Influence of Market Penetration Strategy on the Performance of Telkom Kenya Limited in Nairobi City County

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Abstract: **The environmental conditions of many companies have changed rapidly. This resulted to serious competition among telecommunication companies in Kenya, which caused Telkom Kenya Limited to seek for effective marketing expansion strategies that could differentiate itself from others in order to enhance its performance. Therefore, this study aimed at investigating the influence of market penetration strategy on the performance of Telkom Kenya Limited in Nairobi City County. The study adopted a descriptive research design. The selected target population was Telkom Kenya Limited in Nairobi Region. The total population was 75 respondents comprising of 5 marketing managers and 70 support staff. This study carried out a census of 75 respondents. Primary data was collected using questionnaires comprising of both structured and unstructured questions. Questionnaires were piloted to 10 respondents who were not included in the final study to assess the validity and reliability of the instruments. Validity was assessed using content validity and reliability was tested using Cronbach Alpha test. Quantitative data was analyzed using descriptive statistics such as mean and standard deviation and presented using tables, figures and charts. Inferential statistics were analysed using correlation analysis and multiple regression analysis. The study examined that market penetration strategy had a significant influence on the performance of Telkom Kenya Limited. The study concluded that Telkom Kenya takes advantage of low prices to increase product demand and increase market share through market penetration strategy. The study recommended that for effective implementation of market penetration strategy, Telkom Kenya should keep on adjusting the price to increase sales as lowering prices is an effective tactic to attract potential customers.**

Keywords: **Market Penetration Strategy, Organizational Performance**

I. INTRODUCTION

According to Bolivar-Ramos, Garcia-Morales and Garcia-Sanchez (2012) organizations function in a global business environment with rapid changes, developments in technology, changes in customer demands and enhanced competition. According to Khang, Arumugam, Chong and Chan (2014), an organization's performance is determined by the extent to which it achieves its objectives, its efficiency and effectiveness in attaining its economic, operational and market-oriented objectives. Therefore, it can be argued that it is of paramount concern how well an organisation implements its policies and programs and fulfills its strategic mission and vision.

Companies must be competitive to serve chosen segments effectively by developing suitable marketing strategies in a meaningful and sustainable way. Marketing strategy has become a helpful tool in the competitive market environment for any organization in the world to remain and become stronger (Burke & Litwin, 2012). Ambler, Kokkinaki, and Puntoni (2014) argue that a good marketing strategy needs informing an organization where it wants to be on a long-term basis, so marketing strategy is often said to be a constant method.

The strategy regarding expansion of markets entails a method used by the organization to attract new and more customers or enhancing usage of the already existing product and service (Kotler & Keller, 2017). Gado (2013) observe that sustained presence of businesses requires ongoing consideration of how market growth approach affects performance behaviors of their businesses. How coherent their market growth with the performance of such businesses is anticipated to have consequences for their survival.

According to Slater and Narver (2016) market penetration strategy involves organizations products and services are sold in existing markets. Therefore, the goal of the strategy for market penetration is to concentrate on increasing the current product or service market share on the existing market. According to Levay, Drossinos and Thiel (2017) organizations adopt market penetration strategy to increase income from sales without altering the products or services. Therefore, it is argued that the after assessing the multiple alternatives and their intrinsic hazards, the selection of penetration mode is made at company level and is therefore a strategic decision for the company.

Performance of the firm relates to the extent to which the goals of a company are or have been achieved. Organizational performance also relates to a measure of how well a company uses its resources to achieve its objectives and goals (Bennett, Lance & Woehr, 2014). Parmenter (2015) noted that an organization's performance is used to assess over a specified period of time the general economic and non-financial well-being of the firm. Consequently, the accomplishment of an organization is evaluated by several qualitative and quantitative indicators. These have to do with economic efficiency, customer satisfaction, the creation of quality goods and services, innovation and creativity, and employee engagement.

II. STATEMENT OF THE PROBLEM

Kenya's telecommunications sector was recognized as amongst the fastest increasing industries while witnessing a high amount of rivalry in Kenya (Letangule, Letting & Nicholas, 2012). The sector saw an rise in the amount of players at the present four and 22,6 M client base in 2012 with one dealer in the 1990s (CAK, 2018 Annual Report). Danneels (2013) observes that at the same moment clients have become quite enlightened and request better facilities than at reduced rates than before. At the same moment, the regulator (CAK) did not make things easier for portable players by lowering interconnectivity fees and enabling clients to carry numbers.

Telkom Kenya offers integrated telecommunications solutions for people, small and medium-sized enterprises (SMEs), government and big enterprises in Kenya, using a variety of voices, information, mobile cash and network services. Despite this crucial role played by Telkom Kenya, it is faced with challenges arising from changing environment including increased competition, changes in regulatory framework, rapid advancement in technologies and globalization. This ever changing environment that the organization operate in has impacted on their ability to generate enough revenues for better performance. For instance, according to the financial year report of 2018, the organization reported a 3.4% profit reduction from 22.65 Billion Kshs in 2017 compared to 21.8 Billion Kshs. in 2018. Marketing executives of Telkom Kenya therefore need to generate appropriate market expansion policies to assist them to manage effectively the changes in the current market they are operating so as to increase their performance.

Hassan, Qureshi, Sharif and Mukhtar (2013) research concentrated on the organisational performance impact of marketing strategy creativity and created that efficiency is maximized when a creative approach is developed by an organisation and efficient execution is achieved. However, and the findings cannot be generalized to the complete population because it used qualitative data. Wainaina and Oloko's study (2016) examined the effect of market penetration and organizational development policies and discovered a favorable and important connection between market penetration policy and institutional growth. The study was on market penetration where is a one variable of the study. The study has incorporated other variables. Tangus and Omar (2017) study investigated the effects of market expansion strategies on performance of Commercial Banks in Mombasa County and the overall finding of the study revealed strong correlation coefficient between firm performance and the three market expansion strategies all with a significance of above 95%. However, the study used simple random sampling which is subject to sample biasness. Mutuma (2013) study focused on an investigation of the effects of expansion strategies on performance of Commercial Banks in Kenya and the study found out that diversification expansion strategies had a great effect on the performance of Commercial Banks in Kenya. However, the study used convenience sampling method which is a non probabilistic sampling method. It is due to this regard that this study sought to investigate the influence of market penetration strategy on Telkom Kenya Limited's performance in Nairobi City County, Kenya.

III. LITERATURE REVIEW

Njomo and Margaret (2016) study investigated the influence of Strategies for market penetration and organisational development: a soft drink case. The stratified random sampling technique has been used. The research randomly chosen a sample of 160 soft drink businesses. Data were collected and analyzed using both descriptive and inferential statistical tools. Correlation analysis was used to identify the authority and direction of the two variables linear relationship. The findings showed a connection between penetration policies and organisational development. Pricing strategy for penetration has been negative and has no powerful effect on development of organisation. However, the study context was a Case of Soft Drink.

Mwiti (2011) investigated the use of market penetration approaches by Essar Telecom Kenya. The investigator used main and secondary data gathered using questionnaires and schedules for interviews from managers in 5 functional units. The research also discovered that pricing strategies were used by the business to penetrate the market. It also found that the business takes market segmentation as one of the ways of expanding its market share. However, The study focused on the growth of Essar telecom Kenya.

Study by Chandola and Fu (2017) examined China Smartphone Companies ' market penetration approach for India Market: A multi-case research. Following the most common methodology of multi-case study methodology construction theories, distilled research results on the effective set of marketing policies from interviews with executives of four famous Chinese cell phone manufacturers/brands entering the Indian market. Similarities in the company's business models were quite obvious in the results linked to their customer segment(s) strategy of creating innovative products that could afford them. The findings have also been shown to a big extent resemblance in their conduct with regard to customer relationship management. However, the research used a multi-case study methodology that could lead to a higher restriction of the study conclusion.

IV. RESEARCH METHODOLOGY

The study adopted a descriptive research design. The selected target population was Telkom Kenya Limited in Nairobi Region. The total population was 75 respondents comprising of 5 marketing managers and 70 support staff. This study carried out a census of 75 respondents. Primary data was collected using questionnaires comprising of both structured and unstructured questions. Questionnaires were piloted to 10 respondents who were not included in the final study to assess the validity and reliability of the instruments. Validity was assessed using content validity and reliability was tested using Cronbach Alpha test. Quantitative data was analyzed using descriptive statistics such as mean and standard deviation and presented using tables, figures and charts. Inferential statistics were analysed using correlation analysis and multiple regression analysis.

V. FINDINGS

The study sought to find out the influence of market penetration strategy on the performance of Telkom Kenya Limited. The respondents were given a list of statements regarding market penetration strategy on the performance. The findings are given in Table 1.

Table 1: Market Penetration Strategy

Statement	SA	A	N	D	SD	M	Std.Dev
	%	%	%	%			
Market penetration strategy allows for quick diffusion and adoption of the organization's product in the market	51.6	41.0	4.9	2.5	0.0	4.42	0.702
Market penetration strategy creates good will among the first customers that purchase the product due to the aggressive pricing	44.3	33.6	8.2	5.7	8.2	4.00	1.226
Market penetration strategy takes advantage of low prices to increase product demand and increase market share	41.8	28.7	11.5	7.4	10.7	3.84	1.332
The organization saves money on product creation costs due to the greater volume of production	60.7	19.7	4.1	15.6	0.0	4.25	1.103
Market penetration strategy discourages competitors from entering the market	54.1	18.9	0.0	19.7	7.4	3.93	1.415
Average Score	**50.5**	**28.4**	**5.7**	**10.2**	**5.3**	**4.09**	**1.156**

Source: Research Data (2019)

From the results in Table 1, the average mean of 4.09 indicated that market penetration strategy influence the performance of Telkom Kenya Limited with a standard deviation of 1.156. This was strongly agreed by 50.5%, 28.4% agreed, 5.7% neutral, 10.2% disagreed and 5.3% strongly disagreed. These findings concur with the findings of Njomo and Margaret (2016) study that investigated the influence of market penetration strategies and organizational growth and the results indicated that penetration strategies have a relationship with organizational growth.

The mean of 4.42 indicated that market penetration strategy allows for quick diffusion and adoption of the organization's product in the market with a significance variance of 0.702. This was strongly agreed by 51.6%, 41.0% agreed, 4.9% neutral and 2.5% disagreed. These findings agrees with findings of Chandola and Fu (2017) study examined market penetration strategy of Smartphone Companies from China for India Market and established similarity in their behavior with respect to the customer relationship management to a large extent.

The mean of 3.84 indicated that market penetration strategy takes advantage of low prices to increase product demand and increase market share with a significance variance of 1.332. Majority (41.8%) of the respondents strongly agreed with this statement, 28.7% agreed, 11.5% neutral, 10.7% strongly disagreed and 7.4% disagreed. These findings contradict the findings of Mwiti (2011) study that focused on the utilization of market penetration strategies used by Essar telecom Kenya and found that the company employed pricing strategies to penetrate the market.

VI. CONCLUSIONS AND RECOMMENDATIONS

The study concluded that Telkom Kenya takes advantage of low prices to increase product demand and increase market share through market penetration strategy. While the demand is increasing, the organization saves money on product creation costs due to the greater volume of production. Market penetration strategy is also used by the organization as a measure to determine, whether their product or a service is capable of capturing a fixed percentage of the market.

The study recommended that for effective implementation of market penetration strategy, Telkom Kenya should keep on adjusting the price to increase sales as lowering prices is an effective tactic to attract potential customers. Put more time and strength in a promotion so as to increase brand awareness. Use an effective marketing strategy that will increase product awareness in certain areas.

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