

## Brand Innovation Strategies and Customer Retention of Soft Drink Firms in South-East Nigeria



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**ABSTRACT:** This study examined brand innovation strategies and customer retention of soft drink firms in South-East Nigeria. The study adopted the correlational research design. The population of the study consisted of all the soft drink firms in South-East Nigeria. The unit of analysis was made up of managers of the three (3) soft drink firms in South-East Nigeria. Eighteen (18) managers per firm who fall under the categories of branch managers, operations managers, production managers, marketing managers and sales managers were identified in the three (3) soft drink firms in South-East Nigeria and they formed the sampling frame of the study. The census sampling technique was adopted in this study where all the 18 managers of the above categories were used as the sample for the study. A structured questionnaire was used to obtain data from the respondents. The data collected were analyzed statistically while the hypotheses were tested using Spearman Rank Order Correlation Coefficient ( $\rho$ ). The SPSS version 23.0 was used to perform the correlation analysis. The findings revealed that soft drink firms in South-East Nigeria adopt incremental and radical innovation as a way of keeping their brand competitive and enticing to their customers. The study revealed that incremental innovation is a strong and significant predictor of repeat patronage and customer referral. Based on these findings, it was concluded that brand innovation strategies (incremental and radical innovation) and customer retention of soft drink firms in South-East Nigeria. Based on the findings and conclusion, it was recommended that soft drink firms in South-East Nigeria especially those that are experiencing high level of customer defection should adopt brand innovation strategies as it would help to retain their existing customers.

**KEYWORDS:** Brand, Soft drink, Brand Innovation, customer retention, South-east

### I. INTRODUCTION

The soft drink industry in Nigeria has witnessed a significant growth in the past few years. This growth manifested in the increasing number of soft drink brands in the market. According to Thread (2019), there are over 100 soft drink brands made in Nigeria. These soft drink brands are manufactured by 15 soft drink companies in the country (Thread, 2019). About two-third of these companies are indigenous firms while the others are foreign multinational firms (Thread, 2019). Some of the well-known soft drink brands include Coke, Fanta, Sprite, Limca manufactured by Coca Cola Nigeria Limited; 7Up, Pepsi, and Mirinda produced by 7Up Bottling Company; Bigi Cola manufactured by Rite Foods; Big Cola produced by Aje Nigeria Limited; Royal Crown Cola, manufactured by Crown Cola Nigeria Limited; to mention but a few. Despite the growth of soft drink brands in the market, more soft drinks such as energy and fruit drinks are being launched into the market. The growth of soft drink brands in the market has increased the level of competition in the industry as all the soft drink brands are competing for the consumer income. As competition intensified, it becomes imperative for soft drink manufacturers to retain their existing customers in order to sustain in the industry. Customer retention is an organizational effort to keep its customers by providing a great customer experience (Magatef & Tomalieh, 2015). It is the key to business growth and survival (Oyeniya & Joachim, 2008). The main aspect of customer retention is the emotions evoked by the customer experience combined with the organization's strong reputation (Ocloo & Tsetse, 2013). Without the emotional bond, customer retention will be impossible (Magatef & Tomalieh, 2015). Hence, soft drink manufacturers need to take proactive steps to retain their customers and prevent them from switching to their rivals.

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## The Problem

The level of competition in the soft drink industry in Nigeria has increased tremendously. Some of the players in this industry are struggling to retain their customers in the midst of intense competition. Many soft drink firms in the South-East Nigeria have lost their customers to their larger rivals, thereby reducing sales, market share and profit margin. A good number of soft drink firms have ceased from operations due to their inability to retain their existing customers. For instance, Chi Nigeria Limited – an indigenous soft drink manufacturing company has ceased from operations as the company was recently acquired by Coca Cola Nigeria Plc.

## Objective of the Study

1. To determine the relationship between incremental innovation and repeat patronage of soft drink firms in South-East Nigeria.
2. To ascertain the relationship between incremental innovation and customer referral of soft drink firms in South-East Nigeria.

## Scope of the Study

The scope of the study was limited to Enugu metropolis due to the recent boom in construction activities in the state.

The scope of the study was limited to soft drink firms in the South-East Geopolitical Zone of Nigeria. The soft drink firms include: Golden Guinea Breweries (maker of Golden Malta) in Abia State; Dubic Breweries Ltd (maker of Dubic Malt) in Imo State; and Eastern Breweries (maker of Malta Hatuey) in Imo State.

## II. EMPIRICAL REVIEW

Brand innovation is the process whereby a company transforms ideas into new and improved products in order to advance, compete and differentiate themselves successfully in their marketplace (Baregheh et al, in Dirisu et al, 2013). Chien (2013) defined brand innovation as the process of adding new ingredients to a brand or improving on the existing brand to make it stand out among other competing brands in the market. It involves adding a set of meaningful and valued differences to distinguish the company's brand from competitors' own (Kotler, in Komaromi, 2015). A meaningful difference is rooted in the intended benefit of the brand, and gives it a meaning that is likely to influence a person's choice (Kourovskaja, 2013). Creating a meaningful difference in a product involves modification of its physical attribute, performance quality, packaging and specifying its purpose i.e. the product must offer something customers need, and provide something that competitors cannot imitate. The difference should give all customers the same experience each time they use the product. A product that is well differentiated from competitors' offerings set the trends for their category and stands out among other competing brands.

The aim of brand innovation is to give customers a new and positive experience through continuous improvement in the brand value (Chien, 2013). Kourovskaja (2013) believed that brands need to continually renew themselves to remain in contention over a number of years, adapting to changing times and giving customers a positive experience. This can be done by changing the way the brand performs without deviating from customer expectations. A brand that is well innovated does not only creates satisfied customers but also strike an emotional chord with the customers. Kourovskaja (2013) stated that a brand that is well innovated stands out among the crowd, sets the trends for their category and perform differently. It must offer something that the consumers' needs, something that competitors cannot imitate.

Brand innovation has become the most important issue in brand management during the era of knowledge-based economy (Chien, 2013). Strategically, brand innovation is embarked upon by firms to gain competitive advantage over their rivals in the same industry. According to Kanagal (2015), brand innovation is required by firms to cope with competitive pressures, changing tastes and preferences, short product life cycles, technological advancement (or contrarily technological obsolescence), varying demand patterns, and specialized requirements of customers. Maohua (2009) stated that a firm that is desperate to retain its customers must innovate its product to gain a competitive advantage over its rivals. A company's product that is well innovated will remain in contention for a long period of time. As a firm innovates its products, it becomes different from competitors' offerings, and hence draws fewer comparisons with its competition. Once the differences are perceived by customers, they will be loyal to the brand and this will increase customer retention rate of the company (Evanschitzky, et al, 2012).

## III. METHODOLOGY

This study adopted the correlational research design. The population of this study consisted of all the soft drink firms in the South-East Nigeria. According to the information made available at the South-East Nigeria Directory website ([www.directory.org.ng](http://www.directory.org.ng)), there are three (3) soft drink firms in the South-East Geopolitical Zone of Nigeria. The soft drink firms include: Golden Guinea Breweries (maker of Golden Malta) in Abia State; Dubic Breweries Ltd (maker of Dubic Malt) in Imo State; and Eastern Breweries

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(maker of Malta Hatuey) in Imo State. The unit of analysis consisted of managers of the soft drink firms in South-East Nigeria. The managers fall under the categories of branch managers, strategic managers, operational managers, production managers, marketing managers and sales managers of the firms. Eighteen (18) managers of the above categories were identified in the three (3) soft drink firms in the South-East Nigeria. The census sampling was adopted in the study where all the 18 managers were used as sample for the study. A structured questionnaire was used as the main instrument for data collection. The questionnaire was structured on a four points Likert scale which range from Strongly Agree, Agree, Disagree and Strongly Disagree. The questionnaire was validated through face and content analysis while its reliability was determined using the Cronbach's alpha reliability test method. A total copy of eighteen (18) questionnaires was administered to the respondents and 15 copies were collected. The data collected were analyzed statistically while the hypotheses were tested using the Spearman Rank Order Correlation Coefficient (rho). The SPSS version 23.0 was used to aid the bivariate analysis.

### IV. RESULTS AND DISCUSSION

In this section, an analysis of the distribution and collection of questionnaire distributed were presented in the following Tables:

**Table 1: Result of correlation analysis between incremental innovation and repeat patronage of soft drink firms**

			Incremental Innovation	Repeat Patronage
Spearman (rho)	Incremental Innovation	Correlation Coefficient	1.000	.664**
		Sig. (2 tailed)	.	.001
		N	15	15
	Repeat Patronage	Correlation Coefficient	.664**	1.000
		Sig. (2 tailed)	.001	.
		N	15	15

\*\*Correlation is significant at 0.01 levels (2 tailed)

\*Correlation is significant at 0.05 levels (2 tailed)

Source: SPSS-generated Output

The Table 1 presents the result of correlation analysis carried out between incremental innovation and repeat patronage of soft drink firms in South-East Nigeria. The result indicates that incremental innovation is strongly and positively correlated to repeat patronage of soft drink firms ( $\rho = .664^{**}$ ) and the symbol \*\* signifies that this correlation is significant at 0.01 level. Based on this result, the null hypothesis ( $H_{01}$ ) is rejected and the alternate hypothesis is accepted. This means we then accept that there is strong positive and significant relationship between incremental innovation and repeat patronage of soft drink firms in South-East Nigeria.

**Table 2: Result of correlation analysis between incremental innovation and customer referral of soft drink firms**

			Incremental Innovation	Customer Referral
Spearman (rho)	Incremental Innovation	Correlation Coefficient	1.000	.806**
		Sig. (2 tailed)	.	.001
		N	15	15
	Customer Referral	Correlation Coefficient	.806**	1.000
		Sig. (2 tailed)	.001	.
		N	15	15

\*\*Correlation is significant at 0.01 levels (2 tailed)

\*Correlation is significant at 0.05 levels (2 tailed)

Source: SPSS-generated Output

The Table 2 shows the result of the correlation analysis carried out between incremental innovation and customer referral of soft drink firms in South-East Nigeria. The result indicates that incremental innovation has a very strong positive correlation with customer referral of soft drink firms ( $\rho = .806^{**}$ ) and this correlation is significant at 0.01 level as indicated by the symbol \*\*. Consequently, the null hypothesis ( $H_{02}$ ) is rejected and the alternate hypothesis is accepted. This implies that we then accept that there is a very strong positive and significant relationship between incremental innovation and customer referral of soft drink firms in South-East Nigeria.

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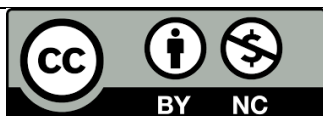
### V. FINDINGS AND IMPLICATIONS

The result revealed that incremental innovation is strongly and positively correlated to repeat patronage of soft drink firms ( $\rho = .664^{**}$ ) and this correlation is significant at 0.01 level. Based on this result, the null hypothesis ( $H_{01}$ ) was rejected and the alternate hypothesis was accepted. This means we then accepted that there is strong positive and significant relationship between incremental innovation and repeat patronage of soft drink firms in South-East Nigeria. This finding is supported by Bhaskaran (2006) who noted that incremental innovation that resonates with customers' needs has the potentials of stimulating repeat patronage of the products or brand. The implication is that companies that implement incremental innovation are likely to enjoy repeat patronage and customer loyalty.

The result also showed that incremental innovation has a very strong positive correlation with customer referral of soft drink firms ( $\rho = .806^{**}$ ) and this correlation is significant at 0.01 level. Consequently, the null hypothesis ( $H_{02}$ ) was rejected and the alternate hypothesis was accepted. This implies that we then accept that there is a very strong positive and significant relationship between incremental innovation and customer referral of soft drink firms in South-East Nigeria. This finding is supported by Kanagal (2015) as he revealed that customer referrals are likely to increase for those companies that adopt incremental innovation strategy. The implication is that incremental innovation motivates customers to refer a company's improved products to their friends and relatives.

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