

ABSTRACT

There has been a question whether new product development strategy is rewarding or not in terms of firms' performance worldwide. In Kenya, new product development strategy has been considered to be the main challenge for the performance of most firms due to the growing sophisticated and unpredictable customer demand on different products. While a lot of literature has been done on influence of new product development strategy on different sectors, bakery sector lacks such literature despite the observed high potential for business growth in selling bakery products. The purpose of this study therefore was to find out the influence that new product development strategy has on the performance of bakeries in Kisumu city. This is due to high growth of bakeries in Kisumu city despite the fall of others which were already in existence. That is, in 2015, 2016 all through to 2017 the bakery growth has been 15, 22 and 34 respectively despite the closure of 5 of them within the stipulated time period. The specific objectives were: To establish the extent to which lead time affects performance of bakeries, To determine the extent to which new product development affects performance of bakeries and to determine the extent to which improvement of existing products affects performance of bakeries. The study was anchored on the Ansoff theory of product/market directional strategy. Descriptive and correlation research designs were employed. The study population consisted of 34 managers from 34 bakeries within Kisumu city. All the 34 managers constituted the study sample. Questionnaires were used for data collection. Descriptive and inferential statistics were used to analyze data. In particular, tables for frequencies and percentages, means and graphs were used to report descriptive statistics. Pearson correlation analysis was used to determine the strength and direction of relationships between variables. Where correlations were statistically significant at $\alpha=.05$, linear regression analysis was used to estimate equations for such relationships. The study found that bakery lead time was positive; the number of defective products was low and employee turnover was high. The bakeries also experienced frequent machine failure. The only variable which was significantly correlated with the bakeries' performance was new product development ($r=.475$, $p=.005$, 2-tailed). Thus, the two variables shared 22.6% of their variance in common. The study findings may be used by bakery industries to improve performance.