MARKET PENETRATION STRATEGIES USED BY INTERNET SERVICE PROVIDERS IN KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2014
DECLARATION

This research project is my original work and has not been presented for a degree in any other institution.

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This research project has been submitted for the examination with my approval as the candidate’s supervisor.

Signature: ___________________________  Date: ___________________________

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DEDICATION

I dedicate this research project to my family members for their love, support, patience, encouragement and understanding. They gave me the will and determination to complete my masters.
ACKNOWLEDGEMENTS

Much gratitude goes to the researcher’s supervisor for their tireless effort in guidance, advice, support and constructive criticism throughout the research project writing. Special thanks also goes to my supervisor Dr. Munyoki for his support, advice, guidance and his continuous evaluation and supervision of my work. I would also like to extend my gratitude to the administration of the University of Nairobi through the university’s library and the library staff that enabled me to access the various materials used in compiling this work. Special attribute goes to my class members and friends who through their persistence assistance and hard work saw the achievement of this study. Last but not least, I would like to give my most special tributes to our almighty Lord for all His blessings. Lastly I’m grateful to God the almighty for giving me good health and strength to go through this very demanding area of study.
ABSTRACT

The main purpose of this study was to analyze market penetration strategies used by internet service providers in Kenya particularly focusing on market penetration strategies used by Internet Service Providers and the challenges encountered when implementing the various market penetration strategies. The study adopted a case study design. The case study design was chosen since the research is specific to an organization (Wananchi Group) whereby 5 respondents were targeted. Primary data was collected using interview guide and was analyzed using content analysis. The study found that Wananchi Group used market penetration strategies which involved the same services internet service providers being pushed into the same largest consumer group of Kenyans. Thus the findings of the study recommended that there is need for Wananchi Group to adopt better and different promotional strategies which have would have significant impact on customer purchase rate and it would also act as a good mechanism for market penetration, there was also a need to embrace technology in the company’s processes so as to improve efficiency in service delivery of the services by the company. This would probably enhance the company to diversify more and partner with more companies in either related or unrelated businesses and also that Government regulation should not be restrictive but should instead be geared towards providing an enabling environment for the industry to thrive while at the same time protecting the consumers. The findings of the study may not be generalizable to other Internet Service Providers in Kenya due to differences in social, political and economic environments in different countries. Different Internet Service Providers also have different approaches to market penetration strategies and leadership styles which influences Internet Service Providers. Therefore, the findings of the study may be limited to Wananchi Group and Internet other Service Providers which have similar structure of governance and operate in a similar social political and economic environment. Therefore similar studies need to be conducted in other internet service providers in order to assess whether the study could yield similar findings regarding market penetration strategies. The study recommends that Government regulation should not be restrictive but should instead be geared towards providing an enabling environment for the industry to thrive while at the same time protecting the consumers.
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<tr>
<td>ISP</td>
<td>Internet Service Providers</td>
</tr>
<tr>
<td>CCK</td>
<td>Communication Commission of Kenya</td>
</tr>
<tr>
<td>DSL</td>
<td>Digital Subscriber Line</td>
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<tr>
<td>VPN</td>
<td>Virtual Private Network</td>
</tr>
<tr>
<td>TV</td>
<td>Television</td>
</tr>
<tr>
<td>PED</td>
<td>Price Elasticity Of Demand</td>
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<tr>
<td>Ed</td>
<td>Elasticity of Demand</td>
</tr>
<tr>
<td>OTT</td>
<td>Over-The-Top</td>
</tr>
<tr>
<td>VOD</td>
<td>Video-On-Demand</td>
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<tr>
<td>DSTV</td>
<td>Digital Satellite Television</td>
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CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Firms are introducing new products at an increasingly rapid rate. At the same time, the globalization of markets has increased the speed at which new products diffuse across countries, mature, and die off (Chandrasekaran and Tellis 2008). These two forces have increased the importance of the accurate market penetration strategies of a new product or developing product. Although research on market penetration strategies of various firms’ products has been quite insightful, Wayande (2006), it is limited in a few respects. First, most studies rely primarily, on all the the Ansoff growth strategies of a product namely: Market penetration, Product development, Market development and Diversification, Ansoff (1957) and lack specific specialization and checks on specific subsets. This makes an upper level view which is not very detailed due to the firms involved and resources at hand. The study will focus on market penetration strategy and its use in the Internet service provider domain.

Many telecoms Internet Service Providers (ISP) in the world engage in providing more than one service to their customers. The companies identify gaps, which must be filled in order to meet customers’ needs and they endeavor to fill these gaps by offering a range of services to them. They identify weakness in the market segment that are emerging, neglected or poorly served by competitors after which they select a strategy using the marketing mix as a resource. Any organization that wants to be successful in doing
business needs to concentrate its resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. This is true of ISP service companies. Marketing strategy therefore, is a long-term response to the changing environment and involves fundamental decisions about how to match resources to that changing environment.

The study relates to the implementation of the various marketing penetration strategies Ansoff (1957) within the various commercial Internet Service Providers in Kenya. Further check on different firms in terms of growth stages from entrants to mature stage cooperates.

1.1.1 Marketing strategy

A marketing strategy is a method by which a firm attempts to reach its target markets. Marketing strategy starts with market research, in which needs and attitudes and competitors' products are assessed and continues through into advertising, promotion, distribution and where applicable, customer servicing, packaging, sales and distribution. Marketing strategy must mainly focus on delivering greater value to customers and the firm at a lower cost. However, quantifying the return on investment from marketing expenditure on activities such as advertising, promotion and distribution is one of the most complex issues facing decision makers. Marketing performance is central to success in today’s fast moving competitive markets, and measuring marketing’s performance is critical to managing it effectively (Costas, 2008). In order to measure marketing strategy effectiveness, a business has to break down its marketing function into constituent parts,
along with a mechanism through which to analyze the interaction between those parts. By doing this, decision-makers will finally be in a position to relate marketing expenses to shareholder value and to understand how to tie marketing initiatives back into the value. The manipulation of the following marketing variables namely price variation and price promotion, research, advertising, product differentiation, quality, packaging and place will yield increased returns for firms (Baker, 1995).

1.1.2 Marketing Penetration Strategy

Market Penetration is a measure of brand or category popularity. It is defined as the number of people who buy a specific brand or a category of goods at least once in a given period, divided by the size of the relevant market population. Market penetration is one of the four growth strategies of the Product-Market Growth Matrix as defined by Ansoff. Market penetration occurs when a company penetrates a market in which current or similar products already exist (Walker, 2002). The trading environment in Kenya, as is the case globally, has changed dramatically in recent years, whether in towns, cities or more rural areas, there has been significant economic and social change which has altered the ability, perception and behaviour of consumers with regard to internet services. This strategy involves focusing on selling your existing products or services into your existing markets to gain a higher market share. This is the first strategy most organizations will consider because it carries the lowest amount of risk. For example, if there are 300 million people in a country and 65 million of those people have cell phones then the market penetration of cell phones would be approximately 22%. This would mean in theory there are still 235 million more potential customers for cell phones, which may be
a good sign of growth for cell phone makers. In general, the older the product or industry, the greater the market penetration. This strategy involves selling more to current customers and to new customers who can be thought of as being in the same marketplace (Keeagan, 2008).

1.1.3 Internet Service Providers (ISPs) in Kenya

ISPs are companies that provide access to the Internet. An internet service provider (ISP) is an organization that provides a user with internet access via some sort of connection: traditionally, this connection was always a telephone line, although faster digital technologies such as cable and DSL have appeared in recent years. ISPs sell bandwidth to internet users and assist organizations and individuals to get connected to the internet. Organizations or individuals wanting to access and explore the myriad resources and services of the internet have to be connected to the net before they can take advantage of it. The cable service providers offer triple play services like internet, TV and telephone all on one cable once they connect their respective clients (OECD, 2011).

Internet Service Provider offer services such as Internet access, Internet transit, domain name registration and hosting, dial-up access, leased line access and server collocation. Internet service providers may be organized in various forms, such as commercial, community-owned, non-profit, or otherwise privately owned. Our project will focus on commercial ISPs in Kenya.

Table 1.1 presents a list of commercial ISPs in Kenya and the clientele population or rather subscription for the year 2012.
Table 1.1: commercial ISPs in Kenya and the clientele population

<table>
<thead>
<tr>
<th>Name of Operator</th>
<th>Dec-12 Market Share (%)</th>
<th>Sep-12 Market Share (%)</th>
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<tbody>
<tr>
<td>Wananchi Telecom Limited</td>
<td>31.8</td>
<td>36.1</td>
</tr>
<tr>
<td>Kenya Data Networks Limited</td>
<td>28.9</td>
<td>22.3</td>
</tr>
<tr>
<td>Access Kenya Limited</td>
<td>12.9</td>
<td>14.6</td>
</tr>
<tr>
<td>Telkom Kenya Limited</td>
<td>11.2</td>
<td>12.1</td>
</tr>
<tr>
<td>Safaricom Limited</td>
<td>8.8</td>
<td>8.4</td>
</tr>
<tr>
<td>Jamii Telecommunication Limited</td>
<td>2.0</td>
<td>1.8</td>
</tr>
<tr>
<td>Swift Global</td>
<td>1.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Call Key Networks Limited</td>
<td>0.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Tangerine Limited</td>
<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Pwani Telecomms</td>
<td>0.3</td>
<td>-</td>
</tr>
<tr>
<td>Other fixed/Terrestrial operators</td>
<td>1.9</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Source: CCK, Operators’ returns (2012)

Most of the fixed connectivity ISP have coverage within the same regions and engage in fierce marketing strategies to get more clients. The limitation on bandwidth provision to individuals and organizations by mobile operators is what leads to the provision of fixed high bandwidth internet access by the other providers in terms of cable or fiber (CCK, 2009a).
1.1.4 Wananchi Group Limited

Wananchi Group is a telecom and media operator which provides pay television and broadband internet services in Kenya. The company was founded in 2000 and is headquartered in Nairobi, Kenya with additional offices in Diani, Mombasa, Nakuru, Nyeri, and Nanyuki. The company under the Zuku brand name provides cable television and broadband internet services to residential customers in Kenya using hybrid fibre-coaxial and WiMAX technologies; and under the SimbaNET brand, provides internet and VPN services to corporations, local governments, and non-governmental organizations. Moreover, it was established that the company offers X-plore products, which are designed to support business growth through managed mail services, dedicated access, managed security, and Web presence, for example, Tunda products that enable information sharing and learning, and inject fun into everyday life through Internet services, including Internet access and email; and Wi-Fi service. Further, the company’s Web and messaging solutions provides domain registration, e-commerce, email, Web hosting, and collocation solutions for individuals, businesses, developers, and resellers. Thus it was established that Wananchi serves corporate organizations, small to medium sized enterprises, and individual customers in Thika, Kiambu, Ngong, and Machakos.

It offers ZUKU DTH pay TV services across East Africa, ZUKU residential fibre broadband, Pay TV and telephone services, in Kenya, ZUKU programming which make the pay TV programming to keep ZUKU residential customers more delighted and also corporate services under the brands Simbanet, Alldean and Isat across East Africa and beyond. It’s simple really mission is to create stakeholder value by becoming the leading
company providing affordable, must-have entertainment and communications services for the wananchi in East Africa, through the delivery of innovative, internet, voice, data and pay TV services to residential and corporate customers at an affordable price in a manner that delights and inspires our customers.

1.2 Research Problem

Market penetration is both a measure and a strategy. A business will utilize a market penetration strategy to attempt to enter a new market. The goal is to get in quickly with your product or service and capture a large share of the market. Market penetration is also a measure of the percentage of the market that your product or service is able to capture.

A study on marketing penetration strategies within the Kenyan Internet Service provision firms will be undertaken. Focus will be on how the Kenyan ISPs use the various marketing penetration strategies in their normal operations.

Wanyande (2006) on the application of Ansoff’s growth strategies by internet service providers in Kenya. The study also focused on the challenges they have while implementing the strategies. The study recommended that a study be done on the public ISPs and wholly owned Kenyan firms because most of the firms which responded were multinationals firms with local affiliates based in Kenya. The study covered use of all the four Ansoff growth strategies in kenyan ISPs. The study revealed that many or rather 80% of the ISP didn't use product development strategy to a large extent. Our study will dive in details to see what market penetration strategies are used and the results achieved within their application.
In the previous studies, Murianki (2008) did a survey of knowledge management structures among Internet Service Providers in Kenya where the study focused on a range of strategies and practices used in Kenyan ISPs to identify, create, represent, distribute, and enable adoption of insights and experiences. It also checked on management structure that encourages knowledge sharing across the organizations. This study in our case indicates a research not related to marketing but rather the ISP sector showing grayness. In a study by Siboe (2006) on customer retention strategies used by Internet Service Providers in Kenya comprised of the activity that an ISP undertakes in order to reduce customer defections. It showed that the best customer retention starts with the first contact a firm has with a customer and continues throughout the entire lifetime of a relationship. A company’s ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace. This study will prove helpful to our case because of the connection between the ability to attract new customers and retain them to create market penetration ratio.

Though a number of studies have been done, there are very few known studies in Kenya done on marketing penetration strategies by internet service providers. This research study will seek to answer the following question: What marketing penetration strategies are used by Kenyan ISPs?
1.3 Research Objectives

The objectives of this study are:

i. To determine the market penetration strategies used by Internet Service Providers in Kenya

ii. To establish the challenges encountered when implementing the various market penetration strategies

1.4 Value of the study

The finding of this study is significant to the government – policy makers, the public, Telecommunication regulator and the scholars. For the regulator like CCK they’ll know how to regulate the telecom playing field from illicit marketing behaviour to facilitate no monopolies emerge. The Commission is committed to dealing with all anticompetitive trade practices in the telecommunications industry diligently. With the enactment of the Kenya Communications Amendment Act, 2009 the Commission is in the process of developing new Regulations on tariff and Competition and equality of treatment that are aimed at entrenching competition in the sector. A broader issue of unfair trade practices is also regulatory mandate being exercised by the Monopolies, Unfair Trade Practices and Price Control Commission under Cap 504 of the Laws of Kenya.

The Commercial Internet Service Providers will benefit from the findings of this study as the study will produce information on the best marketing penetration strategies and once which offer a variety of challenges to capture a market share. The study findings will add
value to the existing body of knowledge on marketing strategies and will act as future reference to the researchers and scholars who will pursue the subject.

Other private companies like media firms which work on the advertising front will know how to customize their products especially while dealing with the Internet Service Providers due to their marketing strategy definitions. They’ll know in detail the ISPs expectations and how to assist them deliver their marketing goals.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this section a review of the theories surrounding the topic is covered and also the various empirical studies that have been done on the market penetration strategies implemented by various internet service providers. Technological advancement of the commercial internet service providers is also discussed here. We’ll discuss some of the challenges experience by some providers As a result the views, ideas, submissions, opinions and definitions of renowned authorities on the subject matter would be highlighted. To this end, therefore, this chapter is divided in two different sub-headings to enhance the successful achievement of this study. The sub-heading are treated below during implementation of the said strategies.

2.2 Theoretical Foundation of the Study

This study focuses on market penetration strategies which relate to the measure of the amount of sales or adoption of a product or service compared to the total theoretical market for that product or service. The amount of sales or adoption can be an individual company's sale or industry while the theoretical market can be the total population or an estimate of total potential consumers for the product. This study will use market penetration theory as offered by Ignor Ansoff’s Ansoff Matrix. The Ansoff Matrix, (Ansoff, 1988) classifies and explains different growth strategies for a company. This matrix is used by companies which have a growth target or a strategy of specialization. This tool, crossing products and markets of a company, facilitates decision making. The Ansoff matrix offers four strategies to achieve the objectives. To portray alternative
corporate growth strategies, Igor Ansoff presented a matrix that focused on the firm's present and potential products and markets (customers). By considering ways to grow via existing products and new products, and in existing markets and new markets, there are four possible product-market combinations. Ansoff's matrix is shown below:

Market penetration: This strategy is the least risky since it leverages many of the firm's existing resources and capabilities. In a growing market, simply maintaining market share will result in growth, and there may exist opportunities to increase market share if competitors reach capacity limits. However, market penetration has limits, and once the market approaches saturation another strategy must be pursued if the firm is to continue to grow.

Market development: Under this strategy options include the pursuit of additional market segments or geographical regions. The development of new markets for the product may be a good strategy if the firm's core competencies are related more to the specific product than to its experience with a specific market segment. Because the firm is expanding into a new market, a market development strategy typically has more risk than a market penetration strategy (Akpinar, 2009).

Product development: Strategy may be appropriate if the firm's strengths are related to its specific customers rather than to the specific product itself. In this situation, it can leverage its strengths by developing a new product targeted to its existing customers. Similar to the case of new market development, new product development carries more risk than simply attempting to increase market share.

The last strategy is diversification is the most risky of the four growth strategies since it requires both product and market development and may be outside the core competencies of the firm. In fact, this quadrant of the matrix has been referred to by some as the suicide
cell. However, diversification may be a reasonable choice if the high risk is compensated by the chance of a high rate of return. Other advantages of diversification include the potential to gain a foothold in an attractive industry and the reduction of overall business portfolio risk (Baker, 1995).

As described, the ISP retailing business is currently undergoing the change from a highly fragmented market to a more consolidated market. Companies operating within this market face the challenge of keeping their business operations profitable and probably face the need to readjust their business model, their operations and strategies to maintain their competitive advantage over their competition. To enter a market and develop a strategy a company is naturally interested to understand what kind of competition and market conditions there are and if it is an attractive step. As response to this demand Porter developed his competitive analysis in using the framework of five forces shaping industries, markets and competition. Industry attractiveness in this model is considered as the overall profitability of the industry. The five forces impact collectively the profitability through their effects on price, costs and investment requirements. The more impact they have the less attractive the industry gets and vice versa. The five forces shaping an industry are the threat of new entrants, the threat of substitute products or services, the bargaining power of suppliers, the bargaining power of buyers and the intensity of competitive rivalry (Porter, 2008).
2.3 Market Penetration Strategies

According to Ansoff, marketing penetration seeks to achieve four main objectives which include maintain or increase the market share of current products, this can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling. Secondly, secure dominance of growth market. Thirdly restructure a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors. Lastly is to increase usage by existing customer – for example by introducing loyalty schemes like bonga points or points as used in the Kenyan market.

Kobulnicky and Stoffle (2003) in their study on “market penetration in research libraries” wrote that the idea of the physical market lends directly to the set of consumers who are attracted to the physical space to consummate their purchases of those goods that are expected to be made available at that location those consumers then, by extension, become the market. Furthermore they agreed that as transportation developed, the physical market expanded into many physical sites and the “consumers as markets” expanded to be defined as the set of consumers of the several physical markets. Proceeding logically, as physical markets expand to near infinite sites, the concept of market becomes less than that of individuals attracted to physical sites and more one of the total set of individuals who are potential consumers of the goods no matter where offered.
Kobulnicky and Stoffle (2003) also defined “market penetration (also known as market share) as a term developed to permit businesses to know what percentage of all possible sales were represented by their actual sales” In common practice, one measures market penetration by measuring all real sales of that for the same period made by one’s own company. They stressed the importance of measuring market penetration because “one’s sales of a given good may go up, implying success, but actually not have increased as much as the total sales have increased. In this case one’s share of the market has fallen and one’s penetration has actually weakened”

As earlier mentioned in the definition of market penetration, it is a name given to a “growth strategy”. Glueck (1980) described a growth strategy as “one that a firm pursues when; It increases the level of its objectives higher than an extrapolation of the past level into the future. For example, it significantly increases its market share or sales objectives. The firm can pursue the growth strategy when it serve the public in the same product/service sector or can add additional products or service sector and also when it focuses its strategic decisions on major functional performances increases. Overall market penetration marketing strategy is very much about “business as usual”. This is focusing on markets and product it knows well, it is likely to have good information on competitors and on customer needs. It is unlikely therefore, that this strategy will require much investment in new markets research. The internet Service providers covered in this study should focus on products and services they know very well and looking on the same market.
2.3.1 Price Adjustments

One common market penetration strategy is to make price adjustments. By lowering prices, the business hopes to generate more sales volume by increasing the number of units purchased and to make prices more appealing to consumers when compared to the competition. Companies may also pursue a strategy of higher prices in the hope that higher revenues per unit sold translate into higher sales volume and a resulting increase in market penetration. With this strategy, a concern is that higher prices could deter customers from making a purchase (Sebestyén, 2006). Price adjustments are also slightly different from price matching policies. Price matching is when a retailer will give you a refund of the difference between their higher price of a good and a competing retailer’s lower price for the same good. Price adjustments only compare different prices within the same retailer over time. Penetration pricing is most commonly associated with a marketing objective of increasing market share or sales volume. In the short term, penetration pricing is likely to result in lower profits than would be the case if price were set higher. However, there are some significant benefits to long-term profitability of having a higher market share, so the pricing strategy can often be justified. Penetration pricing is often used to support the launch of a new product, and works best when a product enters a market with relatively little product differentiation and where demand is price elastic – so a lower price than rival products is a competitive weapon (Schnabl, 2006).

Furthermore, price elasticity of demand (PED or Ed) is a measure used in economics to show the responsiveness, or elasticity, of the quantity demanded of a good or service to a
change in its price. More precisely, it gives the percentage change in quantity demanded in response to a one percent change in price (ceteris paribus, i.e. holding constant all the other determinants of demand, such as income). More quantity being ordered means that we have higher penetration in our market. The study will In particular, how should one set price when competing with a firm in a “winner-take-all” market? If the firm currently has a small market share, should it lower its price aggressively to try to capture more market share from the leading firm, or maintain a high price and lets its market share dwindle further, Pindyck and Rubinfeld (2010).

2.3.2 Increased Promotion

Companies may choose to increase market penetration through greater promotional efforts. They may launch an advertising campaign to generate greater brand awareness or implement a short-term promotion with a finite ending date. A promotion is often linked with pricing, such as advertising a special sale price for a limited period. A competitor may counter a successful promotion with one of its own in an attempt to regain lost market share. After all is said and done, it is the business, company, product or service that is known to the target customers that will gain a large market share (Rossi, 2006). This is a very vital element of the steps needed to increase your business market share. It’s just common sense; people buy from those they know. So here is the question, how many people know about your business, company, product or service?

Increasing advertising expenditures can increase market share, unless competitors respond with similar increases. During difficult economic times, many small business owners cut back on advertising and promotion budgets to save money. Unfortunately, this
can be the exact opposite of what they need to do to survive in the marketplace. If you increase advertising and promotion expenditures, you stand a good chance of capturing market share, especially if your competition is cutting back on ad spending. You let the buying customer know that you are maintaining a robust effort to remain vital in the marketplace. You should evaluate the advantages of increasing your advertising and promotion budget as mentioned in (Chaffey, 2000).

2.3.3 More Distribution Channels

A company can attempt to increase market penetration by increasing the methods it uses to get products into the hands of consumers, making them more readily available. For instance, a company that traditionally sells its products through retail outlets may add distribution channels such as sending direct mail offerings or instituting a telemarketing operation. It may also attempt to gain additional selling space in current distribution channels, such as when purchasing additional display space in retail stores. To create a good distribution program, focus on the needs of your end-users. First, if users need personalized service, you can utilize a local dealer network or reseller program to provide that service. Secondly, if your users prefer to buy online, you can create an e-commerce website and fulfillment system and sell direct; you can also sell to another online retailer or distributor that can offer your product on their own sites. Lastly, you can build your own specialized sales team to prospect and close deals directly with customers (Ferrando, 2006).

Wholesalers, resellers, retailers, consultants and agents already have resources and relationships to quickly bring your product to market. If you sell through these groups
instead of (or in addition to) selling direct, treat the entire channel as a group of customers – and they are, since they’re buying your product and reselling it. Understand their needs and deliver strong marketing programs; you’ll maximize everyone’s revenue in the process (Takada, 1994). If you want to grow beyond the direct model, look for companies that have relationships with your end-users. If consultants, wholesalers or retailers already reach your customer base, they’re natural partners.

2.3.4 Product Improvements

Making product improvements can be used to create new interest in a stagnating product or to offer an extra benefit when using it. Consumer products manufacturers have often used the "new and improved" claim to entice customers to give a product another chance or to improve the perception of quality. Companies can also change the product's packaging to give it a more modern design that might appeal to a younger customer base.

A product development strategy may be appropriate if the firm's strengths are related to its specific customers rather than to the specific product itself. In this situation, it can leverage its strengths by developing a new product targeted to its existing customers. Similar to the case of new market development, new product development carries more risk than simply attempting to increase market share as in (Ansoff, 2008).

Another growth strategy for companies is to increase use of the products they offer now, in their current market. This can be done in many ways including introducing new uses for the product, the idea that the product should be used more often, or by repackaging the product with a new and more appealing look for the current market. For example, a company who sells a teeth whitening product might increase the use of their current
product by changing the color and shape of the packaging while also making the product easier to use.

2.4 Challenges of Market penetration Strategies

Nothing under the sun has advantages only and definitely the marketing penetration strategy isn’t one. Market penetration faces challenges as noted by Reece (2010). The challenges exist since products are expensive to create, attempting to have the lowest prices may not lead to a significant profit. Smaller companies in particular often have trouble producing enough to adequately lower the production cost per volume, especially when competing with large companies. In this situation, a company must promote its product as a more upscale item. Attention to packaging and image, as part of a strong marketing campaign, can thus pay off more than low prices. Furthermore a company that produces a luxury product misses opportunities if it markets the item as a cheap product. Consumers who desire luxury items would avoid the product. With a high demand for "indulgent" products, a company could miss out substantially on sales. Furthermore, if a company keeps prices low for a time and then raises them, customers will probably go elsewhere. Market penetration strategy can work with products people must replace frequently, such as foods and hygiene products. With other products, the market would quickly become saturated (Khanna, 2005). People don't need unlimited supplies of clothing, furniture and electronics. Thus, the market penetration strategy is unsustainable for these products and others that don't need to be replaced frequently.
Market penetration strategy can cause prices to lower throughout the entire industry. Competitors often try to match prices, particularly if their products are similar. The company that initiated the market penetration strategy must further lower its prices to outmatch the competition. Soon all competitors might be selling products at an extremely low price that barely makes a profit. In other cases, market penetration strategy has little or no effect. If one company enters an industry in which prices are already low, setting the lowest price is usually unrealistic (Keegan, 2008). When customers already trust a competitor with low prices, a new company should focus on carving out a niche for itself instead of beating that company's prices. Similarly, if a company has other product lines that sell luxury products, it may want to avoid the market penetration strategy. Using the market penetration strategy with one product may hurt sales in the other product lines. If the cheaper product becomes a staple household item throughout a broad customer base, customers will probably become more familiar with the cheaper product than the luxury ones. The company's reputation as a luxury producer could then suffer. Most of the high bandwidth Kenyan Internet Service Providers are based within the urban areas as per the Government CCK source and it means their market is secluded against the poorer rural population (CCK, 2009a).

Spyros and Polykalas (2006) did a study to examine broadband competition and broadband penetration in a set of countries that employ the same regulation framework and also to define the policy and strategy required to promote broadband in weak markets that do not employ alternative infrastructures. Their study focused more on the evidence and analysis within the EU market. The paper concluded that a mature broadband market
is the one that exhibits a high penetration ratio in combination with a high competition level. Bitstream access or a link accessible to third party companies can counterbalance the inexistence of alternative broadband infrastructures, especially in weak markets. In particular the availability of numerous bitstream access types in combination with the proper price differentiation can fuel broadband adoption in relatively weak broadband markets. The study indicates price adjustments as a good strategy in the EU market to encourage market penetration. This coupled with allowing third parties to use a single same infrastructure in areas where there are network challenges would be a good bet on penetration.

Goodnow and Kosenko (1992) did a study on strategies for successful penetration of the Japanese market or how to beat Japan at its own game. They found the following strategies very efficient with firms that made it within the Japanese market. Firstly some companies found it profitable to discover unfilled niches in the product lines available from domestic Japanese sources. Another strategy was for companies to use nontraditional wholesalers rather than the traditional ones. One company used a cutlery wholesaler to sell razor blades instead of looking for a traditional razor blade wholesaler. Furthermore companies can also piggyback with established Japanese or foreign firms to cover more ground and markets. Some companies have chosen to set up joint ventures in which equity is shared by foreign and Japanese parent firms. This study show us more details in regards to market penetration being a strategy for markets that are well established and have many competitors.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the researcher presented the methodology that was used to carry out the study. The chapter consists of the research design, target population, sampling procedures and sample size, research instruments, reliability and validity of the instruments, data collection procedures and data analysis.

3.2 Research Design

The study adopted a case study design. The case study design was chosen since the research is specific to an organization and case studies allow a researcher to collect in-depth information with the intention of understanding situations or phenomenon. It also helps to reveal the multiplicity of factors, which have interacted to produce the unique character of the entity that is subject of study.

A case study design can be defined as a powerful form of qualitative and quantitative analysis and involves careful and complete observation of a social unit be it a person, family, cultural group or an entire community and/or institution (Weber, 1990).

3.3 Data Collection

The study used both primary and secondary data. Primary data was collected using interview guide that was developed based on the research questions. Interview guide is
favoured by the researcher because they are an inexpensive way to gather data from 5 respondents at Wananchi Group comprising of the 1 from top management team since they are the decision makers of the company, 2 staff who are members of the marketing team of the various countries or rather regions .2 more staff members from the financial department who gave us more details on the financial and budgeting expenditures to relate to the study. The interview guide had two sections. The first section relates to personal details of the respondents and firm while the second section had items aimed at assessing the market penetration strategies and challenges experienced. Some modifications and corrections might be made to make it simpler for use in the study as well as to increase its validity in case challenges are faced during data collection.

Secondary data was collected from organization’s documents such as annual reports, strategic plans, newsletters and performance evaluation reports that was provided historical information on the topic of discussion. Further look at reports done by international recognized bodies such as International Telecommunication Union (ITU).

3.4 Data Analysis

Before processing the responses, the completed interview schedule was transcribed and edited for completeness and consistency. Data collected was analyzed through content analysis. Content analysis is most conveniently used with textual types of data such as open ended survey questions or analysis of secondary data of various sorts. Content analysis enables researchers to sift through large volumes of data with relative ease in a systematic fashion. It can be a useful technique for allowing us to discover and describe
the focus of individual, group, institutional, or social attention (Weber, 1990). It also allows inferences to be made which can then be corroborated using other methods of data collection. Krippendorff (1980) notes that "much content analysis research is motivated by the search for techniques to infer from symbolic data what would be either too costly, no longer possible, or too obtrusive by the use of other techniques" (p. 51).
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the findings of the study whose main objective was to analyse the market penetration strategies used by internet service providers in Kenya. Primary data was obtained through the use of interview guide which was administered 5 respondents at Wananchi Group who comprised of 1 respondent from top management team, 2 respondents from staff members of the marketing team while the remaining 2 respondents were drawn from the financial department.

4.2 Market Penetration Strategies used

Market penetration is both a measure and a strategy. A business will utilize a market penetration strategy to attempt to enter a new market. The goal is to get in quickly with your product or service and capture a large share of the market. The study had an objective to find which market penetration strategies were used by Wananchi Group. Herein are the findings:

4.2.1 Awareness of the market penetration strategies

The researcher sought to determine from the interviewees whether they understand the concept market penetration. From the various explanations and definitions of individual respondents it emerged that most of the participants were aware on the concept market penetration. For example, a respondent defined market penetration as the amount of sales
or adoption that an individual company's sale or industry whiles the theoretical market can be the total population or an estimate of total potential consumers for the product while on the other hand, another respondent, said that the concept meant that activity of increasing the market share of an existing product, or promoting a new product, through bundling, advertising, lower prices, or volume discounts. Moreover, a respondent indicated it as a measure of that extent of a product's sales volume relative to the total sales volume of all competing products, expressed as a percentage. Formula: Sales volume of a product x 100 ÷ Total sales volume of all competing products.

Further, one of the respondents gave an illustration to show the level of awareness. He gave an illustration of the Kenyan population. If there are 40 million people in Kenya and 11 million of those people have cell phones then the market penetration of cell phones would be approximately 27.5%. This would mean in theory there are still 29 million more potential customers for cell phones, which may be a good sign of growth for cell phone makers.

4.2.2 The extent the company apply price adjustments strategies

The researcher intended to determine the extent the company apply price adjustments strategies. According to the field responses it was established that a majority (4) apply price adjustments strategies to a large extent. The applied price strategies such as manufacturer's suggested retail price ,price bundling ,multiple pricing, cost-plus pricing, competitive pricing, pricing above competition, pricing below competition, price lining, and odd pricing.
**Price Bundling** is the practice of giving the customers the option of buying several items or services for one price. A furniture retailer, for example, might offer customers a sofa and love seat combination at a price that is somewhat lower than what the two goods would cost if bought separately.

**Multiple Pricing** is the practice of selling multiple units of an item for a single price. A grocery store that offers two boxes of macaroni and cheese at a single price, for instance, is engaged in multiple pricing.

**Cost-Plus Pricing** involves adding together all labor, material, and overhead costs (the "cost") and then adding the desired profit (the "plus").

**Pricing above competition** if a business is operating in a community in which low prices are most customers' primary concern, then this pricing strategy is obviously doomed to failure. In settings in which price is not the customer's most important consideration, however, some small businesses can do quite well employing this strategy. The key to making "pricing above competition" work, say experts, is to provide customers with added benefits that justify paying the higher price. These benefits can take the form of: 1) convenient or exclusive location; 2) social status; 3) exclusive merchandise; and 4) high level of service.

**Price Lining** Companies that engage in this practice are basically hoping to attract a specific segment of the community by only carrying products within a specified price range. This strategy is often employed by businesses whose goods/services or location are likely to attract upscale buyers, though others use it as well.
4.2.3 Promotions involved to generate brand awareness

The study sought to determine whether the company has been involved in promotions to generate greater brand awareness. According to the findings from the field, Wananchi Group has been involved in brand awareness. This has been shown as the company repeatedly exposes their brand to target audience. It has invested and saved efforts to build brand awareness to help consumers become familiar with their products or services. Over time, by repeatedly exposing their brand to the target audience and by delighting them with remarkable experiences, they earned their trust and loyalty. And that has translated to more sales and a host of other benefits for the business.

4.2.4 Company’s market distribution channels over the last 2 years

The study sought to investigate whether the company has increased market distribution channels over the last 2 years. It was established that Wananchi’s DTH satellite pay-TV offering, Zuku, offers quality TV service of over 85 channels in both HD and SD at an affordable price, and more than 120 channels on the top-end Fibre platform. Zuku is proud of its nine exclusive Zuku channels, which were developed in East Africa, especially for East African audiences. Zuku Movies (4 channels), Sports, Afrika, Life, Swahili Movies and Kids which offer a unique combination of international and regional programming of all genres.

In addition Zuku TV carries third party channels including most of the major news and business channels as well as brands like: Fox Entertainment, FX, BET, and E! Entertainment, Star Plus, Colors and SAB; MTV Base, Nickelodeon, KidsCo, Fashion
One, Viasat’s four documentary channels, Nat Geo Adventure, Fine Living Network, MGM Channel, Zee Cinema, African Movie Channel.

Wananchi Programming has been established to create compelling content for the group’s pay-tv operations. The Programming Group is responsible for acquiring and originating programming for its own Zuku Channels. Increasingly these channels are being marketed to other operators in Africa.

The field responses further indicated that, Wananchi has created extensive multi-territory and multi-network digital TV ambitions and in 2013, it began to realize these by adding interactivity to its Zuku TV service via a new, cost-effective Set-top Box (STB) and an IP platform. In the near future the Company intends to extend its reach to 35 countries, addressing millions of potential subscribers and a wide range of client devices, with the introduction of over-the-top (OTT) video-on-demand (VOD) services. The latter will initially be offered on a wholesale basis to cable operators in Kenya, Uganda and Tanzania for redistribution.

The study also wanted to establish whether the company has developed a new product over the previous period to appeal to the wider market. According to the findings it was revealed that over-the-top (OTT) and video-on-demand (VOD) services were some of the new product developed to appeal to the wider market.

The researcher found of paramount importance to determine whether the company had innovations and technological advancements in the provision of the services to the clients. Based on the field responses it emerged that Wananchi Group and Cisco Signed
Multiyear Contract to Take Triple-Play to Next Level. This was due to the Region’s Only Triple-Play Operator Evolves Services as Business Demands Grew and Technology Advances.

4.2.5 Price wars and advertising battles involved with the company’s competing firms

The researcher also taught of paramount importance to investigate on whether the company has been involved in price wars and advertising battles with competing firms. It emerged that Wananchi Group entered the satellite pay TV market in April 2011 setting the stage for a vicious battle for control of the business that has remained in the hands of DSTV. The firm had been offering TV services through the fibre network—a move that limited its reach given the few homes connected to the cable, making it difficult to match DStv in pricing which uses satellite.

Moreover, the responses also revealed that Wananchi’s entry into the pay-TV market opened a fresh round of price war similar to one that took place in 2007 with the entry of collapsed GTV that led to the free fall in costs. In 2007, the prices fell from a high of Sh. 11,000 a package to a low of Sh. 1,600 which combined with an increase in local content emerged as the arsenal for market growth. The new entrants which include Star TV, My TV and Smart TV, and mobile telephony firm Airtel also announced plans to get a piece of this market.
4.2.7 Market penetration strategies used by the firm

The study also sought to establish the other marketing strategies employed by the firm. From the study findings, it was established that Wananchi Group entered satellite pay TV segment in April 2011 which set the stage for a vicious battle for control of the business that remained in the hands of DSTV. In addition, Wananchi Group has employed aggressive advertising campaign consisting of TV, radio and direct mailing ads. Also, it has penetrated the market by saturating their product in the market. For example, in major urban centres, it there's a Starbucks on every street corner.

Marketing penetration within Wananchi Groups seeks to achieve four main objectives which include maintain or increase the market share of current products, this can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling. Secondly, secure dominance of growth market. Thirdly restructure a mature market by driving out competitors. Lastly is to increase usage by existing customer. Thus the study needs to find this details and their implementation.

4.3 Challenges encountered while implementing the various marketing penetration strategies

The study sought to establish challenges encountered while implementing the various marketing penetration strategies. According to the field responses, process of strategy implementation and organizational leadership and structure were identified as the key challenges faced by Wananchi Group. The process of strategy implementation is weighed
down with complexity and challenges. It is thus obvious that strategy implementation is a key challenge for today’s organizations. Strategy implementation requires management of strategic change; therefore managers are required to manage change processes. Successful strategy implementation depends on the firm’s primary organizational structure. The structure helps identify the firm’s activities and the manner in which they are co-ordinated to achieve the firm’s objectives. The problem usually experienced is that the organization’s current structure is not appropriate to the intended strategy. Structure portrays how key tasks and activities have been divided to achieve efficiency and effectiveness. The strategy should fit the current structure. Organizational strategy cannot be effectively implemented unless there is consistency between the strategy and organizational structure. The structure design ties together key activities and resources of the firm, therefore structure must be aligned with the demands of the firm’s strategy. Leaders in an organization play a big role in implementation. Leaders are supposed to establish, formulate the strategy and gain the support, corporation and commitment of those they need to be involved. Transformational leaders change things from what could be to what is, that is, they translate a vision into reality. According to Wheelen and Hunger( 2008), “a change in the environment leading to a change in a company’s strategy also leads to a change in the top management team”. Organizations that successfully implement their strategies are those whose leaders double their efforts of implementing compared to that of crafting it. Therefore, there are many factors that challenge the success of strategy implementation, ranging from the people who communicate or
implement the strategy to the systems or mechanisms in place for co-ordination and control.

4.4 Discussion

The study had an objective to determine the market penetration strategies used by ISPs in Kenya and the challenges faced while implementing the strategies. The study found that the competitive pricing strategies, advertising, sales promotion and increasing of distribution channels strategies were used by Wananchi Group.

Challenges faced included lack of financial power also the problem usually experienced is that the organization’s current structure is not appropriate to the intended strategy. The systems or mechanisms in place for co-ordination and control and monitoring the strategies being injected seemed to be prohibitive to the final work.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
The study sought to analyze the market penetration strategies used by internet service providers in Kenya. This chapter presents the summary of the study findings, conclusions and recommendations of the study.

5.2 Summary
The study analyzed the market penetration strategies used by internet service providers in Kenya. Particularly, it focused on the market penetration strategies used by Internet Service Providers in Kenya and the challenges encountered when implementing the various market penetration strategies.

The study established that Wananchi Group is a telecom and media operator which provides pay television and broadband internet services in Kenya. The company was founded in 2000 and is headquartered in Nairobi, Kenya with additional offices in Diani, Mombasa, Nakuru, Nyeri, and Nanyuki. It serves corporate organizations, small to medium sized enterprises, and individual customers in Thika, Kiambu, Ngong, and Machakos.

The researcher wanted to establish whether the respondents are aware of the marketing concept known as market penetration. According to the various responses in the field, it
emerged clear that most of the participants were aware on the concept market penetration. This was illustrated by various respondents defining the concept strategy. For example, a respondent defined market penetration as the amount of sales or adoption that an individual company's sale or industry whiles the theoretical market can be the total population or an estimate of total potential consumers for the product while on the other hand, another respondent, said that the concept meant that activity of increasing the market share of an existing product, or promoting a new product, through bundling, advertising, lower prices, or volume discounts.

The research investigated the extent the company apply price adjustments strategies. The field findings revealed that most apply price adjustments strategies to a large extent. The applied price strategies such as manufacturer's suggested retail price, price bundling, multiple pricing, cost-plus pricing, competitive pricing, pricing above competition, pricing below competition, price lining, and odd pricing.

Also the study wanted to find whether the company has been involved in promotions to generate greater brand awareness. From the field responses, Wananchi Group has been involved in brand awareness where the company has repeatedly expose their brand to target audience. It has also invested and saved more efforts to build brand awareness to help consumers become familiar with their products or services.

The study sought to find out whether the company has increased market distribution channels over the last 2 years. It was revealed that Wananchi’s DTH satellite pay-TV offering, Zuku, offers quality TV service of over 85 channels in both HD and SD at an affordable price, and more than 120 channels on the top-end Fibre platform. Wananchi
Programming has been established to create compelling content for the group’s pay-tv operations. The field responses further indicated that, Wananchi has created extensive multi-territory and multi-network digital TV ambitions and in 2013, it began to realize these by adding interactivity to its Zuku TV service via a new, cost-effective Set-top Box (STB) and an IP platform.

On whether there has been new product developed over the previous period to appeal to the wider market, the findings revealed that over-the-top (OTT) and video-on-demand (VOD) services were some of the new product developed to appeal to the wider market. In addition, the study findings revealed that Wananchi Group and Cisco Signed Multiyear Contract to Take Triple-Play to Next Level. This was a sign of innovations and technological advancements in the provision of the services to the clients.

Moreover, it was revealed that Wananchi Group has been involved in price wars and advertising battles with competing firms. Wananchi Group entered the satellite pay TV market in April 2011 setting the stage for a vicious battle for control of the business that has remained in the hands of DSTV. Also, Wananchi’s entry into the pay-TV market opened a fresh round of price war similar to one that took place in 2007 with the entry of collapsed GTV that led to the free fall in costs.

Further, it was revealed that process of strategy implementation and organizational leadership and structure were identified as the key challenges faced by Wananchi Group.
5.3 Conclusion

From the findings, the study concludes that Wananchi Group used market penetration strategies which involved the same services internet service providers being pushed into the same largest consumer group of Kenyans. The study also concluded that the company has increased market distribution channels over the last 2 years. Wananchi’s DTH satellite pay-TV offering, Zuku, offers quality TV service of over 85 channels in both HD and SD at an affordable price, and more than 120 channels on the top-end Fibre platform.

It may also be concluded that Wananchi Group has been involved in price wars and advertising battles with competing firms. Wananchi Group entered the satellite pay TV market in April 2011 setting the stage for a vicious battle for control of the business that has remained in the hands of DSTV.

Further, it was concluded that process of strategy implementation, organizational leadership and structure were the key challenges faced by Wananchi Group limited in Kenya.

5.4 Limitations of the Study

The findings of the study may not be generalizable to other Internet Service Providers in Kenya due to differences in social, political and economic environments in different countries. Different Internet Service Providers also have different approaches to market penetration strategies and leadership styles which influences Internet Service Providers. Therefore, the findings of the study may be limited to Wananchi Group and Internet other
Service Providers which have similar structure of governance and operate in a similar social political and economic environment.

5.5 Recommendations

From the findings of the study it was found that Wananchi Group used market penetration strategies which involved the same services internet service providers. It may therefore be recommended that there is need for Wananchi Group to adopt better and different promotional strategies which have would have significant impact on customer purchase rate and it would also act as a good mechanism for market penetration.

The findings show that Wananchi had entered into both related and unrelated businesses with other companies. The recent day’s competition among internet service providers is based on technology. Therefore, there is also need to embrace technology in the company’s processes so as to improve efficiency in service delivery of the services by the company. This would probably enhance the company to diversify more and partner with more companies in either related or unrelated businesses.

The study recommends that Government regulation should not be restrictive but should instead be geared towards providing an enabling environment for the industry to thrive while at the same time protecting the consumers.

5.6 Suggestions for Further Studies

This study focused on the market penetration strategies used by internet service providers in Kenya. Therefore similar studies need to be conducted in other internet service
providers in order to assess whether the study could yield similar findings regarding market penetration strategies.
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APPENDICES

Appendix I: Interview Guide

SECTION 1

Organization Profile

MARKET PENETRATION STRATEGIES

a) What is your highest educational qualification?

b) What is your position in the company?

c) For how long have you been with the organization?

d) Who are the owners of the company

e) What services and/or products do we provide?

f) What is the mission statement of your company?

g) Is your business a private company or a public listed company?

SECTION B

a) Are you aware of the marketing concept known as market penetration?

b) To what extent does your company apply price adjustments strategies?

c) Has the company been involved in promotions to generate greater brand awareness?

d) Has the company increased market distribution channels over the last 2 years?
e) Has there been any new product developed over the previous period to appeal to the wider market?

f) Have you had any innovations and technological advancements in the provision of your services to the clients?

g) Has the company been involved in price wars and advertising battles with competing firms?

h) What other market penetration strategies used in your firm?

i) What are the challenges encountered while implementing the various marketing penetration strategies?

THANK YOU FOR YOUR PARTICIPATION