CARD International Journal of Management Studies, Business & Entrepreneurship Research
ISSN: (Print): 2545-5907 (Online): 2545-5885
Volume 2, Number 1, March 2017
http://www.casirmediapublishing.com

Impact of New Product Development on Business Growth in the Nigerian Banking Industry

[1]Alo, Ebenezer Adebisi. (Ph.D), [2]Aun, Isaac Iortimbir (Ph.D) & [1]Ayinde, Moses Oladunni. (Ph.D)

[1]Department of Business Administration, College of Management Sciences, Joseph Ayo Babalola University, Ikeji - Arakeji, Osun State, Nigeria
[2]Department of Business Administration, Faculty of Management Sciences University of Ilorin, Ilorin, Nigeria
E-mail: ebenezer_alo@yahoo.com

ABSTRACT

The high demand for new and better services at relatively cheaper rates has made it imperative for banks to work harder on the development of new products and services in order to maintain a competitive advantage. This study examined the impact of new product development on the business growth of Nigerian banking industry with particular emphasis on Skye Bank Plc Osun State. The population of the study consisted of sixteen branches of Skye bank Plc in Osun State. The convenience and simple random sampling techniques were employed to select five branches from the population. A total of 100 copies of questionnaire were administered on the staff of the selected branches. The statistical tools employed in the study were correlation analysis and t-test analysis. The findings of the study revealed that new product development has positive significant relationship on the profit performance and market share of Skye bank ($r = .415$, $N = 100$, $P(.000) < .01$) and new product development has significant influence on business growth of Skye Bank ($t.cal = 25.138 > t.crit = 1.66$; $df = 99$; $p < .05$). The study concluded that the understanding of the success factors that drive new product performance at the business unit level is critical to the achievement of the goal of new product development, profit performance and market share of Nigerian banking industry. The study recommended that top level management in Nigerian banking industry should be highly involved in the innovative process that supports and encourages the development of new products.
Keywords: Product, Product Life Cycle, New Product Development

INTRODUCTION

The rapid advancement in today's technology as well as the high rate of competition in the banking industry has led to the emergence of the development of new products by banks. Customers of Nigerian banking industry are exposed to a wide range of choices for product and services at relatively lower prices and improved quality due to the fierce competition among the banks. The high demand for new and better products and services at relatively cheaper rates has made it somehow difficult for most of the banks to stay ahead of the increasing and stiff competition. It is therefore imperative for banks to work harder on the development of new products and services in order to maintain a competitive advantage in their operating markets. Over the last few years, the Nigerian banking industry has experienced a dramatic increase in the number of new product introduction as they became more aware of the importance of new products development to their businesses. Consequently, how to effectively and efficiently manage the new product has become a challenge for Nigerian banks as it requires extensive financial and human resources which are time sensitive. It is a reality, however, that most of the new products experience failure and never make it to the market.

The introduction of new products is meant to increase sales and profits as well as competitive strength for banks. This has become a major concern in all companies and its success is undeniably vital to the viability, growth and prosperity, especially in today's modern banking business. The successful development of the "right" product and/or service contributes immensely to the continued growth and success of a firm. In order to survive in today's highly competitive business environment, banks need to create and sustain competitive advantages (Porter, 1985). The importance of the introduction of new products on firms' continuing success have been adequately reviewed by past researchers, yet, empirical evidence of their impact on product development success remains inconclusive. The present study fills this gap in literature.

Objectives of the Study

The objectives of the study are to:

(i) examine the impact of new product development on the business growth of the Nigerian banking industry, using Skye Bank Plc, Osun State as a case study;

(ii) Examine the relationship between new product development, profit performance and market shares of Nigerian banking industry.

Research Hypotheses

The following two hypotheses were tested in nullity in order to achieve the objectives set for the study:

H_{01}: There is no significant impact of new product development on the business growth of Nigerian banking industry.

H_{02}: New product development has no significant relationship with profit performance and market share of Nigerian banking industry.

LITERATURE REVIEW

Products

This relates to the surrounding features of the product, which could be in form of the benefits the customers derive from the product and its competing performance (Lovelock and Gunmesson, 2004). The product range and how it is used is a function of the marketing mix. The range may be broadened or a brand may be extended for tactical reasons, such as matching competition or catering for seasonal fluctuations (Lovelock and Gunmesson, 2004). Alternatively, a product may be repositioned to make it more acceptable for a new group of consumers as part of a long-term plan.

Product Life Cycle (PLC)

The product life cycle describes the period of time over which an item is developed, brought to market and eventually removed from the market (Ulrich and Eppinger, 2007). According to Ulrich and Eppinger (2007), the product life cycle has 4 very clearly defined stages, each with its own characteristics that mean different things for business that are trying to manage the life cycle of their particular products

Introduction Stage – This stage of the cycle could be the most expensive for a company launching a new product. The size of the market for the product is small, which means sales are low, although they will be increasing. On the other hand, the cost of things like research and development, consumer testing, and the marketing needed to launch the product can be very high, especially if it's a competitive sector.

Growth Stage – The growth stage is typically characterized by a strong growth in sales and profits, and because the company can start to benefit from economies of scale in production, the profit margins, as well as the overall amount of profit, will increase. This makes it possible for businesses to invest more money in the promotional activity to maximize the potential of this growth stage.

Maturity Stage – During the maturity stage, the product is established and the aim for the manufacturer is now to maintain the market share they have built up. This is probably the most competitive time for most products and businesses need to invest wisely in any marketing they undertake. They also need to consider any product modifications or improvements to the production process which might give them a competitive advantage.

Decline Stage – Eventually, the market for a product will start to shrink, and this is what's known as the decline stage. This shrinkage could be due to the market becoming saturated (i.e. all the customers who will buy the product have already purchased it), or because the consumers are switching to a different type of product. While this decline may be inevitable, it may still be possible for companies to make some profit by switching to less-expensive production methods and cheaper markets.

As consumers, we buy millions of products every year. And just like us, these products have a life cycle. Older, long-established products eventually become less popular, while in contrast, the demand for new, more modern goods usually increases quite rapidly after they are launched. Because most companies understand the different product life cycle stages, and that the products they sell all have a limited lifespan, the majority of them will invest heavily in new product development in order to make sure that their businesses continue to grow.

New Product Development

New product development (NPD) refers to the development of new products. According to Ulrich and Eppinger (2007), new product development is the set of activities starting from the perception of a market opportunity and ending in the production, sale and delivery of a product. Smith and Morrow (2009) defined new product development as the process of converting an idea, market needs or client requirements into information from which a product or technical system can be produced. According to Ballard (2012), product development is principally a production process. He states further that repetitive production starts only after the production of the first copy, which acts as the prototype for both the product and the physical production process. Rosenthal (1992) defined NPD as a process involving four distinct stages which should be a balance of individual and cross-functional activities: The first stage, according to him, is idea generation and conceptual design, the second stage is definition and specification, the third stage is Prototype and development while the fourth stage is commercialization. It is important, however, to understand the relationship among the four stages. The development of new products is necessary to maintain a healthy organization which can be rewarding but risky (Ismail, 2011).

Business Growth

Business growth is one of the fundamental objectives of any firm. It has been one of most widely studied topics in economic literature. A firm that experiences continuous growth will have a higher probability of surviving in the market (Geroski, 1995). Business growth is fundamental to the survival of any firm because a positive growth rate implies a net creation of new jobs while a negative rate implies the net destruction of jobs. Job creation and job destruction are closely related to the ability of incumbents and new entrants to grow (Wilson, 2002).

Marketing

Kotler (2007) defined marketing as a social and managerial process by which individual and group obtain what they need and want through creating, offering and exchanging products of value with others. This definition of marketing rests on the core concepts of needs, wants and demands; products or goods, services and ideas, value, cost and sales faction, exchange and transaction, relationships and network, markets and marketers and prospects. Nwankwo (2007) also defined marketing as a management process which identifies, anticipates and satisfies consumer requirement profitably.

Ladipo (2010) defined marketing as the distribution of goods and services from the producer to the ultimate consumer, Clark (2007) saw marketing as the only function of management which has to be more concerned with what is going on outside the organization than with what is happening internally.

Services

Kotler and Armstrong (2010) defined a service as any activity, benefit or satisfaction that is offered for sale. It is characterized by intangibility, inseparability, variability and perishability. Services are intangible; they cannot be seen, tested, felt, heard or smelt before they are bought. Therefore, it is the duty of the service provider to improve their clients' confidence by increasing the services tangibility. Services are inseparable from their providers; they cannot be put on shelf and be bought by customers whenever needed. The service provider must be present. Services are variable; their qualities depend on who provided them, when and where they are provided. Finally, services cannot be stored and it gives them perishability features. But the perishability of services cannot be a problem when demand is steady thus is because it is easy to store the services in advance. According to Stanton (2011), service firms experience difficulties when there are fluctuations in demand.

Theoretical Framework

The present study is anchored on three fundamental theories of new product development. These theories are:

Marketing Theory

Marketing theory is a complex system of ideas concerning the best practices for publicizing a product. In preparation for a product launch, a business must choose whether to invest in traditional advertising such as print, outdoor and online advertising, or other forms of promotion including email and fliers. Purchasing media space on television and radio networks is another delivery method for promoting a launch. Other businesses choose to rely on viral marketing, creating interest in a product online and allowing social networks and individual customers to promote the product through conversation. Promotional marketing follows a predetermined schedule, which lays out a time line for advertising campaign launches in various media and defines the promotional angle so that all marketing for a product launch can be consistent.

Diffusion of Innovation Theory

Diffusion of innovation theory states that business leaders understand how customers are likely to adopt their new product which, in turn, helps shape a product launch. The theory holds that some customers fall into the category of early adopters. These customers are more likely to purchase a new product shortly after its launch. Other consumers are late adopters and more likely to wait to buy. Diffusion of innovation theory allows a business to determine its target market and project sales figures based on who will buy a product and when.

Pricing Theory

Selecting an appropriate price for a new product is a major task unto itself. At its launch, a product's price will affect customer interest and initial sales. Pricing also impacts how customers view a new product, either as something that is accessible or as an unaffordable luxury. The basic economic theories of supply and demand state that a higher price will drive down customer demand, while a lower price will raise demand, sometimes to levels that outpace the manufacturer's ability to produce sufficient supply. Other factors that affect pricing at the time of a product launch include the buying power of target customers and the prices of similar products from competing businesses.

Empirical Review

The study conducted by Rockart (2009) examined the need for an organization to identify factors that are critical to the success of an organization. The result suggested that the failure to achieve goals associated with those factors would result in organizational failure. An empirical review of the factors that contribute to the success of NPD in any firm by Montoya-Weiss and Calatone (1994) found that a wide variety of antecedent factors can influence the outcomes of new product development process.

Barclay, Dann and Holroyd (2000) emphasized that NPD is a tailored process; "a company's development environment is unique to that company", therefore, NPD processes have to be tailored to suit the specific circumstances. Cooper (2005) in his model called the Innovation Diamond, examined the four main factors that drive NPD performance. The results revealed that there is no easy way to success in NPD; therefore managers need to step back and look at the broader picture. The four success factors are: product innovation and technology strategy, resource commitment focusing on the right projects, effective and flexible streamlined idea-to-launch system and the right climate and culture for innovation, true cross-functional teams, and senior management commitment.

Booz, Allen and Hamilton (2012) found that companies that have successfully launched new products are more likely to have some kind of formal NPD process and that majority of new products never make it to market and those that do face a failure rate somewhere in order of 25 to 45 percent. Crawford (2007) opined that for every seven new product ideas, about four enter development, one and a half are launched, and only one succeeds.

METHODOLOGY

The population of this study consisted of sixteen (16) branches of Skye Bank Plc in Osun State. The sample size comprised five selected branches drawn through convenience sampling technique. The simple random sampling technique was employed to select twenty (20) staff from each of the five (5) selected branches of Skye Bank Plc in Osun State which are: Skye Bank Plc Bowen University Iwo, Skye Bank Plc Ilesha, Skye Bank Plc Alekuwodo Oshogbo, Skye Bank Plc OAU Branch Ile-Ife and Skye Bank Plc Ede; making a total of one hundred (100) samples.

Questionnaire was the major instrument used in gathering data from the respondents. A structured questionnaire which contained a series of closed ended questions was used. A total of 100 copies of questionnaire were administered, completed and returned. A 5-Point Likert scale of strongly agree (5), Agree (4), Undecided (3), Disagree (2) Strongly Disagree (1) was used to capture the perception of the respondents because of its simplicity to both respondents and the researcher (Schiffman and Kannll, 1988). The statistical analyses employed in this study included Frequency, simple percentages, correlation and the T-test analyses. The Frequency and simple percentages were used to analyze the demographic characteristics of respondents from the questionnaire administered. The correlation and the T-test were employed to test the relationship which might exist between new product development, business growth, profit performance and market share of Nigerian banking industry.

RESULTS AND DISCUSSION

The demographic characteristics of the respondents according to gender shows that a large number of the respondents were female (62%) while only 38% of them were male. It can be deduced from this result that more female were sampled and showed their intentions to fill the questionnaire. Also, the distribution of the academic qualifications of the respondents in the selected branches revealed that 44% of the respondents were Higher National Diploma holders, 32% were Ordinary National Diploma and National Certificate in Education holders while 15% were First Degree holders and 9% were holders of Second Degree. The results showed that majority of the respondents were Higher National Diploma holders.

Hypotheses Testing

H_{01}: There is no significant impact of new product development on the business growth of Nigerian banking industry.

The T-test statistics Table below shows that there were 100 observations represented by 'N' while the mean number is 1.34 and the standard deviation is 0.534. The standard error of sampling mean is 0.053 approximately 5% which is an acceptable percentage of standard error. It can be observed from Table 2 that the calculated t-test value was 25.138 with 99 degrees of freedom (i.e 100-1 = 99). The two-tailed significance of .000 was also observed while the forth column shows a mean difference of 1.337. Using the table of critical t values to determine critical t with 99 degrees of freedom, level of significance (α) at 5% one-tailed, the critical t is 1.660.

The decision rule is that if the one-tailed critical t value is less than the calculated t and the means are in the right order, then, we reject null Hypothesis (H_o). From the Table 1 the critical t is 1.660 (from the table of critical t values) and the calculated or observed' is 25.138 (from the one sample test obtained from SPSS). Hence, reject null hypothesis (H_o) and accept the alternative hypothesis. It can therefore be concluded that new product development has a significant influence on the business growth of Skye Bank Plc.

Table 1: T-test Statistics to test hypothesis one

Response	N	Mean	Std. Deviation	Std. Error Mean
Strongly Agree	20	1.34	0.534	0.63
Agree	63			
Neutral	2			
Disagree	8			
Strongly Disagree	7			

Source: Researcher's Field Survey (2016)

Table 2: Test Value = 0

T	Df	Sig.(two-tailed)	Mean difference	95% confidence interval of the difference	
				Lower	Upper
25.138	99	.000	1.387	1.23	1.44

Source: Researcher's Field Survey (2016)

H_{02}: New product development has no significant relationship with profit performance and market share of Nigerian banking industry. The result of the analysis in Table 3 below using correlation coefficient revealed that there is a positive significant relationship between new product development and the profit performance and market share of Skye bank Plc, even at 0.01 significant level ($r = .415$, $N = 100$, $P (.000) < .01$). Statistically, the null hypothesis was rejected while the alternative hypothesis was sustained. Hence, there is a significant relationship between new product development, profit performance and market share of Skye Bank Plc.

Table 3: Correlation Analysis to determine the relationship between New Product Development and Profit performance and market share of Skye Bank Plc in Osun State

Variables	Mean	Std. Dev.	N	r	Sig.
New Product Development	10.23	3.41			
			100	.415**	.000
Profit performance and market share	8.32	4.75			

Source: Researcher's Field survey (2016)

DISCUSSION OF FINDINGS

The study examined the impact of new product development on business growth of Nigerian banking industry with reference to Skye bank Plc, Osun State. The findings of the study revealed that top management of Skye Bank Plc, Osun State played a major role in contributing to the development of new products. The finding from the study also revealed that factors such as development and launching of new product within the proper time frame, high-quality new product, project teams, the understanding of the market and its dynamism, competence and viable management, contribute immensely to the success of new product development.

The result of the first hypothesis tested confirmed that new product development has a significant relationship with profit performance and market share of Skye Bank Plc in Osun State ($r = .415$, $N = 100$, $P(.000) < .01$). Findings of hypothesis two revealed that new product development has a significant influence on business growth of Skye Bank Plc ($t.cal = 25.138 > t.cri$ $t=1.66$; $df = 99$; $p<.05$).

CONCLUSION

Based on the findings, an understanding of the success factors that drive new product performance at the business unit level is critical if Nigerian banks are to achieve the goal of increased performance and market share. By identifying these driving factors, in particular, a high-quality innovation process, customers focus and adequate resources to support both strategy and process, ensures the success of new product development. This benchmarking study has provided hard and quantified evidence for management in Nigerian banking sector to take the steps toward developing new product because it has significant contribution to business growth.

RECOMMENDATIONS

In the light of the above findings and conclusion, the following recommendations are germane:

(i) Top level management in Nigerian banking industry should be highly involved in the innovative process that supports and encourages the development of products.
(ii) Nigerian banks need to strengthen the awareness of developing and launching of new product within the proper time frame.
(iii) They should also focus more on long-term, innovative marketing and sales strategic planning.

(iv) Nigerian banks need to develop services that will allow users to obtain information and initiate seamless transactions for multiple products and services. They need to be more innovative in their web offerings in order to enhance efficient and effective online banking services.

REFERENCES

Ballard, O. J. (2012). Improving new product development by screening manufactured goods for potential disbenefits and negative consequences. *Journal of Manufacturing Technology Management*, Vol. 23 (5), pp.615 – 633.

Barclay, I., Dann, Z. & Holroyd, P. (2000). New product development*: A practical* workbook for improving performance. Oxford: Butterworth Heinemann.

Booz, Allen, Hamilton, (2012). Management of new products. Chicago:

Clark, L. A. (2007). Assessment and diagnosis of personality disorder: Perennial issues and an emerging reconceptualization. *Annual Review of Psychology*, 58, 227–257.

Crawford, C. M. (2007). The hidden costs of accelerated product development. 9 (3): 188–99.

Cooper, R.G. (2005). Doing it right: Winning with new products. Ivey Bus. J. July/August 2000: 1-7.

Geroski, P. A. (1995). Models of technology diffusion. *Research Policy*; 29 (4-5): 603-625.

Ismail, (2011). Impact of Supply chain management on new product development. International *Journal of Business and Social Science*, 3(6), pp 204-212.

Kotler, P. (2007). A generic concept of marketing. *The journal of marketing*, 46-54.

Kotler, P. & Gary Armstrong (2010). "Principles of Marketing": 13th Edition Pearson Education. Inc Upper Saddle River, New Jersey U.S.A.

Ladipo, (2010). The use of processes and methods in NDP- a survey of Swedish industry. *International journal of innovation and technology management*, vol.12, issue 04.

Lovelock, C. & Gunmesson, E. (2004).Wither service marketing*? Journal of service marketing. 65: 1-17.*

Montoya – Weiss, M. & Calantone R. (1994). Determinants of new product performance: A Review and Meta-analysis. *Journal of Product Innovation Management*, 11: 397-41.

Nwankwo, H. G. (2007). NPD Planning Activities and Innovation Performance: The Mediating Role of Process Management and the Moderating Effect of Product Innovativeness. *Journal of Innovation Management*, vol24, issue 4.

Porter, M.E. (1985). Competitive strategy: Techniques for analyzing industries and competitors. New York: Free Press.

Rosenthal, S. R. (1992). Global New Product Development Processes: Preliminary Findings and Research Propositions. *Journal of Management Studies.* Volume 35 (6).

Smith, A. and Morrow J. (2009). Analysis of new product development research. *An International Journal* , Volume 21 (4).

Stanton, K. (2011, December). Associations for conscientiousness and neuroticism with depression and anxiety. Paper presented at the semi-annual Montana State University Billings Psychology Department Colloquium, Billings, MT.

Ulrich, T. K. and Eppinger, D. S. (2007).Product Design and Development. New York: McGraw-Hill Education.

Wilson L. O. (2002). Optimal Entry Timing for a Product Line Extension. Marketing Science 1989; 8 (1): 1-17.