</td>
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</tr>
<tr>
<td>Credit Bank</td>
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</tr>
<tr>
<td>City Finance bank</td>
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<tr>
<td>Charterhouse Bank</td>
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<tr>
<td>Daima Bank</td>
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<tr>
<td>Development Bank of Kenya</td>
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<tr>
<td>Industrial Development bank</td>
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</table>
Appendix C
NEW PRODUCT DEVELOPMENT PROCESS QUESTIONNAIRE

Section One: General Information
1. What is the name of your bank?

2. What is your name?

3. Where are you situated?

4. What position do you hold in the bank?

Section Two: Why do banks need to develop new products
5. About how many products does your bank offer? Between
   1 to 5  □  5 to 7  □  7 to 10  □  10 and over  □

6. What fraction of the existing products were introduced between
   0 to 2yrs ago  □  2 to 4yrs ago  □  4 to 6yrs ago  □  6 to 10yrs ago  □
   10yrs and over  □

7. How often does your bank introduce new products?
   Every 6 months  □  Every yr.  □  Once in two yr.  □  Once in 4yrs  □
   Hardly ever  □

Section Three: How do banks come up with new products and services
8. What role do you play in the development of new products?

9. Who from the organisation is/are involved in the creation and development on new products?

10. Are your customers involved in new product development? Yes  □  No  □

11. If yes, explain how

12. How are new ideas vetted?
13. Who is involved in the vetting procedures?
   a) ____________________  c) ____________________  e) ____________________
   b) ____________________  d) ____________________

14. What happens to the vetted ideas?
   ____________________________________________________________

15. Do you involve any research firms for your new product development? Yes ☐ No ☐

16. How often do you exhaust your new product development budget?
   Always ☐  Sometimes ☐  Never ☐  We don't have a NPD budget ☐

17. Which production firms or agencies do you involve in the production?
   ____________________________________________________________

18. How long does developing the products take?
   ____________________________________________________________

19. What happens if a new product’s budget exceeds the bank’s overall NPD budget?
   ____________________________________________________________

20. Do you test your new products in the market? Yes ☐ No ☐
   20b) If yes, explain how
   ____________________________________________________________

21. Once the products are ready, which media do you use to launch the product? Choose all used.
   Print Media ☐  T.V ☐  Radio ☐

22. Do you involve PR firms? Yes ☐ No ☐

23. How else do you launch your new products?
   ____________________________________________________________

24. Of the different launch styles, which one has been most successful? And why?
   ____________________________________________________________

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25. Explain why the chosen media was useful.

26. To whom do you introduce the products?

- Key existing clients
- Target Market
- Entire market

27. How long does the launch campaign last?

- 1 wk
- 1-3wks
- 3-6wks
- 6-9wks
- 9wks and over

28. How long does the entire process of new product development last?

- Less than 1 mnth
- 1 to 2 mths
- 2 to 3 mths
- 4 to 6 mths
- Over 6 mths

29. How do you measure success of new products?

30. What method do you use for checking on progress of new products?

31. After how long do you check on progress of new products in the market?

32. Any other comments regarding new product development process?

**Section Four: What causes some bank products and services to succeed whereas other do not succeed?**

33. Percentage of products that have succeeded

   a) 0% to 25%
   b) 26% to 50%
   c) 51% to 75%
   d) 76% to 100%

34. What in your opinion are the reasons for your success/failures?
Appendix D  Cover letter

Pamella K Omondi
C/o USIU- AFRICA
P.O.Box 14634
Nairobi

Dear Sir/ Madam

RE: ASSISTANCE FOR MY RESEARCH

I am a MIBA student at USIU_AFRICA I am currently carrying out a research to find out "Activities during the process of New Product Development in the banking industry".

I wish to request you to kindly assist me by answering the attached questionnaire which has been presented to you by my assistant Leah Symekher. Please note that all information provided by your organisation would be treated as confidential and used for academic purposes only. Also, if interested please feel free to contact me for the study findings.

Your assistance in this matter will be highly appreciated.

Yours Sincerely

Pamella K Omondi