MARKET PENETRATION STRATEGIES USED BY ESSAR TELECOM KENYA (YU)

BY

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DECLARATION

This research project is my own original work and has not been presented for examination in any other University.

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SUPERVISOR'S DECLARATION

This research project has been submitted for examination with my approval as the University supervisor.

Signature: ____________________________ __________________

MR. JEREMIAH KAGWE **DATE:**

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DEDICATION

This research project is dedicated to my family that had to bear with my busy schedule of class, job and family affairs.

May God bless you all.

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LIST OF ABBREVIATIONS

ETKL	-	Essar Telecom Kenya Limited
NSE	-	Nairobi Stock Exchange
SMS	-	Short Message Services
UK	-	United Kingdom

ABSTRACT

Market penetration seeks to maintain or increase the market share of current products of a company. This can be achieved by a combination of competitive strategies like pricing, advertising, sales promotion and dedicating more resources to personal selling. Market penetration seeks to secure company dominance of the market. For a company to grow its market share and sales volume, it is important that the company looks at the ways of increasing the usage and consumers of its products.

The purpose of this study was to identify market penetration strategies by Essar Telecom Kenya Limited. The study adopted a case study design which is the most appropriate in the investigation of the market penetration strategies by Essar Telecom Kenya Limited. The researcher used both primary and secondary data. Primary data was collected using interview guide with open ended questions. The respondents for this study included the managers of the company in charge of corporate strategy, human resources, regulatory, business development, and sales and marketing departments. Being a case study, conceptual content analysis was the most useful method of analyzing the data.

The study found that the company has engaged in both pull and push strategy as a form of promotional strategy. The study further found that the company employed pricing strategies to penetrate the market. It further established that the company adopts market segmentation as one of the strategies in order to expand its market share. The study concludes that the company has been able to keep pace with the rivalry in the telecommunication industry by adopting various market penetration strategies for its products. The study recommends that although the company has been successful in neutralizing the challenges brought about by competition in the Telecommunication industry, the company should engage in more cost reduction as a response to its competitors' strategies whose products and services are much cheaper. Essar Telecom Kenya Limited should deliver benefits that exceed those of competing products (differentiation advantage) to gain a competitive advantage over other firms. The study further recommends that Essar Telecom Kenya Limited should heavily advertise itself in other countries and diversify in other countries that are not in East Africa in order to take advantage of economic liberations in many countries as a result of globalization. The study recommends that further research should be done on the other companies in the Telecommunication industry so as to get comprehensive information on how the other players in the industry are able to penetrate the market.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets (O'Regan, 2002). O'Regan (2002) identifies four main objectives that market penetration seeks to achieve including: increasingmarket share of the current product or services in the existing market; Market penetration is adopted by a firm to raise its sales revenue without making changes in the products or services; market penetration strategy can be implemented by offering sales, increasing sales force, increase distribution and promotion of products, and more expenditure in marketing and advertising activities to increase sales; and it is a growth strategy where the business focuses on selling existing products into existing markets.

A penetration strategy is an institutional arrangement that a firm uses to market its product. It also refers to the extension of ownership of a firm to cover new markets, new sources of materials and new stages of the production process (Green, Barclay and Ryans, 2005). The choice of penetration mode is done at firm level after evaluating the various options and their inherent risks and is therefore a strategic decision for the firm (Mose, 2007).

The Telecommunication industry comprises of telephone communication, communication through the internet, audio and visual media, postal communications, fax etc. The mobile industry in Kenya has grown tremendously over the last decade, rising from a few thousand in the 1990s to over 17 million subscribers currently. The types of mobile phones and services available have also changed drastically. In Kenya, though there are few service providers, there is stiff competition and rivalry in this industry hence a careful analysis for and current prospective investor is necessary for success.They adopt strategies such as improved customer services, credit facility, post-paid cards and provision of convenience goods and services. Rapid technological change has created a new business environment where innovation has become a top competitive strategy. According to Kotler (2003),increased competition has created fundamental shift in economic environment whereas no organization can hope to stay afloat if it fails to come up with proper strategic responses.As at the end of December year 2010 Essar Telecom Kenya Limited had a customer base of approximately 1.1million customers which is 6.4% of the market share in Kenya. To manage the high competition in the industry, the company has adopted a number of market penetration strategies. This study is interested in investigating these strategies.

Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies. Firms responded to competition in different ways. Some may opt to product improvement, divestiture and diversification, entry into new markets or even emerging or buying out competitors. Some of these organizations have undertaken their transformation efforts quite successfully. On the other hand, other firms have experienced disappointing results with new strategies not well implemented. Acquisitions that have not achieved expected synergies, re-engineering and downsizing that have largely failed and quality programs that have not reached the position hoped for.

1.1.1 Concept of Market Penetration

Market penetration is an effort to increase company sales without departing from an originalproduct-market strategy (Ansoff, 1987). The company seeks toimprove business performance either by increasing the volume of sales to its present customers or by finding new customers for present products. As discussed above, market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets (O'Regan, 2002).

Market penetration seeks to achieve four main objectives including; maintenance or increasing the market share of current products through a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling; Securing dominance of growth markets; restructuring a mature market by driving out competitors which would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors. The other strategy includes increasing usage by existing customers by introducing loyalty schemes. A market penetration marketing strategy is more than about "business as usual". The business focuses on markets and a product it knows well and 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 market research.

1.1.2 Market Penetration Strategies

The market penetration strategy seeks to increase market share of the current product or services in the existing market. This strategy is adopted by the firms in order to raise their sales revenue without making changes in the products or services mix. The other dimension of market penetration is the existing market which means firm already offering products or services to the customer but can forecast that the existing sales figures can be improved by working on marketing penetration strategy.

Market penetration strategy can be implemented by offering sales, Increasing sales force, increase distribution and promotion of products, increased expenditure in marketing and advertising activities will results in increasing sales. It is not guaranteed that market penetration works after investing in sales and marketing of products and service, therefore a firm should go for this strategy only if the current market is not fully saturated, market share of the competitors are decreasing whereas the industry growth rate is increasing, existing buyers have the potential to purchase same products and services in more quantity, when economies of scale provides competitive edge. For instance, mobile service providers offering low price packages to increase talk time of the customers.

1.1.3 Mobile phone Industry in Kenya

The mobile phone industry in Kenya is composed of four players namely, Safaricom, Airtel, Orange and Essar Telecom Kenya Limited (Esser telecom). Safaricom is the leading mobile phone operator in Kenya. It was formed in 1997 as a fully owned subsidiary of Telkom Kenya. Safaricom is Kenya's leading mobile phone operator having by subscriber base with 70% of total subscribers in the country. The second by market share is Airtel Kenya which enjoys about 20% leaving 10% to be shared between Orange Kenya Limited and Essar Telecom Kenya Limited (Waema, Adeya and Ndung'u, 2010).

The recent entry of a new player (Essar Telecom Kenya Limited) in the mobile telephone industry in Kenya has led to a cut throat competition on the market for customers. The NSE listed company, Safaricom, and East and Central Africa's most profitable company has a subscriber base of over 12 million and still growing. Its competence has been boosted by the transfer of money over the phone under the brand "M-Pesa" services. Airtel comes second with over 4 million subscribers and still growing with its lowest calling rates in the country across all networks. Telkom's Kenya's Orange on the other hand hit 1 million subscribers on its first month in the market. The other mobile service provider is Essar Telecom Kenya Limited under Essar group which has also had a huge impact on the Kenyan Market.

1.1.4 Essar Telecom Kenya Limited

Essar Telecom Kenya Limited (ETKL) is a unit of India based Essar Group. ETKL launched a mobile service network under the brand "Essar Telecom Kenya Limited" in November 2008 in Kenya. It aimed at building the best network using the latest equipment ensuring clarity and reliability. Its entry strategy was to employ low pricing so as to attract a wide customer base ensuring that communication is affordable to the people at the bottom of the pyramid. Essar Telecom Kenya Limited was the 4^{th} GSM licensee in Kenya, offering a full suite of mobile services to a rapidly growing prepaid customer base. Their service offering includes Voice, SMS, Mobile Data, Mobile Money Transfer (Essar Telecom Kenya Limited Cash), Electronic Mobile top-up (Eneza), Caller Ring Back Tones (Dunda), MMS and International dialling with much more in the pipeline. The company has employed various market penetration strategies aimed at assist it increase customer base and revenue base.

Essar Telecom Kenya Limited has formed various key partnerships. In the area of customer relation management it partnered with UK-based Cerillion to provide sound customer management and billing systems solution. In order to grow its mobile money transfer service, Essar Telecom Kenya Limited partnered with Equity Bank Limited. Consequently it has grown its customer base rapidly since its launch.

1.2 Research Problem

Market penetration seeks to maintain or increase the market share of current products of a company. This can be achieved by a combination of competitive strategies like pricing, advertising, sales promotion and dedicating more resources to personal selling. Market penetration seeks to secure company dominance of on the market. For a company to grow its market share and sales volume, it is important that the company looks at the ways of increasing the usage and consumers of its products. As Ansoff (1987) puts it, market penetration strategies are applied using existing products in existing markets.

Various local researchers have reviewed the subject of marketing strategies, for example, Muriuki, (2001) did an empirical investigation of aspects of culture and their influence on marketing strategies in the beverage industry in Kenya while Chemutai, (2006) studied retail marketing strategies adopted by commercial banks in Kenya. To the best of the researcher's knowledge, there are limited studies if any that have been done on the market penetration strategies adopted by Essar Telecom Kenya Limited in Kenya. This is despite Essar Telecom Kenya Limited success in establishing networks in many areas in the Country. This study therefore seeks to fill the gap in literature by investigating the market penetration strategies applied by Essar Telecom Kenya Limited (YU) to penetrate the mobile phone service industry in Kenya.

1.3 Objective of the Study

The objective of this study is to identify market penetration strategies by Essar Telecom Kenya Limited.

1.4 Importance of the Study

The results would contribute to a better understanding on how effective the strategies employed by mobile phones are in responding to the changes in the operating environment. In particular, the positive interaction between differentiation and cost leadership in predicting quality performance suggests the synergy between the two as well as supporting the cumulative view of competitive strategies.

The results of this study would also be invaluable to researchers and scholars, as it form a basis for further research. The students and academics may use this study as a basis for discussions on responsive strategies adopted by mobile phone companies in Kenya to the changing operating environment.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same or related field of study. The specific areas covered here are concept of strategy, market penetration, the organizational environment

2.2 Concept of Strategy

Strategy refers to the machinery of the resources and activities of an organization to the environment in which it operates (Johnson and Scholes, 2002). Pearce and Robinson (2005) defined strategic responses as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. According to Ansoff and McDonnell (1990), it is through strategic management that a firm will be able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment. He further argues that this can be done by firstly, positioning of the firm through strategy and capability planning in its rightful competitiveness, and secondly, use of real time response through issue management and thirdly, systematic management of resistance during strategic implementation strategic responses are concerned with decisions and actions meant to achieve business objectives and purpose, it answers the question on where does an organization want to go, where it is now and how to get to where it wants to go (Denis, Lamothe and Langley, 2001).

Superior performance can be achieved in a competitive industry through the pursuit of a generic strategy, which he defines as the development of an overall cost leadership, differentiation, or focus approach to industry competition which is among the strategic responses that a firm can adopt. If a firm does not pursue one of these strategy types, it will be stuck-in-the-middle and will experience lower performance when compared to firms that pursue a generic strategy

Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies. Firms respond to competition in different ways. Some may opt to product improvement, divestiture, and diversification, entry into new markets or even merging or buying out competitors. Some of these organizations have undertaken their transformation efforts quite successfully. Others have experienced disappointing results with new strategies not well implemented, acquisitions that have not achieved expected synergies, reengineering and downsizing that have largely failed and quality programs that have not delivered the hope for

Strategy is a unifying theme that gives coherence and direction to the actions of an organization. Walker, et al (2006) said strategy is a fundamental pattern of present and planned objectives, resources deployment, and interactions of an organization with markets, competitors, and other environmental factors. Hitt et al (1997) defines strategy in the corporate context as the pattern of decisions in a company that determines and reveals its objectives, purpose or goals, produces the principles, policies and plans for achieving these goals and define the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, the nature of the economic and human organization it is intends to make to its shareholders, employees, customers, and communities. Ansoff (1999) argues that theories advanced to explain strategic behavior often differed because they are based on observations of organizations in different settings.

2.3 Market Penetration

Ansoff, (1965) argues that strategic planning is essential for firms operating in a complex, turbulent environment. Ansoff's article, 'Strategies for Diversification', in the Harvard Business Review provided a practical framework for selecting a firm's expansion route in a growing market by reasoning that long-range planning is necessary to drive managerial decision making when the speed of change exceeds the firm's ability to respond. Ansoff simplified the competitive position of firms by defining two dimensions: the products which include what the company is selling and the markets which includes to whom the products are sold.

Managing growth effectively requires that new products fit within the firm's mission, organizational strengths and existing products. A 'common threat' between products had to exist to create synergy. Ansoff identified four broad categories of strategies a firm can make choose depending on the newness of the market and its products (Ansoff, 1965).

To portray alternative corporate growth strategies, Ansoff(1965), 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, he developed four possible product-market combinations.

Figure 1: Product-Market Matrix

	Existing products	**New Products**
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Source: adopted from Ansoff, (1965)

Market penetration is used by firms seeking to achieve growth with existing products in their current market segments with the aiming of increasing its market share. Market penetration 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 (Ansoff, 1965).

2.3.1 Market Development

Market development 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 (Ansoff, 1965).

2.3.2 Product Development

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. A firm in this circumstance 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 (Ansoff, 1965).

2.3.3 Market Diversification

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. This quadrant of the matrix has been referred to by some scholars 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 (Ansoff, 1965).

2.4 Market Penetration Strategies

Market penetration strategy can be implemented by offering sales, Increasing sales force, increase distribution and promotion of products, increased expenditure in marketing and advertising activities will results in increasing sales.

2.4.1 Penetration Pricing

Penetration pricing involves the setting of lower, rather than higher prices in order to achieve a large and dominant market share. This strategy is mostly used by businesses wishing to enter a new market or build on a relatively small market share. This is possible where demand for the product is believed to be highly elastic, implying that demand is price-sensitive and either new buyer will be attracted, or existing buyers will buy more of the product as a result of a low price.

A successful penetration pricing strategy may lead to large sales volumes/market shares and therefore lower costs per unit. The effects of economies of both scale and experience lead to lower production costs, which justify the use of penetration pricing strategies to gain market share. Penetration strategies are often used by businesses that need to use up spare resources like unutilized company capacity. A penetration pricing strategy may be used to promote complimentary and captive products. The main product may be priced with a low mark-up to attract sales which may even be a loss-leader. Customers are then sold accessories which are sold at higher mark-ups.Before implementing a penetration pricing strategy, a supplier needs to be certain that it has the production and distribution capabilities to meet the anticipated increase in demand.

2.4.2 Promotional Strategies-Push and Pull Strategies

Marketing theory distinguishes between two kinds of promotional strategies: Push promotional strategy which makes use of a company's sales force and trade promotion activities to create consumer demand for a product. Under this strategy, the producer promotes the product to wholesalers, the wholesalers promote it to retailers, and finally the retailers promote it to consumers (Kotler, 2003).This usually requires generous discounts to achieve the objective of giving the channels incentive to promote the offering, thus minimizing the producer’s need for advertising (Hooley, Piecy and Nicouland, 2008).

Personal selling and trade promotions are often the most effective promotional tools for companies such as Nokia whereby it offers subsidies on the handsets to encourage retailers to sell higher volumes. This strategy tries to sell directly to the consumer, bypassing other distribution channels thus consumer promotions and advertising are the most likely promotional tools. In the mobile phone service provision, this takes place when the companies engage its selling staff to direct contact with the customers for the sake of selling the company's products.

Pull selling strategy is one that requires high spending on advertising and consumer promotion to build up consumer demand for a product. Once the strategy is successful, consumers will ask their retailers for the product, the retailers ask the wholesalers, and the wholesalers ask the producers. Pull selling strategy requires direct interface with the end user of the offering whereby use of channels of distribution is minimized during the first stages of promotion and a major commitment to advertising is required.

2.4.3 Market Segmentation

Understanding of market segmentation started in 1956 when Smith developed the product differentiation strategies and the market segmentation. Both of these theories discuss the fact that products themselves or marketing and promoting the products should be adjusted according to the requirements of different customers and their different needs and criteria how they value the products (Hooley et al, 2008).

Market segment consists of a group of customers whose needs and wants are not identical but similar to each other (Kotler, 2003). Very close to the market segmentation concept is the concept of competitive positioning; they both are linked by customer's needs only changing the perspective from the company concerned in meeting the customer's needs(segmentation) to the concern of how customers perceive the product or supplier and how they are meeting the customer's needs (positioning).

Hooley, Piercy and Nicolaud (2008) observes that with personal experience from automobile industry, the researcher knows that marketing people in that industry have already over a decade realized that the differentiation of products is no longer a rivalry between the engineers but the designers and marketing people. It takes a very sophisticated consumer to actually recognize the difference between engine profiles and the technical platforms of cars from different automobile companies. Instead of competing in that field, they have started cooperating more and more in the development of basic elements for the cars and starting differentiation in the levels of design and accessories to serve a very carefully targeted customer segment. On the other hand, Mercedes Benz has made a clear competitive positioning with the pricing strategy it is using. It does not necessarily offer more valuable engine or equipment compared to some of its competitor brands in the same car category, but the consistent pricing strategy makes sure that Mercedes Benz offers the customer prestige and status value since it is worldwide know with higher pricing from the less prestige car brands.

In the overall consideration of segmentation, the company also has to evaluate whether it has resources to fulfill the differentiation of the product or marketing strategy according to the different segments and whether the work done for segmentation and differentiation is compensated by an increase in profits. For example if the market is quite homogenous or the company is targeting global markets, it might be more reasonable to start with one strategy for all segments and gradually start offering differentiation for the most profitable market segments. (Hooley, Piercy and Nicoulaud, 2008)

The new technologies available and the growing demand from customers to be treated as individuals has lead to a 'micro-segmentation' and even to one-to-one marketing, where each customer is treated as a different segment.

Hooley, Piercy and Nicoulaud (2008) Companies create a key customer software and processes in order to follow the behavior of the customers and to be able to meet them in more individual level. For example, the marketing letters are modified according to the information collected of the customer's purchases etc. Many companies also try to create and keep up an interactive conversation with the customers for example by offering key customers a platform in the company's website, where the customer can express needs, hopes and get detailed information about products and novelties before they even get to the markets. Some companies utilize these customer platforms for open innovation, letting the customers to create their 'ideal product' or their own version of an advertisement of certain product. The more information the company gets about its customers, the easier it is to adapt the product, services and marketing to answer the customer's needs.

2.4.3.1 Segmenting Business Markets

The business markets can be segmented by three main characteristics: background company characteristics; attitudinal characteristics; and behavioral characteristics. The segmentation structure in the business markets is not as well developed as in the consumer markets – probably because in B2B the relationship between the supplier and the customer is generally closer to begin with. The segmentation structure used in this research is developed by Shapiro and Bonoma (1984). In their model, the background company characteristics include demographic factors such as the industry type, customer size and location, technology and capabilities of the customer and the purchasing organization. The second main characteristics are attitudinal characteristics which segments the customers by the basis of the benefits being sought by the purchasers. And the last main characteristics are behavioral issues which include issues such as buyer's personal characteristics and product/brand status and volume. (Hooley, Piercy and Nicoulaud, 2008).

2.4.4 Differentiation Strategy

Differentiation is a business strategy where firms attempt to gain competitive advantage by increasing the perceived value of their products or services relative tothe perceived value of other firm's products or services (Harps, 2000). Thus, other firms can either be that firm's rivals or firms that provide substitute products or services. For example, Rolex attempts to differentiate its watches from Timex watches by manufacturing them in solid gold cases. Also Mercedes attempts to differentiate its cars from Hundai's cars through sophisticated engineering and high performance. Differentiation falls into two broad categories: conceptual distinctions and empirical research (Stanley and Gregory, 2001).

The concept of differentiation focuses on firms making products that appear different from their competitors. This is in order to make them earn a competitive advantage over others. According to porter and others, differential advantage is created when a firms products or services differ from its competitors and are seen as better than a competitors products by customers. All these strategies came along with the concept of creating efficiency within an industry. Porter and others further acknowledges that as a result of globalization, the best indicator of a company's future success is the ability to be different from its peers. This therefore implies that sugar companies must adopt differential strategies like change the nature of the product, through varying features such as the use varying colorations to make it more attractive on the market. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily (Harps, 2000).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter is a blueprint of the methodology that was used by the researcher to find answers to the research question. In this chapter the research methodology is presented in the following order, research design, data collection method, instrument of data collection and finally the data analysis.

3.2 Research Design

The study adopted a case study design which is the most appropriate in the investigation of the market penetration strategies by Essar Telecom Kenya Limited. According to Yin (1994), a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Interviews when conducted appropriately usually provide in-depth responses. They also allow for probing thus increasing chances of accuracy in responses. This gave the required observation of the company's market penetration strategies.

3.3 Data Collection Method

The researcher used both primary and secondary data. Primary data was collected using interview guide with open ended questions (see appendix 1). The interview guide was divided into two sections. Section one, which collected general information about the respondents while section two was on market penetration strategies used by Essar Telecom Kenya Limited in the Kenyan market. The open ended questions enabled the researcher to collect qualitative data. Secondary data was collected by use of desk research from published reports and other documents including company periodicals, Communications Commission of Kenya reports, published company financial statements, economic survey reports and statistical abstracts.

The respondents for this study included the senior managers of the company. This is because they are involved in the development of strategy especially on how to penetrate and dominate a given market. These senior managers included: sales and marketing manager, Human resource manager, Finance Director, Corporate affairs manager, and the Information Technology manager.

3.4 Data Analysis

Being a case study, conceptual content analysis was the most useful method of analyzing the data. Conceptual content is defined by Creswell (2003) as a technique for making inferences by systematically and objectively identifying specific characteristic of messages and using the same approach to relate trends. This was the best method of analyzing the qualitative data that was collected from the interviews and discussions.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data findings from the field, its analysis and interpretations thereof. The data was gathered through an interview guide and analyzed using content analysis. The data findings were on the market penetration strategies used by Essar Telecom Kenya Limited.

According to the data found, all the five senior managers including sales and marketing manager, human resource manager, finance director, corporate affairs manager, and the information technology manager projected in the previous chapter to be interviewed were interviewed which makes a response rate of 100%. The commendable response rate was achieved at after the researcher made frantic efforts at booking appointments with the senior managers despite their tight schedules and making phone calls to remind them of the interview.

4.2 Demographic Information

The study, in an effort to ascertain the interviewees' competence and conversance with matters regarding Essar Telecom Kenya Limited asked questions on the position that the interviewee held in the organization. According to the data findings, all the interviewees were senior managers in charge of various departments such as sales and marketing, human resource, finance director, corporate affairs and information technology. The researcher also asked a question on the years that the interviewees had worked for the organization Essar Telecom Kenya Limited. According to the interviewees' response, all of them had worked for the organization for at least five years as most promotions are internal, within the organization. The interviewees further intimated that their departments are involved in formulation of market penetration strategies. The interviewees' responses hence had the advantage of good command and responsibility being that they were senior managers and had experience and aptitude owing to their years of experience in the organization.

4.3 Market Penetration Strategies

The interviewees were asked whether Essar Telecom Kenya Limited had developed some market penetration strategies for its products. From the responses, the interviewees were unanimous that Essar Telecom Kenya Limited had developed some market penetration strategies for its products including improved customer services, credit facility, post-paid cards, provision of convenience goods like twin sim mobile phones with one port locked to their network and services, technological innovations, product improvement, divestiture and diversification, increasing usage by existing customers by introducing loyalty schemes, offering sales, increasing sales force, increase distribution and promotion of products, increased expenditure in marketing and advertising activities, low price packages to increase talk time of the customers and dedicating more resources to personal selling. The interviewees added that the market penetration seeks to achieve four main objectives including; maintenance or increasing the market share of current products through a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling; Securing dominance of growth markets; restructuring a mature market by driving out competitors which would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors.

The interviewees also reiterated that the company has engaged in both pull strategy and push strategy as a form of promotional strategy. The interviewees indicated that the push promotional strategy makes use of a company's sales force and trade promotion activities to create consumer demand for a product. They said that this involve giving generous discounts to achieve the objective of giving the channels incentive to promote the offering, thus minimizing the producer's need for advertising. They added that personal selling and trade promotions are often the most effective promotional tools in which Essar Telecom Kenya Limited engage its selling staff to direct contact with the customers for the sake of selling the company's products. The interviewees also confided that the company uses pull selling strategy which requires high spending on advertising and consumer promotion to build up consumer demand for a product. They said the pull selling strategy requires direct interface with the end user of the offering whereby use of channels of distribution is minimized during the first stages of promotion and a major commitment to advertising is required.

The study proceeded to determine the effectiveness of the promotional strategy chosen on the market. All the interviewees agreed unanimously that push promotional strategies in form of personal selling and trade promotions are often the most effective promotional tools.

To the question on how effective the pricing penetration strategies has been in increasing the company sales and revenue, the interviewees indicated that pricing penetration strategies such as setting of lower, rather than higher prices in order to achieve a large and dominant market share has been a successful penetration pricing strategy which has led to large sales volumes/market shares. These strategies mainly include offering tariffs with long off peek hours, offering competitive prices for voice calls and messages, reducing transaction costs and offering competitive prices and discounts for internet serviced.

The interviewees concurred that the company should adopt market segmentation as one of the strategies in order to expand its market share. They were unanimous that products themselves or marketing and promoting the products should be adjusted according to the requirements of different customers and their different needs and criteria how they value the products in order to enhance loyalty. They said that the company create and keep up an interactive conversation with the customers for example by offering key customers a platform in the company's website, where the customer can express needs, hopes and get detailed information about products and novelties before they even get to the markets.

The interviewees further intimated that the differentiation strategy used by Essar Telecom Kenya Limited is very relevant to its marketing objective as the company collects information about its customers and their needs and this make it easier for it is to adapt the product, services and marketing to answer the customer's needs.

The interviewees also agreed that the company has differentiated its products from those of the competitors. The interviewees were asked to elaborate on the ways in which differentiation of products has been achieved on which they reported that it was through introduction of products for special application, use of customized/flexible product, offering a wide range of products, use of unique packaging and introduction of innovative products such as the money transfer. The interviewees were in accord that personal selling and trade promotions have been successful in the market in terms of increasing the market share and generating revenue for the Essar Telecom Kenya Limited.

4.4 Discussions

The study found that the company has engaged in both pull strategy and push strategy as a form of promotional strategy. The push promotional strategy makes use of a company's sales force and trade promotion activities to create consumer demand for a product. This involves giving generous discounts to achieve the objective of giving the channels incentive to promote the offering, thus minimizing the producer's need for advertising. It was clear that personal selling and trade promotions are often the most effective promotional tools in which Essar Telecom Kenya Limited engage its selling staff to direct contact with the customers for the sake of selling the company's products. This is consistent with Kotler, (2003) that push promotional strategy makes use of a company's sales force and trade promotion activities to create consumer demand for a product and under this strategy, the producer promotes the product to wholesalers, the wholesalers promote it to retailers, and finally the retailers promote it to consumers.

According to Hooley et al (2008), pull selling strategy is one that requires high spending on advertising and consumer promotion to build up consumer demand for a product. In line with this, the study deduced that the company uses pull selling strategy which requires high spending on advertising and consumer promotion to build up consumer demand for a product. The pull selling strategy requires direct interface with the end user of the offering whereby use of channels of distribution is minimized during the first stages of promotion and a major commitment to advertising is required.

Ansoff, (1965) observed that penetration pricing involves the setting of lower, rather than higher prices in order to achieve a large and dominant market share and a successful penetration pricing strategy may lead to large sales volumes/market shares and therefore lower costs per unit. This is consistent with the study findings that pricing penetration strategies such as setting of lower, rather than higher prices in order to achieve a large and dominant market share has been a successful penetration pricing strategy which has led to large sales volumes/market shares. These strategies mainly include offering tariffs with long off peek hours, offering competitive prices for voice calls and messages, reducing transaction costs and offering competitive prices and discounts for internet serviced.

The study further established that the company adopts market segmentation as one of the strategies in order to expand its market share. It was clear that products themselves or marketing and promoting the products should be adjusted according to the requirements of different customers and their different needs and criteria how they value the products in order to enhance loyalty. The company create and keep up an interactive conversation with the customers for example by offering key customers a platform in the company's website, where the customer can express needs, hopes and get detailed information about products and novelties before they even get to the markets. This agrees with earlier findings by Hooley et al, (2008) that products themselves or marketing and promoting the products should be adjusted according to the requirements of different customers and their different needs and criteria how they value the products.

Differentiation is a business strategy where firms attempt to gain competitive advantage by increasing the perceived value of their products or services relative tothe perceived value of other firm's products or services (Harps, 2000). The study also revealed that the differentiation strategy used by Essar Telecom Kenya Limited is very relevant to its marketing objective as the company collects information about its customers and their needs and this make it easier for it is to adapt the product, services and marketing to answer the customer's needs. The study also established that the company has differentiated its products from those of the competitors.

Differentiation of products has been achieved through introduction of products for special application, use of customized/flexible product, offering a wide range of products, use of unique packaging and introduction of innovative products such as the money transfer. The study further established that personal selling and trade promotions have been successful in the market in terms of increasing the market share and generating revenue for the Essar Telecom Kenya

Limited. This is in line with Stanley and Gregory, (2001) that the concept of differentiation focuses on firms making products that appear different from their competitors. This is in order to make them earn a competitive advantage over others.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key data findings, conclusions drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations were drawn in quest of addressing the research question or achieving at the research objective which was to establish the market penetration strategies used by Essar Telecom Kenya Limited.

5.2 Summary of Findings

The study found that Essar Telecom Kenya Limited has developed some market penetration strategies for its products including improved customer services, credit facility, post-paid cards, provision of convenience goods and services, technological innovations, product improvement, divestiture and diversification, increasing usage by existing customers by introducing loyalty schemes, offering sales, increasing sales force, increase distribution and promotion of products, increased expenditure in marketing and advertising activities, low price packages to increase talk time of the customers and dedicating more resources to personal selling. The market penetration seeks to achieve four main objectives including; maintenance or increasing the market share of current products through a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling; securing dominance of growth markets; restructuring a mature market by driving out competitors which would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors.

The researcher also found that the company has engaged in both pull strategy and push strategy as a form of promotional strategy. The push promotional strategy makes use of a company's sales force and trade promotion activities to create consumer demand for a product. This involves giving generous discounts to achieve the objective of giving the channels incentive to promote the offering, thus minimizing the producer's need for advertising. It was clear that personal selling and trade promotions are often the most effective promotional tools in which Essar Telecom Kenya Limited engage its selling staff to direct contact with the customers for the sake of selling the company's products.

The study deduced that the company uses pull selling strategy which requires high spending on advertising and consumer promotion to build up consumer demand for a product. The pull selling strategy requires direct interface with the end user of the offering whereby use of channels of distribution is minimized during the first stages of promotion and a major commitment to advertising is required.

The study also established that pricing penetration strategies such as setting of lower, rather than higher prices in order to achieve a large and dominant market share has been a successful penetration pricing strategy which has led to large sales volumes/market shares. These strategies mainly include offering tariffs with long off peak hours, offering competitive prices for voice calls and messages, reducing transaction costs and offering competitive prices and discounts for internet serviced.

The study further established that the company adopts market segmentation as one of the strategies in order to expand its market share. It was clear that products themselves or marketing and promoting the products should be adjusted according to the requirements of different customers and their different needs and criteria how they value the products in order to enhance loyalty. The company create and keep up an interactive conversation with the customers for example by offering key customers a platform in the company's website, where the customer can express needs, hopes and get detailed information about products and novelties before they even get to the markets.

The study also revealed that the differentiation strategy used by Essar Telecom Kenya Limited is very relevant to its marketing objective as the company collects information about its customers and their needs and this make it easier for it is to adapt the product, services and marketing to answer the customer's needs. The study also established that the company has differentiated its products from those of the competitors.

Differentiation of products has been achieved through introduction of products for special application, use of customized/flexible product, offering a wide range of products, use of unique packaging and introduction of innovative products such as the money transfer. The study further established that personal selling and trade promotions have been successful in the market in terms of increasing the market share and generating revenue for the Essar Telecom Kenya Limited.

5.2 Conclusions

In the modern world of stiff competition, Essar Telecom Kenya Limited has been able to keep pace with the rivalry in the telecommunication scenario by adopting various market penetration strategies for its products. From the study findings, the researcher concludes that the company has engaged in both pull strategy and push strategy as a form of promotional strategy. It was clear that personal selling and trade promotions are often the most effective promotional tools in which Essar Telecom Kenya Limited engage its selling staff to direct contact with the customers for the sake of selling the company's products.

The study further concludes that pricing penetration strategies such as setting of lower, rather than higher prices in order to achieve a large and dominant market share has been a successful penetration pricing strategy which has led to large sales volumes/market shares. It further concludes that the company adopts market segmentation as one of the strategies in order to expand its market share. The differentiation strategy used by Essar Telecom Kenya Limited is very relevant to its marketing objective

5.3 Recommendations

This section presents recommendations from the research both on policy and practice.

5.3.1 Recommendation for Policy

From the discussions and conclusions in this chapter, the study recommends that although Essar Telecom Kenya Limited has been successful in neutralizing the challenges brought about by competition in the Telecommunication industry, the company should engage in more cost reduction as a response to its competitors' strategies whose products and services are much cheaper.

Besides providing its services and products at lower cost (cost advantage), Essar Telecom Kenya Limited should deliver benefits that exceed those of competing products (differentiation advantage) to gain a competitive advantage over other firms. The study further recommends that Essar Telecom Kenya Limited should heavily advertise and diversify in other countries other than East Africa in order to take advantage of economic liberations in many countries as a result of globalization. They should undertake appropriate, persuasive and sustained advertisement, marketing and campaigns on products and services so as to change the negative perception on industry, increase its market share and customer preference. This would increase its customer base and compete even more with Airtel Kenya which is currently in 17 African countries.

5.3.2 Recommendation for Practice

From the findings of this research, the study recommends that telecommunication companies seeking to increase their market share should conduct market research to determine the most appropriate and ethical market share consolidation strategy. In doing this the company should consider competitors reaction in order to achieve the firms marketing objectives.

5.4 Limitations of the Study

Being that this was a case study on one company the data gathered might differ from market penetration strategies that other companies in the Telecommunication industry have adopted to match the competitive environment. This is because different companies adopt different strategies that differentiate them from their competitors. The study however, constructed an effective research instrument that sought to elicit general and specific information on the market penetration strategies that companies adopt to establish themselves in the market.

The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on market penetration strategies. Due to limited finances the study could not be carried out on the other branches of Essar Telecom Kenya Limited. The study, however, minimized these by conducting the interview at the company’s headquarter since it is where strategies are made and rolled out to other branches that operate on the blue print.

5.5 Suggestions for Further Research

The study recommends that further research should be done on the other companies in the Telecommunication industry so as to get comprehensive information on how the other players in the industry are able to penetrate the market.

The study further recommends that further research should be done to evaluate how the indigenous companies are able to penetrate the competitive environment based on what acclaimed scholars have postulated as the best strategic responses framework.

More research needs to be done to determine what effect the increased promotional campaigns have had on the performance of the company. The contribution of marketing strategy to the overall performance of Essar Telecom Kenya Limited should be explored. Another area that needs further research is whether the new and innovative products Essar Telecom Kenya Limited is introducing into the market are sustainable in the near future. With the increasing competition, more studies should be done to find out if the products Essar Telecom Kenya Limited is offering will be sustainable in the future.

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INTERVIEW GUIDE

MARKET PENETRATION STRATEGIES USED BY ESSAR TELECOM KENYA LIMITED (YU).

Section A: General Information

1) Which position do you hold in the organization……………………………….?
2) How many years have you worked in this organization ……………………………….?
3) Is your department involved in formulation of market penetration strategies?

Section B: Market penetration strategies

4) In your opinion, has Essar Telecom Kenya Limited developed some market penetration strategies for its products?

   If yes, please list a few

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5) Has the company engaged in pull strategy or push strategy as a form of promotional strategy?
6) How effective has the promotional strategy chosen above been on the market?
7) How effective has been the pricing penetration strategies in increasing the company sales and revenue?
8) Should the company adopt market segmentation as one of the strategies in order to expand its market share? If yes, explain why?

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9) How is the differentiation strategy used by Essar Telecom Kenya Limited relevant to its marketing objective?

10) Has the company differentiated its products from those of the competitors? List the ways in which this has been achieved.____

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11) Which strategies have been successful in the market in terms of increasing the market share and generating revenue for the Essar Telecom Kenya Limited?