Dynamic Marketing Capabilities and New Product Adoption;

The mediating role of Consumer Based Brand Equity

Ahmad Walugembe¹, Joseph Ntayi², Geoffrey Bakunda³, Muhammad Ngoma⁴ and John Munene⁵

Makerere University Business School, Kampala – Uganda

P.O. Box, 1337, Kampala

Emails: awalugembe@mubs.ac.ug Tel; +256701055970 +256778005009

mgoma@mubs.ac.ug, gbakunda@mubs.ac.ug

Abstract
The study seeks to examine the mediating role of Consumer Based Brand Equity in the relationship between Dynamic Marketing Capabilities and New Product Adoption. The study adopted a positivistic approach using a cross sectional survey design to collect data from beverage manufacturing firms in Uganda. Hypotheses were tested using Smart Partial Least Squares version 3.2.7 professional software and bootstrapping was used specifically to test for mediation. The study established a significant relationship between the study variables and also found out that Consumer Based Brand Equity partially mediated the relationship between Dynamic Marketing Capabilities and New Products Adoption. The study concludes by demonstrating that there is need for organizations to communicate to customers with the specific purpose of changing their attitudes, perceptions and beliefs which attracts them to be associated to the firm. It is this form of association that builds Consumer Based Brand Equity which ultimately influences customer acceptance and usage of new products. The study further provides primary evidence on how and why consumers develop favorable opinions about organizations and their products. These opinions drive them to adopt new products that are manufactured by those firms.

Key Words: Dynamic Marketing Capabilities, Consumer Based Brand Equity and New Product Adoption
1. Background

The increasing number of new products that fail has left several organizations in unpredictable situations (Kiboro & Karanja, 2015). These situations range from loss of resources and revenues to closure of firms. However, this has not hindered the existing firms from continuous innovations and unveiling of new products and services on the market (Ma et al., 2014). The search for new markets to ease new product adoption is one of the major drivers of globalization (Peter & Donnelly, 2010). New product adoption has been explained as the acceptance and the continued use of a product by consumers (Rogers, 1995; 2003; Price and Ridgeway, 1983) influenced by a firm’s marketing activities. According to Morgan et al., (2009) marketing activities include effective promotion and advertisement, setting prices that are attractive to the adopters, effective distribution of new products and developing meaningful relationships with customers. Successful new product adoption in a rapidly changing environment requires transforming marketing activities into dynamic marketing capabilities.

These dynamic marketing capabilities are a derivative construct of the dynamic capabilities theory as advocated by Teece, (1997, 2014). The theory draws from the Resource based view of the firm and emphasizes the role of the firm in identifying emerging opportunities and seizing upon them to achieve corporate renewal. The theory looks at dynamic capabilities as the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Teece et al., 1997). These capabilities, by contrast, refer to the capacity of an organization to purposefully create, extend, or modify its resource base (Helfat et al., 2007). The basic assumption of the dynamic capabilities theory is that core competencies should be used to modify short-term competitive positions that can be used to build longer-term competitive advantage (Nelson & Winter, 1982).

Marketing Literature suggests that Dynamic Marketing Capabilities may not necessarily result into new product adoption if consumer attitudes are not influenced (Atanan et al, 2010; Choumelli et al, 2006). This means that the firms marketing efforts must be directed towards influencing consumer’s beliefs, cognitions, affections and behavioral predispositions of firm’s products and services. These predispositions manifest in the form of awareness, associations, perceived performance and loyalty which form Consumer based Brand Equity (Keller, 2003; Nabosja, 2015). In this paper we conjecture that brand equity mediates the relationship between marketing capabilities new product adoption.

There is growing evidence from the beverages industry in Uganda to support the assertion that beverage manufacturing firms invest heavily in advertising and promotion to influence consumer attitudes. In this category, we provide evidence from international beverage manufacturing firms like Coco-Cola and Pepsi Cola which have adopted fun driven marketing communication messages primarily to attract the attention of consumers. These types of campaigns have been applied to Mountain dew, Mirinda and Fanta which are core product lines of these companies in Uganda. These firms also have been seen to adjust their price offerings and product qualities based on the consumer interests with the main aim of manipulating consumer attitudes to influence them to adopt their products. We therefore argue that consumer based brand equity mediates the relationship between dynamic marketing capabilities and new product adoption.
2. Literature Review

2.1 Dynamic Marketing Capabilities and New product adoption

Teece et al., (1997) looked at dynamic capabilities as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Dynamic capabilities thus reflect an organization's ability to achieve new and innovative forms of competitive advantage (Barton, 1992). On the other hand, new product adoption is the acceptance and continued use of a product (Rodgers and Shoemaker, 1971). Learned et al (1969) proposed that the real key to a company's success and adoption of its new products or even to its future development lies in its ability to find or create capabilities that are truly distinctive. Several researchers also agree that firms rely on capabilities to regenerate competitive advantage (Eisenhardt and Martin's, 2000), while others confirm that the existence of competitive advantage is a sign of existence of dynamic capabilities of the firm (Dierick and Cool, 1989).

Organizations that move towards influencing the adoption of new products view resources as a source of capabilities formation (Teece, 2014). These capabilities formed must be valuable, rare, inimitable, and non-substitutable to enable the achievement of a sustainable competitive advantage by implementing fresh value-creating strategies that cannot be easily duplicated by competing firms (Barney, 1991; Conner and Prahalad, 1996; Nelson, 1991; Peteraf, 1993; Wernerfelt, 1984, 1995). In the field of marketing, dynamic marketing capabilities are in the context of new product development, pricing, promotion, distribution, selling and relationship marketing (Day, 1994; Vorhies et al., 2005; Morgan et al, 2009). These observations are in agreement with Eisenhardt's (1997) finding that successful new product development and adoption in high-velocity environments is based on marketing routines that are evidenced in a dynamic way of implementing the marketing mix elements.

Therefore, this literature suggests that dynamic marketing capabilities are influential in the adoption of new products. The development of key marketing capabilities is regarded as one of the main avenues by which firms can support consumers to use their new product adoption (Weerawardenaet al., 2006). According to Vorhies et al., (1999), marketing capabilities are not resources in themselves but integrative processes whereby the collective knowledge, skills, and resources of a firm are applied to its marketing functions to take care of the market-related needs of the business.

Ultimately, marketing capabilities enable the business to add value to its goods and services, adapt to market conditions, take advantage of market opportunities, and overcome competitive threats (Day, 1994). The dynamic marketing capabilities that would be required for new product adoption take the form new product development routines by which managers combine their varied skills and functional backgrounds to create revenue producing products and services (Clark and Fujimoto, 1991; Dougherty, 1992; Helfat and Raubitschek, 2000), Pricing and Price management creates value for products and enables firms to outcompete rivals (Nagle & Holden, 2002; Dolan & Simon, 1996; Monroe, 2003; Marnet al, 2004) this also confirms to Dutta et al (2003) assertion that pricing is a strategic capability that enhances the performance of the company products. Sandra Luxton et al,(2014) added Integrated Marketing Communication Capability as a way of improving brand performance while Karanja et al, (2014) analyzed the appropriate marketing capabilities required in the execution of business strategies as pricing, product development, channel
management, promotion, and market management capabilities. This literature review leads us to hypothesis that: There is a positive and significant relationship between Dynamic Marketing Capabilities and New product Adoption.

2.2 Dynamic Marketing Capabilities and Consumer based Brand Equity

Ailawadi (2003) stated that, consumer based brand equity is created by the firms strength which originates from its marketing capabilities. Yoo et al. (2000) have investigated the relationships between selected marketing mix elements and the creation of brand equity. They have proposed a model where by an assumption is made that marketing mix elements exert significant effects on dimensions of brand equity. Dynamic marketing capabilities are positively related to brand equity when they lead to a more favorable behavioral response to the focal product than to the equivalent unbranded product (Aleksandar and Milovanov, 2017). This study focuses on the new product development, pricing, promotion, distribution, selling and relationship marketing as key capabilities of the firm that leads to building of brand equity.

Ambler et al. (2002) have argued that Dynamic Marketing Capabilities are important in building brand equity through developing customer mindset with respect to a brand, which includes perceptions, thoughts, experiences, attitudes and images. Each marketing capability plays a distinct role at specific times with unique contributions towards consumer based brand equity (Philips and Hopelain, 2017). Pricing is used as an important extrinsic cue and indicator of product quality or benefits. High priced brands are often perceived to be of higher quality and less vulnerable to competitive price cuts than low priced brands (Blattberg and Winniewski 1989; Dodds, Monroe, and Grewal 1991; Kamakura and Russell 1993; Milgrom and Roberts 1986; Olson 1977). Therefore, price is positively related to perceived quality. Intensive distribution has also been related to substantial retailer support and enhancement to a product’s image (Ferris, Oliver, and de Kuyver 1989; Smith 1992). Advertising as a function of marketing capabilities also signals confidence in product performance (Aaker and Jacobson, 1994) which is a dimension of consumer based brand equity. Relationship marketing practices are core in developing customer retention, efficient consumer response and the sharing of resources between marketing partners which enables the customers to have a positive image towards the organization (Gronroos, 1994). In the same perspective, firms that need to strengthen their relationships with customers must satisfy customer needs (Oliver, 1999) through which brand equity of the firm develops (Kutter, 2010).

From this review, we see that the dimensions dynamic marketing capabilities of pricing, distribution, promotion and relationship marketing have been found to be significantly related with and this is in agreement with Keller’s (1993) definition of consumer-based brand equity (CBBE) as the differential effect of brand knowledge on consumer response to the marketing of the brand. Therefore we hypothesize that: Dynamic marketing capabilities are positively and significantly related to consumer based brand equity.
2.3 Consumer Based Brand Equity and New Product Adoption.

As products and services get so easily replicable in today's environment the biggest challenge for companies is how to differentiate their products from the competitors (Ballantyne et al., 2006). All other things being equal, the only feature that will help consumers identify and differentiate products in the marketplace is brand equity (Mellens et al., 1996) and new products from organizations with higher consumer brand equity are the ones that will be favored (Baalbaki and Guzman, 2016). This is mainly because, consumer based brand equity generates value for the company’s new products in terms of helping customers to process information, differentiating the brand, generating reasons to buy, giving positive feelings, and providing a basis for extensions (Aaker, 1991). Creating and maintaining strong consumer based brand equity is an important part of a firm's marketing program (Roth, 1995) and branding strategy (Keller, 1993; Aaker, 1991).

Literature reveals associations between several components of brand equity and new product adoption. Oliver, (1997) attributed new product adoption to consumer brand loyalty because brand loyalty results into behavioral and attitudinal adoption (Jacoby & Chestnut, 1978). Behavioral adoption is measured in terms of new product usage and has been considered as repeat purchases frequency of the organization’s new products (e.g. Brown, 1952) or proportion of purchase (e.g. Cunningham, 1956), while attitudinal adoption is measured in terms of acceptance which is stated preferences, commitment or purchase intentions of new products by customers. (Mellens et al., 1996). Aaker (1991) linked new product success to consumer perceived product performance while (Tech et al., 2012) attributed it to the different associations consumers attach to a given brand. Therefore, having the positive brand equity of the product, consumers tend to focus on repetitive purchase rather than one-time purchase on promotion period which essentially drives new product adoption (Gordon et al., 1993; McEnally and de Chernatony,1999); this review enables us to hypothesize that; There is a positive and significant relationship between consumer based brand equity and New Product Adoption.

2.4 Consumer Based Brand Equity mediates the relationship between Dynamic Marketing Capabilities and New Product Adoption

Several researchers have argued that for organizations to influence the adoption of new products in the market, dynamic marketing capabilities are crucial (Day, 1994; Sandra et al, 2014). These capabilities that manifest in pricing, promotion, product distribution and relationship marketing are a source of competitive advantage that drives consumer adoption (Vorhies and Harker, 2009). However, the impact of marketing capabilities on the adoption of new products is more felt when consumer beliefs and attitudes are positively channeled towards the firm’s products as a result of these marketing programmes (Nebosja et al, 2014) and this is the process of building consumer based brand equity (Keller & Lehmann, 2006; Kotler & Keller, 2012). Dynamic Marketing Capabilities for that case contribute to the development of consumer based brand equity by influencing the way consumers view and perceive organizational products. This perception enables consumers to be positively associated to the organization which drives them to use its products (Jing et al., 2015). This assertion is also supported by Bloemer and Ruyter (1998) who confirmed that brand image influences consumer adoption and ultimately satisfaction and brands that express powerful image may generate more loyal consumers (Bennett, 2005; Nandan, 2008). Despite the existence of literature on the mediation role of consumer based brand equity in the adoption of new products, there is still gap in identifying whether consumer based brand equity mediates the relationship between marketing capabilities and new
product adoption. This has led us to hypothesize that *Consumer based brand equity mediates the relationship between dynamic marketing capabilities and new product adoption.*

3. **Methodology**

3.1 **Research Design**

The study used a positivistic approach using quantitative data and therefore it was deductive. The research was preplanned and structured, as recommended by (Churchill & Iacobucci, 2004) and data were collected at a particular point in time. We used this approach because it helps to explain the current happenings in relation to the study variables of Dynamic Marketing Capabilities, Consumer Based Brand Equity and New Product Adoption (Neuman, 2007). Considering the nature of the study objectives, a cross sectional survey design was the most suitable to gather data and make statistical predictions and correlations among the study variables because it describes specific characteristics of these variable (Sekaran, 2000).

3.2 **Study Population, Sample and Sampling Procedure**

The population of the study was derived from the Uganda Bureau of Statistics Census of Business of 2010/2011 report which is the most recent business census in Uganda. This census provided for 442 beverage manufacturers in Uganda. We applied Krejcie and Morgan (1970) sample determination procedure which provided a sample of 205 respondents. However, due to the nature of the population and the complexity of the survey, the non-response rate was catered for at 20% to provide more statistical power in the analysis procedure (Cochran, 1977; Israel, 1992; Fink, 1995; Salkind, 1997; Brink, 2006; Hair et al., 2010). This shifted the sample to 246 respondents.

Stratified proportionate sampling procedure was used to select the sample in the different business regions of the Country as provided by the Uganda Bureau of Statistics Census of Business of 2010/2011 report. Simple random sampling technique was also used to select business from each stratum and customers of the same business. The response rate was 210 beverage manufacturing firms that provided usable questionnaires. The unit of analysis was at organizational level and the unit of enquiry were staff and customers of those organizations.

3.4 **Sample characteristics**

The results indicated a dominance of non-alcoholic beverage manufacturers with 86.7% this could be explained by non-alcoholic beverages being highly popular than the alcoholic beverages. The study further indicated that 40.5% of these organizations have been in existence between 5-10 years and had marketing (98%) and sales teams (99%) have sales teams. Fortunately, 95% organizations that were involved in the study, also had introduced new products in the last five years. In relation to organizational respondents, 41% were women showing the growth of women participation in marketing activities. The results further showed that Marketing officers were (38%) and Sales Representatives (27.5%) proving evidence that respondents had knowledge on the subject matter. The study also attracted 375 customers. Out of these customers 57% were
Male, Single (45%) and below the age of 28 years (50%) this provides evidence for youth dominance in the buying and use of beverage products. However, this further corresponds to the general characteristics of the Ugandan population.

3.5 Measurement of Variables

New Product Adoption was measured by usage and acceptance items that were adapted from the study of Moore et al, (1991). Dynamic Marketing Capabilities were measure by the dimensions of new product development capabilities, pricing capabilities, distribution capabilities and promotion capabilities as adapted from the study of Vorhies et al (2005). To measure consumer based brand equity, this study modified the dimensions of brand awareness, brand associations, brand loyalty, brand perceived performance as they were used in the studies of Srivastava, et al., (1991), Aaker, (1991) and Keller, (1993).

3.6 Data analysis

Data that were collected was entered into the Statistical Programme for Social Scientists (SPSS) version 21 where it was coded, edited, explored and ascertained the normality, homogeneity of variance, and interval consistency of data following the recommendations of Field (2009). Little’s MCAR test was also computed and indicated data were missing completely at random (sig = 0.996), and were therefore replaced using linear interpolation as recommended by Field (2009). The data were analysed using Structural Equation Model with the aid of Partial least Squares (PLS). The reliability, validity and testing for associations between study variables were also assessed using Partial Least Square as recommended by Hair,Hult, Ringle, and Sarstedt (2013),

3.7 Reliability and Validity

In appendix 1, we provide results for Reliability and Validity that were automatically generated by Smart Partial Least Squares software. Cronbach’s Alpha Coefficient was used to test for reliability by ascertaining the consistency of the measurement items as recommended by Field, (2009). Cronbach’s Alpha Coefficient gives more accurate results at item level confirming that when our items are put together, they produce consistent results. Field (2009) recommends a 0.7 threshold if study variables are to be considered as reliable. Considering our results in appendix 1 all variables in the study were above 0.7 and thus suitable to be used in this study. Reliability was further confirmed through the use of composite reliability. This involved testing for reliability of each variable at the component level. Hair et al, (2010) recommends that for components of a specific variable to consistently give the same results when put together to form a given variable, composite reliability should be above 0.7 and our results in appendix 1 indicate the existence of composite reliability (Bagozzi& Yi, 1988; Hair, Black, Babin, & Anderson, 2010).
3.8 **Content Validity**

Content validity was confirmed while developing the questionnaire, we sought for opinions of both academic and practicing experts regarding the variables of study as recommended by Neuman, (2007). The responses of the experts were computed to form content validity index and all were above the recommended threshold of 0.7. This implied that the instrument was valid and fit to measure all the variables in this study.

3.9 **Convergent Validity**

Average variance extracted (AVE) was used to confirm the validity of study variables. To check convergent validity, each latent variable’s Average Variance Extracted (AVE) was evaluated. The result showed that all of the AVE values were above the acceptable threshold of 0.5, indicating convergent validity (Henseler et al., 2016) as indicated in Table 3 above.

3.10 **Discriminant Validity**

Smart Partial Least Square software computes discriminant validity basing on the Fornell and Larcker (1981). According to this procedure, if square root of average variance extracted for each latent variable is greater than its correlation values with other variables, then discriminant validity is established (Wong, 2013). This condition was fulfilled indicating that, discriminant validity is established as evidenced in appendix 2.

3.11 **Testing for Hypothesis and Mediation**

The direct hypotheses were tested using Partial Least squares software version 3.2.7 professional. Mediation was tested basing on the Hierarchical Bayesian method for estimating indirect effects which relies on confidence interval approach to estimate indirect effects and it is regarded as a more powerful technique than other methods (Falk & Biesanz, 2015).

4. **Findings**

4.1 **Descriptive Statistics of the study variables**

We computed for descriptive statistics to establish whether the statistical means provide a good fit of the observed data (Field, 2009). Means and standard deviations were used to determine the behavior of our data in relation to central tendency. The Independent variable of Dynamic Marketing Capabilities had a mean score of 4.50, the mediating variable of Consumer Based Brand Equity had a mean score of 4.68 and the dependent variable of New Product Adoption had a mean score of 4.64. These results were produced based on the 6 point likert scale and thus we conclude that on average, the variables of study were familiar within our respondents and show the goodness of fit of the data. The results of standard deviation also ranged between 0.99 and 1.36 which are relatively small compared to mean values. This implies that data points are close to the mean and hence calculated means values represent the observed data (Field, 2009). In addition these relatively small standard error values indicate that most sample means are similar to the population mean. Therefore, confirming that the study sample is an accurate reflection of the population.


4.2 Zero Order Correlation results

We used Pearson Correlation Coefficients to determine the zero order relationships for the study variables. Basing on table 1 above, the results indicated that there was a linear relationship between Dynamic Marketing Capabilities and New Product Adoption \( (r=0.22; \ P \leq 0.01) \). The results further indicated that Dynamic Marketing Capabilities were associated with Consumer Based Brand Equity \( (r=0.25; \ P \leq 0.01) \) and Consumer Based Brand Equity was associated with New Product Adoption \( (r=0.39; \ P \leq 0.01) \). These Zero Order Correlation results provide initial support for Hypothesis 1, 2 and 3 of this study.

4.3 Results for Hypothesis testing

The study was guided by four hypotheses which are re-stated below and whose results are summarized in table 4, model 1 and model 2 outputs in appendix 4, 5 and 6.

a) There is a positive and significant relationship between Dynamic Marketing Capabilities and New Product adoption (DMC-NPA)
b) There is a positive and significant relationship between Dynamic Marketing Capabilities and Consumer Based Brand Equity
c) There is a positive and significant relationship between Consumer Based Brand Equity and New Product adoption
d) Consumer Based Brand Equity Mediates the Relationship between Dynamic Marketing Capabilities and New Product adoption

Hypothesis 1 was supported as indicated in appendix 4 above. Dynamic Marketing Capabilities are significantly and positively related to New Product Adoption \( (\beta=0.19), \ (p \leq 0.05) \). This implies that firms that constantly change the way they market their goods and services and realign their marketing core functions of pricing, distribution and promotion to consumer needs and wants, can easily influence the adoption of their new products.

Hypothesis 2 was also supported implying that Dynamic Marketing Capabilities are significantly and positively associated with Consumer Based Brand Equity \( (\beta=0.542), \ (p \leq 0.01) \). This means that firms that continuously realign their products, adjust prices, promotion and distribution styles to the demands of consumers can easily influence consumer attitudes towards the firm.

Hypothesis 3 investigated the relationship between Consumer based brand equity and New Product Adoption. This hypothesis was also supported \( (\beta=0.313), \ (P \leq 0.01) \). This means that when consumers have positive feelings, awareness and closely associated to the firm, they can easily adopt the firm’s new products and services.

Hypothesis 4 was mediation and this is explained with the use of model 1, model 2 and results summarized in appendix 4. Results for model 1 indicated that there is a relationship between Dynamic Marketing Capabilities and New Product Adoption with a \( \beta= (0.36) \) and significant at \( P \leq 0.01 \). In model 2, we introduced Consumer Based Brand Equity as a mediator between Dynamic Marketing Capabilities and New Product Adoption. This reduced the predictive power of Dynamic Marketing Capabilities \( \beta= (0.19) \) significant at \( P \leq 0.05 \). This means
that Consumer Based Brand Equity partially mediates the relationship between Dynamic Marketing Capabilities and New Product Adoption. Therefore, as much as Dynamic Marketing Capabilities affect New Product Adoption, this effect can also be felt through Consumer Based Brand Equity.

This is further supported by the bootstrap results summarized in table 4 above. In this table, we that the direct effect of Dynamic Marketing Capabilities to New Product Adoption ($\beta=0.19$) is different from the total effect ($\beta=0.36$) which automatically implies that there is partial mediation. This mediation is further confirmed by the positive and significant indirect relationship ($\beta=0.169$), ($P\leq0.01$). This implies that as much as Dynamic Marketing Capabilities affects New Product Adoption, this effect is also felt through Consumer Based Brand Equity.

5. Discussion

Hypothesis 1 of this study investigated the relationship between Dynamic Marketing Capabilities and New Product Adoption which was found to be positive and significant. This is in agreement with Vorhies and Morgan (2005), who argues that the firm’ capabilities in designing attractive prices, promotion campaign and distributional channels that ease access of its goods and services, accelerates the adoption of its new products. The dynamic capabilities theory (Teece, 1997 & 2014) further supports this assertion that winners in the global marketplace are firms that demonstrate timely responsiveness, rapid and flexible product innovations well placed to suit the needs of customers.

Firms that operate in a dynamic environment utilize the marketing function as the major route towards influencing the adoption of their new products. Some of these firms give priority to having as many product flavors as possible within a single product family so that consumers don’t have an excuse related to product taste which enables them to attract the different clusters of customers. This eases customer acceptance and adoption of the new products since they have a variety of product which customers consider for selection. In such firms, product development is responsive to market needs and done in a timely manner to maintain customer satisfaction. Therefore, new products that are as a result of this process provide solutions to customer needs which attract more customers to use them hence influencing adoption.

Beverage manufacturing firms in Uganda that have registered higher levels of new product adoption rates also carry out new product market tastes and spaced product launch campaigns. New Product testing helps organizations to obtain detailed information about customer perceptions regarding their new product and enable them understand the needs and characteristics of the final target users of the product. This process also provides feedback that facilitates product improvement to fit into consumer needs and wants which eases customer acceptance. In Uganda, product tests are commonly done through randomly and purposively selecting customers to try a given sample of product within a controlled setting and then give their opinion. Other firms front new products while sponsoring events and participants are requested to buy the product, use it and provide feedback about it.

In relation to this, is the effectiveness of the firm’s distribution system and the relationship the firm develops with the distributors and customers. Dynamism in the distribution of beverage products, close contacts with distributors and customers largely influences adoption of these products. Some beverage manufacturing
organizations focus only on the traditional method which gives more responsibility of moving products in the market to agents, wholesalers and retailers. However, this doesn’t seem to work in an aggressive environment especially when it comes to support the penetration of new products. Most successful firms that influence new product adoption have gone beyond this level by working closely with market players to gain more control and acquire more competitive information.

In some situations, the uniqueness of the firm is seen in the way it supports its distributors in the operationalization of their tasks. Firms that have made an impact through distribution, support their agents with well branded delivery trucks that increase on the visibility of the organization. These trucks are used in conjunction with personal selling staff who works closely with customers to provide additional information related to the new products and also possibly demonstrate product performance. Some beverage operate a credit policy where distributors don’t need money to stock their products, they only have sales agreements that allow them to take an agreeable quantity and pay after sales are made. This flexibility and support helps distributors to save on the transportation and promotion cost which enables them to stock more of the firm’s products and push the products to wholesalers, retailers and final consumers in an attractive manner.

Marketing capabilities also manifest through the abilities of the firm to realign their prices with the changes in the business environment. Successful beverage manufacturing firms operate a flexible pricing policy that allows price changes corresponding to market needs. These changes are also possible because each new product that is launched has a specific target market. Therefore, firms are able to practice price discrimination by setting different prices for different target markets and produce premium product designs for specialized markets.

The other element of marketing capabilities of the firm that was highly captured as an influencer of new product adoption is promotion. Beverage manufacturing firms today use creative promotional tactics to influence customers to adopt their new products. These firms use door to door methods to explain to individual customers the uniqueness of their products. Through these methods, customers are given an opportunity to try out these products or possibly experiment there performance.

However, the success of the door to door methods depends on the quality of the sales team. Beverage manufacturing firms with enough, wining and knowledgeable sales teams and with dynamic selling skills can easily create and maintain stable relationships with their customers that results into sales. These skills are mainly in communication, relationship building and persuasion which are critical in influencing new product adoption.

For organizations to develop such selling skills among its sales teams, they need to support their sales people with regular training programmes that equip them with customer handling tactics related to new products. Transport facilities, branding materials and field allowances are also given to sales people to motivate them to put an extra effort in unearthing new customers to use organizational products. However, these sales teams are continuously monitored and evaluated to ensure that they meet there sales targets. Training programmes and support services are always adjusted as per the feedback gathered and the performance registered.

In relation to this, Organizations that design appealing adverts for their new products have higher chances of influencing customer adoption than their counter parts. Frequent advertising that is unique and appealing helps
the firm maintains its name in the minds of consumers and woos customers to adopt organizational products. Beverage manufacturing firms that have understood the role of advertising sign memorandum of understanding with media houses to have adverts run for a period of six months to a year. Such agreements help firms guarantee their appearance on the selected media houses like television, newspapers, radios, billboards with discounted costs. This gives the firm higher mileage in reaching unspecified populations and groups of customers in a limited period of time.

Some advertisements can also be specific with clear target audiences and distinct messages. These are highly recommended for new products because they bring out the clear reason of why customers should use these products and this explains why customers adopt some products quickly compared to others.

However, these findings contradict general findings from advertising studies (Ataman M. et, al, 2010 and Chou Mei-Li, et, al, 2006) which observed that an increase in the level of advertising by itself does not lead to an increase in sales and a decrease in the level of advertising do not lead to an immediate decrease in sales. On average, half of all ongoing ad campaigns are ineffective. Changes in the creative, medium, target segment or product itself sometimes lead to change in sales, even though increases in the level of advertising alone do not. When advertising is effective, it is effective either early on or never. When advertising does affect sales, its impact is not large and is much smaller than that of price as observed that the elasticity of sales to advertising is much lower compared to the elasticity of sales to price.

Results from H2 indicate that there was a positive and significant relationship between Dynamic Marketing Capabilities and Consumer Based Brand Equity hence conforming to what was hypothesized. The findings confirm that investing in marketing mix elements advances the know-how of building brand image and eventually wooing customers to get more associated to the firm. Developing new products that fit within the needs of consumers and prices that are acceptable by the target customers creates more customer loyalty. In the same way, attractive promotional campaigns and distribution channels that ease access of the firm’s products creates more awareness and value for the firms’ products which aids consumers to believe in the firm and get more associated to it. Such firms are more market oriented which makes them better equipped to meet superior customer value and building strong brand equity.

These results conform to the teachings of Brand Equity theory as advanced by (Aaker, 1991; Keller, 2003 and Nabosaja, 2015) who believed that, the relationship the firm builds with its customers, the way the firm promotes its products and the favorability of its pricing methods are the core elements that form its brand assets. These assets were explained to include brand loyalty, brand awareness, perceived quality and brand associations which ultimately constitute consumer based brand equity. Further, the results are supported by the Dynamic capabilities theory which reflects on the organization's ability to achieve new and innovative forms of positioning its brand by reconfiguring its processes (Teece, 1997). These processes were explained by Day (1994) to include the firm’s specific marketing practices of promotion, pricing, distribution and relationship buildings which were categorically described as sources of consumer based brand equity.

The association between Marketing Capabilities of the firm and Consumer Based Brand Equity and can also be explained by the attachment consumers get to the firm’s products that satisfy their needs and are within their capacity to purchase them. Such products are of higher quality, produced with features as per consumer
demands and within the range of prices that consumers can afford. This comes as a result of the organization working closely with the consumers in identifying their needs; buying behavior and culture which determines the type of products that should be produced targeting a specify group of customers and the pricing method that are suitable for those customers.

Pricing is used an element of marketing mix capabilities to build consumer based brand equity Firms use price discrimination methods to show customers how they are caring about their needs. In addition to having affordable prices, they even inform customers that they care about their wallet and they understand the difficulties customers are in. Other beverage manufacturing firms are flexible in managing prices and they adjust them depending on customer demands. This eases the possibility of catering for all customers despite their purchasing abilities and behavior and as a result, it inhibits customer from switching to other supplier resulting into consumer based brand equity. This is in agreement with (Aaker, 1991; 1996; Keller; 1993; Park and Srinivan, 1994) who believed that firms that are more sensitive to pricing needs of customers and realign their pricing methods to the different categories of their customer have more chances of strengthening their consumer based brand equity. Beverage manufacturing firms that consistently design and provide products of higher quality also easily create positive attitudes about the firm that results into consumer based brand equity. High quality beverage products provide a strong basis for creating a favorable brand image, brand value, brand satisfaction and attracts customers towards the brand.

Hypothesis H3 of this study investigated the relationship between consumer based brand equity and new product adoption which was positive and significant. This means that organizations with strong brand equity can easily influence adoption of their products. Consumer Based Brand Equity is build when customers are much more associated to the company and view it to be different from the competitors. It’s the basis of constructing a more vibrant loyal customer base, who believes in the company and its products. Beverage manufacturing firms with high level of brand equity positions their products as unique, reliable and enables their customers to recognize that the company’s products are different and better than other choices in the marketplace. This level of reliability is what makes customers to repeatedly buy these products and eventually adopt the new products.

Customers have belief in products that come from more sounding and recognizable brands than those that they are less aware off. For the beverages sector, customers have fear for their health to use a new product from unknown manufacturer. Beverages manufacturing firms that are highly known and recognizable have greater sales figures than an ordinary brand selling the same item at a lesser price. It has been observed that consumers lean towards reputed branded products even though their prices are a bit higher. This is because of the awareness that product has been able to generate in the minds of the consumers. Therefore, the bigger the level of brand awareness the more it attracts consumers to buy its products.

Firms that are highly known and remembered prepare and plan for this at the time of setting their advertising objectives i.e., to create a given level of awareness that will increase the sales figures by a given percentage. This makes it simple to evaluate their advertising impact based on the level of consumer awareness about their products and the percentage increase in sales. These adverts and other marketing messages delivered through various media are often used to communicate the brand name and important messages tied to its products.
The other element that came out strongly in relating consumer based brand equity and to new product adoption is brand perceived performance. Consumer perceptions and experiences about the performance of different brands differ and it’s a major factor in influencing new product adoption. Consumer Brand perceptions are shaped by functional experiences (i.e. speed, quality, reliability, ease of use) as well as emotional experiences (i.e. make me feel better, improve my performance, make my life/job more gratifying or easier) These experiences and perceptions are developed over time through a variety of sources, including: using the products and services associated to the brand, Interactions with sales people, customer service, and other employees, recommendations from friends and colleagues. Customers will easily adopt new products associated to brands with which they have developed positive experiences.

Thus, it is important to understand the little things that consumers use as the basis for making a judgment of quality and make sure that investments in quality occur in areas that are resonate with customers. These results are in line with the teaching of Hai Hong Lee (2007) who believed that consumer perceived quality performance about the brand affects the sales performance of its products.

In the hypothesis H4, the study found out that Consumer Based Brand Equity partially mediates the relationship between Dynamic Marketing Capabilities and New Product adoption. This means that whereas creative ways of marketing new products can influence consumer adoption, but consumers also adopt new products that are produced by firms that use their marketing capabilities to position their new product as solutions to customer needs. The results also reveal that, in an effort to influence consumers to adopt new products, beverage manufacturing firms focus on creating new products that are easily identifiable by customers. This enables customers to easily distinguish the company’s new products from those of competitors and give them preference at the time of selecting what to use.

Setting prices that create customer emotional attachment to their brands eases customer usage of the firm’s new products. For example some of these firms set prices that are higher compared to the existing prices in the market with an aim of positioning them as unique products which drives customers who like this uniqueness to use products. Other firms clearly bring out the benefits of their products by associating them to specific customers’ needs during promotional campaigns. Such beverage manufacturing firms attach their products to better health, long hours of work, fun all the time, power, among others which strengthen the organizations brand equity and ultimately influence consumers to adopt its new products. This is the same to marketing communication messages that display the company as reliable, dependable and satisfaction of consumer needs have resulted into higher new product adoption rates.

These results are in agreement with Ronald and Silvastava, (2004) who explained that firms should have business models that track how marketing activities influence what customers know, believe, and feel, and ultimately how they behave. These intermediary outcomes are usually measured by nonfinancial measures such as attitudes and behavioral intentions which affect customer’s use of the firm’s products. We therefore conclude that, Consumer based brand equity mediates the relationship between dynamic marking capabilities and new product adoption.
Implications

Advertisers and marketing agencies need to appreciate the power of customer perceptions, attitudes and believes which form consumer based brand equity. These explain why customers buy from certain organizations repetitively and hence the need to develop consumer based brand equity. Advertisers also need to appreciate the fact that marketing activities can have an impact on consumer buying behavior when it can create positive attitudes, believes and behaviors about the firm and which letter influences new product adoption.

Firms need to invest a lot of time in understanding their customers especially when it comes to product features and pricing methods because they are affected by the customer’s personality and background. A customer to be faithfully associated to the organizational brands is as a result of the specific nature of the company products to that customer and how a customer feels when using that organizational product. This is the reason why several firms today have several products lines with different prices mainly to attract and satisfy those consumers.

Firms should try to retain existing customers by improving customer service because 67% customers stop buying products from an organization and reject their new offerings just for bad customer experience.

References


Brown, G.H. (1952), "Less than 15 percent of Chicago Margarine Users are loyalty to one brand; Half buy four and more brands. almost half of Chicago Toothpaste users are loyalty to one brand; contrast with margarine buying," *Journal of Marketing, 17, 193.*


Carol Philips and Jude Hopelan (2017) Brand equity measurement, University of Notre Darre Press.


Cunningham Left Wing -- shoots L Born Aug 15 1956 -- St.Paul, MN [61 yrs. ago] Height 5.11 Weight 185 [180 cm/84 kg]


Davcik, Nebojsa S. (2015) “The unified theory of brand equity; Conceptualization, Typologies and avenues for future research,


Kasanya Hamza (2015), Product failures in Uganda, the case of Kyekyo Drink of Mukwano group of Companies, the New Vision, Uganda


Semwogerere Katende, (2017), Profiling the Success Story of JESA Dairy, the Redpepper Publications LTD


**Appendix**

**Appendix 1: Reliability and Validity**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>Content Validity</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dynamic Marketing</td>
<td>0.743</td>
<td>0.886</td>
<td>0.853</td>
<td>0.795</td>
</tr>
<tr>
<td>Capabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Based</td>
<td>0.721</td>
<td>0.805</td>
<td>0.849</td>
<td>0.509</td>
</tr>
<tr>
<td>Brand Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Product Adoption</td>
<td>0.706</td>
<td>0.700</td>
<td>0.906</td>
<td>0.541</td>
</tr>
</tbody>
</table>

**Appendix 2 Discriminant Validity**

<table>
<thead>
<tr>
<th></th>
<th>Consumer Brand Equity</th>
<th>based Dynamic Marketing Capabilities</th>
<th>New Product Adoption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Brand</td>
<td>0.891</td>
<td>0.542</td>
<td>0.416</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td>0.542</td>
<td>0.416</td>
</tr>
<tr>
<td>Dynamic</td>
<td></td>
<td>0.542</td>
<td>0.714</td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Adoption</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td></td>
<td></td>
<td>0.735</td>
</tr>
</tbody>
</table>
Appendix 3: Zero Order Correlation

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Product Adoption (1)</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Based Brand Equity (2)</td>
<td>0.39**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Dynamic Marketing Capabilities (3)</td>
<td>0.22**</td>
<td>0.25**</td>
<td>1</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed). N=210 using Pearson Correlation

Appendix 4: Results for Direct Effect, Indirect Effect and Total Effect using Smart Partial Least Square

### Direct Effect

<table>
<thead>
<tr>
<th></th>
<th>(β)</th>
<th>95% Confidence Interval</th>
<th>T-Value</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Brand Equity -&gt; New Product Adoption</td>
<td>0.313</td>
<td>0.137-0.475</td>
<td>3.471</td>
<td>0.001</td>
</tr>
<tr>
<td>Dynamic Marketing Capabilities -&gt; Consumer Brand Equity</td>
<td>0.542</td>
<td>0.431-0.632</td>
<td>10.435</td>
<td>0.000</td>
</tr>
<tr>
<td>Dynamic Marketing Capabilities -&gt; New Product Adoption</td>
<td>0.191</td>
<td>0.014-0.355</td>
<td>2.018</td>
<td>0.044</td>
</tr>
</tbody>
</table>

### Indirect Effect

<table>
<thead>
<tr>
<th></th>
<th>(β)</th>
<th>95% Confidence Interval</th>
<th>T-Value</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dynamic Marketing Capabilities -Consumer Brand Equity- New Product Adoption</td>
<td>0.169</td>
<td>0.081-0.277</td>
<td>3.236</td>
<td>0.001</td>
</tr>
</tbody>
</table>

### Total Effect

<table>
<thead>
<tr>
<th></th>
<th>(β)</th>
<th>95% Confidence Interval</th>
<th>T-Value</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Brand Equity -&gt; New Product Adoption</td>
<td>0.313</td>
<td>0.137-0.475</td>
<td>3.471</td>
<td>0.001</td>
</tr>
<tr>
<td>Dynamic Marketing Capabilities -&gt; Consumer Brand Equity</td>
<td>0.542</td>
<td>0.431-0.632</td>
<td>10.435</td>
<td>0.000</td>
</tr>
<tr>
<td>Dynamic Marketing Capabilities -&gt; New Product Adoption</td>
<td>0.360</td>
<td>0.225-0.475</td>
<td>5.279</td>
<td>0.000</td>
</tr>
</tbody>
</table>

### Model Predictive Power

<table>
<thead>
<tr>
<th></th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Based Brand Equity</td>
<td>0.293</td>
<td>0.29</td>
</tr>
<tr>
<td>New Product Adoption</td>
<td>0.199</td>
<td>0.191</td>
</tr>
</tbody>
</table>
Appendix 5: Model 1: Dynamic Marketing Capabilities and New Product Adoption

Appendix 6: Model 2: Dynamic Marketing Capabilities, Consumer Based Brand Equity and New Product Adoption