MARKET PENETRATION STRATEGIES ON ORGANIZATIONAL PERFORMANCE
IN TELKOM KENYA LIMITED, NAIROBI CITY COUNTY, KENYA

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MANAGEMENT) OF KENYATTA UNIVERSITY

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DECLARATION

I declare that this research project is my original work and it has not been submitted for the award of any degree or diploma in any other institution. No part of the project should be reproduced without the authority of the author and/or Kenyatta University.

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This research project is submitted for examination with my approval as the appointed university supervisor.

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DEDICATION

This research project is dedicated to my family who nurtured the drive and the discipline to tackle my academic tasks with great determination.
ACKNOWLEDGEMENT

I acknowledge the valuable guidance I received from my supervisor Dr. Jane Wanjira in conducting this research proposal. I am grateful to Kenyatta University fraternity especially my lecturers, librarians and colleagues for the support they extended to me during the time of carrying out this research. Thanks and glory to Almighty God who gave me the strength and resources to complete this project.
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<th>Abbreviation</th>
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<tbody>
<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
</tr>
<tr>
<td>CAK</td>
<td>Communication Authority of Kenya</td>
</tr>
<tr>
<td>GGBL</td>
<td>Guinness Ghana Breweries Limited</td>
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<tr>
<td>KDN</td>
<td>Kenya Data Networks</td>
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<tr>
<td>MBV</td>
<td>Market-Based View</td>
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<tr>
<td>NACOSTI</td>
<td>National Commission for Science, Technology and Innovation</td>
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<tr>
<td>RBV</td>
<td>Resource Based Theory</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>VRIO</td>
<td>Value, Rareness, Imitability, Organization.</td>
</tr>
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## OPERATIONAL DEFINITIONS OF TERMS

<table>
<thead>
<tr>
<th><strong>Differentiation Strategy</strong></th>
<th>Refer to an approach organizations develop by providing customers with something unique, different and distinct from items their competitors may offer in the marketplace.</th>
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<tr>
<td><strong>Distribution Channel Strategy</strong></td>
<td>A strategy or a plan to make a product or a service available to the target customers through its supply chain either through indirect distribution, direct distribution and channel selection.</td>
</tr>
<tr>
<td><strong>Diversification Strategy</strong></td>
<td>Refers to a corporate strategy to enter into a new market or industry in which the business does not currently operate, while also creating a new product for that new market either through related, unrelated or corporate channels.</td>
</tr>
<tr>
<td><strong>Market Penetration Strategy</strong></td>
<td>Refer to the methods of increasing the market share of an existing product, or promoting a new product.</td>
</tr>
<tr>
<td><strong>Organizational Performance</strong></td>
<td>Refers to an analysis of a company’s performance as compared to goals as well as the objectives and it is measured in terms of operational efficiency, market share and customer satisfaction.</td>
</tr>
<tr>
<td><strong>Pricing strategy</strong></td>
<td>Refer to method companies use to price their products or services. These methods include price skimming, bundling pricing and economy pricing.</td>
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ABSTRACT

The telecommunication industry has responded to the changing business environment with several strategies aimed at maintaining and consequently growing its portfolio. Telkom Kenya limited was granted exclusive monopoly for 5 years on landline operations in Kenya, but during the monopoly period it lost a significant part of its business. Most of the clients swapped fixed lines phones for mobiles from other providers and this exacerbated the competitive pressure on the company’s performance. This and other factors eroded the company’s performance and effectively by the end of the monopoly period Telkom Kenya Limited was technically on the verge of bankruptcy and its business prospects were bleak. Therefore, this study sought to evaluate the influence of market penetration strategies on performance of Telkom Kenya Limited. The specific objectives of the study were to examine the influence of pricing strategy, distribution channel strategy, diversification strategy and promotional strategy on organizational performance. The study was anchored on market based view theory, open systems theory, product life cycle theory and resource based view theory. This study employed a descriptive survey research design. The target population was 65 members of staff obtained from 4 Departments which included technology department, business units-mobile department, pre-sales and post-sales department, and support department. A census of 65 respondents was carried out. The study employed questionnaires to collect primary data. The data collected was analyzed using both descriptive statistics and presented in tables, charts and figures. Regression analysis was used to how the relationship between variables. The study established that pricing strategy, distribution channel strategy, diversification strategy and differentiation strategy had positive significant influence on organizational performance. The study concluded that a competitive pricing strategy positions the organizational product in reference to other options on the market. Using an existing distribution network, however, extends the organizations geographical reach much more easily and quickly. Diversification helps the organization to maximize the use of potentially underutilized resources. Differentiation strategy is a marketing strategy that organization uses to distinguish a product from similar offerings on the market. The study recommended that the organization should understand their buyers’ behaviour as this will help in redefining marketing activities and lead to an understanding of customers’ willingness to buy at a given price. The organization should determine what value a channel partner adds to the organization’s products and services. The organization should incorporate diversification in its business operations through use of technological advancements and other aspects such as innovation and benchmarking strategies to realize full benefits of diversification. The organization should select one type of differentiation best suited to target market desires, as well as its own financial constraints, and focus its efforts on honing products along that dimension. The study findings would benefit management of Telkom Kenya limited, government and policy makers as it would obtain details on market penetration strategies influences their performance and open a gap to other academicians and researchers.
CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

The complex industry environment is seen as multidimensional, with numerous and differentiated effects on various organizational characteristics and processes. Business environment provides a window to market opportunities and threats, and all the organizations are a deliberate response to those dynamics (Keats & Hitt, 2017). Suikki, Tromstedt and Haapasalo (2016) propose that today’s turbulent business environment is characterized by uncertainty and inability to predict the future is extremely challenging and thus requires the development of new competencies. Therefore, it can be argued that environmental characteristics have a significant influence on organization’s strategic orientations.

Firms need to be competitive to serve chosen segments effectively in a meaningful and sustainable manner through development of appropriate marketing strategies. A successful marketing strategy must tell an organization where they would want to be on a long-term basis that is why it is often said that marketing strategy is a continuous process (Ambler, Kokkinaki & Puntoni, 2014). These authors further argue that marketing strategy has become a relevant tool in the world for any organization to remain in the competitive market environment and become stronger. Abdulkadir (2012) observe that achieving a competitive advantage position and enhancing firm performance relative to their competitors are the main objectives that business organizations in particular should strive to attain.

Hassan, Qureshi, Sharif and Mukhtar (2013) observe that to achieve alignment with the changing business environment in Pakistan and to generate superior performance, dynamic capabilities are required by managers for the integration and deployment of physical, human, or organizational
capital. It can be argued that business strategy also plays an important role to maximize performance outcomes.

Ranasinghe and Mallika (2018) to achieve greater performance, firms in Nigeria must have to adopt strategic positions that will persistently give them the strength to maintain their market. Thus, management must focus their attention on structuring their businesses to be customer focused and practically to industry competitors. Uko and Ayatse (2014) indicate that effective performance influences the firm to improve maintenance, firms achievement is demonstrated in managing competitiveness or progress of competitive status that proves superior and justifiable financial performance.

In Kenya, Tangus and Omar (2017) market expansion strategies are the strategies aimed at winning larger market share, even at the expense of short term earnings. The most widely pursued corporate market expansion strategies are those designed to achieve growth in sales, assets and profits. Companies that do business in expanding industries must grow to survive. According to Kasiso (2017) the market penetration might influence the organization in reducing cost, growing new market and expansion of their products sales across the country.

1.1.1 Market Penetration Strategy

Market penetration strategy is a measure of the percentage of the market that organizational product or service is able to capture (O’Regan, 2012). Pearce and Robinson (2015) observe that to be successful at market penetration a business must be aware of what has made the product a success in the first place his can be done through attracting customers who have not yet become regular users, attacking competitors’ sales and increasing consumption amongst existing users perhaps by reducing the price or offering promotions.
Market penetration strategy 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 is a growth strategy that involves selling more of your current products or services to your current target market (Robertson, 2013). Luo and Zhao (2014) argue that as soon as a company enters a new market, it strives for market penetration. The main objective behind the market penetration strategy is to launch a product, enter the market as swiftly as possible and finally, capture a sizeable market share. Therefore, it can be argued that market penetration is used as a measure to know whether a product is doing well in the market or not. Market penetration strategy is construed in this study to include pricing strategy, distribution strategy, diversification strategy and promotional strategy.

Pricing strategy refers to the method by which a business calculates how much it will charge for a product or service. It is based not only on the cost of the product, but also on profit margin and a holistic view of the market and future viability (Gaudillat & Quelin, 2013). Pricing strategy is beneficial in terms of diverse purchasing behavior of various customers. Dudu and Agwu (2014) observe that pricing strategy enables to differentiate a product or service from another one of similar characteristics. Pricing decisions derive from the underlying objectives and best-suited strategies. The elements of pricing objective include profit maximization, revenue maximization, quality leadership, quantity maximization and survival.

Mahendra (2013) observe that distribution strategies play a crucial role in the launch of new products to the market and in the growth of market share in an organization. Distribution is crucial in the eventual acceptance and sales of a new product in the market as it determines the availability of the new product to customers. According to Khandelwal (2013) distribution strategies have a far reaching effect in an organization because changing them is both resource
and time demanding and hence firms have to take great care in designing their distribution systems during the launch of products.

According to Rumelt (2014) diversification is the strategy of adding related product or service lines to existing core business, either through acquisition of competitors or through internal development of new products or services, which implies increase in available managerial competence within the firm. Grossmann (2017) observe that firms diversify in response to environmental changes, search for market power, to spread risk and because it may be an avenue to extend the boundaries of a firm in the presence of internal coordination problems, which naturally arise in large firms.

Differentiation is aimed at the broad market that involves the creation of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product (Gupta & Govindarajan, 2014). This specialty can be associated with design, brand image, technology, features, dealers, network, or customer’s service. Putra (2018) observe that differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers’ sensitivity to price. Increased costs can usually be passed on to the buyers. Buyers’ loyalty can also serve as entry barrier-new firms must develop their own distinctive competence to differentiate their products in some way in order to compete successfully.

1.1.2 Organizational Performance

Organizational performance entails goal accomplishments through the transformation of inputs into outputs (Kotler & Schlesinger, 2015). Markiewicz (2015) observe that a firm’s performance must be calculated not only based on marketplace share, return on investment and the
profitability, but there is a need to encompass both the qualitative and quantitative restrictions of measurement. This therefore, means that the performance is based on financial and non-financial aspects of the organization.

Organization performance is about how effectively managers use the available resources to satisfy customers’ needs and accomplish organization’s goals. However, poor organizational performance forms the basis for the organization management to think of strategic change process. This maybe reflected from the profit margin or market share of the organization (Muogbo, 2013). Short and Palmer (2016) observe that when the management of an organization is faced with this situation, they will start the search for better management or organizational strategies that will be able to improve the situation of the organization.

Organizational performance comprises the actual output or results of an organization as measured against intended goals and objectives (Virgina, 2010). In other words, organizational performance can be understood by how well an organization is doing to achieve its goals. It is very important for the owners or managers of an organization to know the performance rate of their organization to be able to know what changes they can introduce. Bourne and Bourne (2012) argue that without the knowledge of the performance, it will be difficult for the executives of the organization to know when exactly changes are needed in the organization. Organizational performance in this study will be measured in terms of operational efficiency, market share and customer satisfaction.

1.1.3 Telkom Kenya

Established as a telecommunications operator in April 1999, Telkom is 60 per cent owned by Helios Investment Partners, with the remaining stake held by Kenyans through the Government
of Kenya. Telkom Kenya provides integrated telecommunications solutions to individuals, Small and Medium-sized Enterprises (SMEs), Government and large corporates in Kenya, drawing from a diverse solutions suite that includes voice, data, mobile money as well as network services. Powered by its vast fibre optic infrastructure, it is also a major provider of wholesale, carrier-to-carrier traffic within the country and the region.

The market share of Telkom Kenya’s for internet subscriptions for the quarter under review dropped by 0.4 percent to stand at 7.2%. Airtel’s declined too, and while Safaricom reported a decline in mobile subscriptions, it gained a 1.1 percent in this segment. For fixed data subscriptions (Telkom actively pushes fiber-to-the-building model for businesses), Telkom’s cut is still low at 1.1% in market share that features Wananchi Companies, Safaricom and Mawingu Networks at top three.

1.2 Statement of the Problem

The telecommunications industry in Kenya has been in a state of constant change due to economic liberalization, competition has become stiff, forcing all the organizations operating the sector to conform to the changing environment. Consistent with adoption of market expansion strategies, Telkom has been facing several challenges in the implementation of the strategies due many telecommunication companies running within the identical market. At the same time many organizations have become more competitive by launching strategies, the organization is similarly facing the same challenges given the crisis the subsector is presently experiencing. In such an unpredictable market, managers of Telkom Kenya will need to develop appropriate strategies that will help them to improve the performance of the organization.
Wainaina and Oloko (2016) study examined the influence of market penetration strategies and organization growth: A Case of Soft Drink Sector in Kenya and indicated that penetration strategies have a relationship with organizational growth. Mwiti (2011) study market penetration strategies used by Essar telecom Kenya and found that penetration strategies have a relationship with organizational growth. Tangus and Omar (2017) study investigated on the effects of market expansion strategies on performance of Commercial Banks in Mombasa County and revealed strong correlation coefficient between firm performance and the three market expansion strategies. Therefore, this study investigated market penetration strategies and performance of Telkom Kenya Limited.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to investigate the influence of market penetration strategies and performance of Telkom Kenya Limited in Nairobi City County, Kenya.

1.3.2 Specific Objectives

This study was guided by the following specific objectives;

i. To examine the influence of pricing strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya

ii. To establish the influence of distribution channel strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya

iii. To assess the influence of diversification strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya.

iv. To evaluate the influence of differentiation strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya.
1.4 Research Questions

This study sought answers to the following research questions:

i. What is the influence of pricing strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya?

ii. To what extent does distribution channel strategy influence the performance of Telkom Kenya Limited in Nairobi City County, Kenya?

iii. What is the influence of diversification strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya?

iv. What is the influence of differentiation strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya?

1.5 Significance of the Study

The study findings would benefit management of Telkom Kenya limited as it would obtain details on market penetration strategies influences their performance. In addition the study would provide a justification to the organizational growth strategies adopted depending on the success obtained. The government and policy makers would obtain knowledge of the telecommunication industry dynamics and the strategic market expansion strategies that are appropriate; they would therefore obtain guidance from this study in designing appropriate policies that would enhance the performance of the sector. The academicians and researchers in the field of strategic management and environment in the telecommunication industry would be able to use this study as a source of reference in forming their future research topics and studies.

1.6 Scope of the Study

This study looked at the influence of pricing strategy, distribution channel strategy, diversification strategy and differentiation strategy on organizational performance. The unit of
analysis was Telkom Kenya Limited in Nairobi City County, Kenya and the unit of observation was managers and support staff of Telkom Kenya. Data was collected using questionnaires and analysed using descriptive statistics and regression analysis. The study focused on the performance of Telkom Kenya Limited for the last 5 years (2014 – 2018).

1.7 Limitations of the Study
The study was limited by respondents’ fear in disclosing relevant information for the study. However, the researcher overcame this by assuring the respondents of strict confidentiality of any information disclosed. Some managers could decline to disclose sensitive information on how they manage conflicts among their employees due to competition and confidentiality concerns. To overcome this, the researcher explained the purpose of the study to them.

1.8 Organization of the Study
This project includes the following chapters. Chapter one comprise the background to the study, research problem, objectives of the study, purpose of the study, research questions, significance of the study, scope of the study, limitation of the study and assumptions of the study. Chapter two highlight theoretical review, empirical review, conceptual framework, knowledge gaps and summary of the literature review. Chapter three covers of the research methodology. That is, research design, target population, sampling and sample size, research instruments, pilot study, data collection techniques, method of data analysis and ethical issues. Chapter four comprise research findings and discussion and chapter five include summary, conclusions, recommendations and suggestions for further studies.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covers theoretical review, empirical review, summary of the literature reviewed and research gaps and conceptual framework.

2.2 Theoretical Literature Review

2.2.1 Market Based View Theory

This study was guided by the Market-Based View (MBV) as propounded by Bain (1968) who argues that industry factors and external market orientation are the primary determinants of firm’s growth. The market-based view (MBV) of the firm focuses on the link between organizations’ strategies and their external environments. According to Grant (1991) its first basic assumption is that strategically relevant resources are distributed homogeneously among the firms within an industry. The second assumption refers to the mobility of these resources, which in the MBV are highly mobile (Barney, 1991). Accordingly, for a firm to grow it must depend on its ability to take advantage of imperfectness on the market in which it sells its goods or services. This is to say, an organization has to identify a position in the industry where the company can best defend itself against and the competitive forces or can influence them in its favor.

In the MBV, a competitive advantage can be achieved by performing strategically relevant activities at lower costs than competitors or in a unique way that is valuable to customers (Porter, 2008). Therefore, the MBV shows that the market expansion strategies under study (pricing strategy, distribution strategy, diversification strategy and differentiation strategy) can be pursued separately or in combination and have the long-term objectives to create a defendable position within the industry and to outperform competing actors within that industry.
2.2.2 Open Systems Theory

Open system theory was developed by Ludwig von Bertalanffy (1956), a biologist, but it was immediately applicable across all disciplines. Open system perspectives see organizations both as hierarchical systems and as loosely coupled systems. Open systems tend to have some semblance of clustering and levels. Gortner, Mahler and Nicholson (2012) the open-systems theory assumes that all large organizations are comprised of multiple subsystems, each of which receives inputs from other subsystems and turns them into outputs for use by other subsystems. The subsystems are not necessarily represented by departments in an organization, but might instead resemble patterns of activity. Interdependencies and connections within a subsystem tend to be tighter than between subsystems. These “stable sub-assemblies” give a distinct survival advantage to the entire system.

Open systems reflects the belief that all organizations are unique in part because of the unique environment in which they operate and that they should be structured to accommodate unique problems and opportunities (Hatch, 1997). Environmental influences that affect open systems can be described as either specific or general. The specific environment refers to the network of suppliers, distributors, government agencies, and competitors with which a business enterprise interacts. The general environment encompasses four influences that emanate from the geographic area in which the organization operates. The open-systems theory assumes that all large organizations are comprised of multiple subsystems, each of which receives inputs from other subsystems and turns them into outputs for use by other subsystems. The subsystems are not necessarily represented by departments in an organization, but might instead resemble patterns of activity.
This theory is relevant to the study because it holds that in order for the organization to achieve its objectives and goals, it is important that it operates as an open system where it takes care of the environment in its decision making process because failure to do this may lead to failure to deliver on organizational objectives. The interaction of the organizations in this environment then results to the production of key resources that enable organizations to be sustained or to change in order to survive. Open systems approach to management considers all organizations as open systems which are influenced by the environment in which they exist.

### 2.2.3 Product Life Cycle Theory

This study was guided by Product Life Cycle Theory by Vernon (1979). According to Vernon (1979) the product life cycle theory, a product goes through 5 stages in life where at some point unless modifications are done, the product becomes obsolete and irrelevant. It is important that businesses invest highly on market research programmes in order to identify changes in consumer needs as the product advances through its productive life. Vernon (1979) argues that like any living being, products go through various stages in their productive lives from invention, maturity to decline stage forming a unique cycle in the product life. These stages are characterised by specific features which determine the length of time a product spends in one stage depending on the marketing strategies applied.

If not nurtured through continuous improvements the products decline and die naturally like any living being. With this understanding, product design is expected to be a continuous and deliberate strategic approach if organisations expect to sustain profitability and growth (Palmer, 2000). This theory has proven that products do not survive forever. Aggressive marketing strategies have to be applied to prolong product life in any stage of the product life cycle. These
strategies may include differentiation strategies, modifications and product positioning techniques including new innovations all together.

2.2.4 Resource Based View Theory

This study was based on Resource Based Theory by Grant (1991). According to Grant (1991) the Resource Based Theory (RBV) approach to competitive advantage contends that internal resources are more important for a firm than external factors in achieving and sustaining competitive advantage. In this view, organizational performance is primarily determined by internal resources including physical resources, human resources and organizational resources. Grant (2010) observe that the resource based view of organizations present different perspectives on how best to capture and keep competitive advantage. A firm must strive to achieve sustained competitive advantage by continually adopting to changes in external trends and events and internal capabilities, competences and resources and by effectively formulating, implementing and evaluating strategies that capitalize upon those factors.

This theory is relevant to the study because RBV sees resources as key to superior firm performance. If a resource exhibits VRIO attributes, the resource enables the firm to gain and sustain competitive advantage. Organizations should look inside the company to find the sources of competitive advantage instead of looking at competitive environment for it. Sustained competitive advantage can be achieved more easily by exploiting internal rather than external factors as compared to organization input-output view.
2.3 Empirical Literature Review

2.3.1 Pricing Strategy and Performance

Oke, Olarewaju and Ayooluwade (2016) study sought to evaluate the relevance of pricing strategies on corporate performances in Nigeria. The study adopted cross-sectional research design and the secondary data gathered from the quoted brewery industries was analysed using panel data regression model. The result revealed that pricing strategies have a great influence on the performance of brewery as it was showed that 91 percent in the performance of the industry can be explained by the pricing strategy. This further revealed the degree or extent to which both variables are correlated.

Nyaga and Muema (2017) study analysed the effect of pricing strategies on profitability of insurance firms in Kenya. The descriptive research design was preferred. The population of study was the 45 insurance companies operating in Kenya as at 31st December 2012. Data was drawn from a period of five (5) years that is 2008-2012. The sample was generated by purposively sampling two employees from each insurance company. The researcher collected primary data with the help of a questionnaire. Regression and correlation results indicated that there was a statistically significant and positive relationship between economy pricing, skimming pricing, penetration pricing, premium pricing, price optimization strategies, strategies and profitability.

Soufi and Moradian (2015) carried out a study which examined the relationship between pricing strategy and market capabilities. Data were collected from 210 industries through a questionnaire. Result show that pricing strategies has a significant effect on marketing capabilities aspects, that is, there is significant relationship between pricing strategies and marketing capabilities aspects. This shows that pricing strategies has a positive effect on
marketing capabilities aspects and confirms the research hypotheses stated as effect of pricing strategies on marketing capabilities aspects.

2.3.2 Distribution Strategy and Performance

Adimo and Osodo (2017) study examined the impact of distribution channel differentiation on organizational performance: The Case of Sameer Africa Limited in Nairobi, Kenya. A sample of 134 respondents was selected by use of stratified and simple random sampling techniques. Primary data was collected through self-administered questionnaires. The quantitative data was analysed using descriptive statistics. The study found that an increase in channel differentiation strategy such as use of market trends to determine most appropriate channel strategy, use of different channels with the aim of minimizing cost of distribution, selling some of the products and services through intermediary and complementary firms and applying different distribution channels.

A study carried out by Schoviah (2012) focused on the effect of marketing distribution channel strategies on a firm's performance among commercial banks in Kenya. The study adopted a descriptive survey research design. The population of the study was all the forty three commercial banks operating in Kenya. The study used both primary and secondary data to be collected through questionnaires. The study found that the branch network, electronic banking and multiple distributions were used by the banks. Marketing strategies being employed by the banks were aggressive marketing, mass marketing and value marketing.

Kuswantoro, Rosli, Abdul and Ghorbani (2012) study evaluated the impact of distribution channel innovation on the performance of small and medium enterprises. Using a regression analysis, the findings show that innovation in assortment, information sharing and transportation
coordination had positive and significant relationships with firm performance. This study also found that distribution channel effectiveness mediated the relationship between innovation in assortment and transportation coordination and firm performance.

### 2.3.3 Diversification Strategy and Performance

Oyedijo (2012) study examined the effects of product–market diversification strategy on corporate financial performance and growth: an empirical study of some companies in Nigeria. Using the triangulation analytical technique involving correlation, multiple regression, ANOVA, independent sample test and Scheffe Ad Hoc test, it was found that there is a high and positive correlation between financial performance and related diversification strategy. Related diversifiers had a relatively higher level of financial performance than unrelated and mixed diversifiers. A marginal correlation was found between unrelated and mixed modes of diversification and financial performance and sales growth.

Yigit and Behram (2013) study focused on the relationship between diversification strategy and organizational performance in developed and emerging economy contexts: evidence from Turkey and Netherlands. The data from 2007-2011 of 154 business groups in Netherlands and 125 business groups in Turkey were analyzed. According to the results, when organizational performance values are high for single businesses and unrelated diversification in Turkey, organizational performance is high for dominant businesses in Netherlands.

Mwangi (2016) study investigated the effect of diversification strategies on the performance of Commercial Banks in Kenya. The target population was the 42 registered commercial banks in Kenya and a census method was used to obtain the sample size. Both primary and secondary data were used. The study established that Mobile and Internet banking is highly employed as a
product diversification strategy. Further, new product features to the existing product (pricing) and branding /rebranded most of the existing products and re-launching them into the market are key marketing strategies commercial banks in Kenya can use to enhance their performance.

2.3.4 Differentiation Strategy and Performance

Kireru, Ombui and Omwenga (2016) study focused on the influence of product differentiation strategy in achieving competitive advantage in Commercial Banks: A Case Of Equity Bank Limited. The study adopted stratified sampling which was used to select the sample size of 100 respondents. The study used a semi structured questionnaire to collect primary data. From the findings, there has been a product process differentiation in the bank where observable characteristics of a product or service that are relevant to customers’ preferences and choice processes are met.

Otieno (2011) study focused on gaining competitive advantage through differentiation: a Case of radio stations in Nairobi. A questionnaire was used to collect data. This was a descriptive survey with the objectives of determining the relationship between differentiation strategy and competitive advantage, determining the differentiation strategies adopted by radio stations. Data was analysed using descriptive statistics and correlation. The study found out that there is a relationship between differentiation strategy chosen by the radio stations and competitive advantage.

Putra (2018) studied analysis of differentiation strategies to create competitive advantages in facing global markets. This research uses descriptive qualitative approach. Data collection techniques used observation, interview, and documentation. This research uses descriptive qualitative design with triangulation of data source and method. The research findings indicate
that the differentiation strategy performed on brand convention business Never Get Old Company is product differentiation, service differentiation, and brand differentiation. Differentiation is an important factor for the success of a business in achieving competitive advantage.

2.4 Summary of the Literature Reviewed and Research Gaps

The literature reviewed shows that market expansion strategies under study have a greater influence on the performance of organizations. For instance, Oke et al. (2016) study found pricing strategies have a great influence on the performance of brewery. Nyaga and Muema (2017) indicated a statistically significant and positive relationship between pricing strategies and organizational profitability. Soufi and Moradian (2015) established that pricing strategies has a positive effect on marketing capabilities aspects. Schoviah (2012) found that the branch network, electronic banking and multiple distributions were used by the banks. Oyedijo (2012) found that there is a high and positive correlation between financial performance and related diversification strategy. Putra (2018) study findings indicate that the differentiation strategy performed on brand convention business.

Table 2.1 shows a summary of the studies reviewed which will highlight the focus areas, findings, knowledge gap and focus of the current study. This will guide the researcher as they attempt to bridge the gaps identified in previous studies.

Table 2.1: Summary of the Literature Reviewed and Research Gaps

<table>
<thead>
<tr>
<th>Author</th>
<th>Focus of the Study</th>
<th>Findings</th>
<th>Research Gaps</th>
<th>Focus of the current study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oke et al. (2016)</td>
<td>Pricing strategies on corporate</td>
<td>Pricing strategies have a great</td>
<td>The study used Cross-sectional</td>
<td>The study will use descriptive survey research</td>
</tr>
<tr>
<td>Studies</td>
<td>Research Focus</td>
<td>Findings</td>
<td>Methodology/Research Design</td>
<td></td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Nyaga and Muema (2017)</td>
<td>Pricing strategies on profitability of insurance firms in Kenya</td>
<td>There was a statistically significant and positive relationship between promotional strategies and profitability</td>
<td>The study used purposive sampling method which uses small sample size</td>
<td></td>
</tr>
<tr>
<td>Soufi and Moradian (2015)</td>
<td>Relationship between pricing strategy and market capabilities</td>
<td>There is significant relationship between pricing strategies and marketing capabilities aspects</td>
<td>The study context was industrial organizations</td>
<td></td>
</tr>
<tr>
<td>Adimo and Osodo (2017)</td>
<td>Distribution channel differentiation on organizational performance:</td>
<td>Increase in channel differentiation strategy determine most appropriate channel strategy</td>
<td>The study context was a case of Sameer Africa Limited in Nairobi, Kenya</td>
<td></td>
</tr>
<tr>
<td>Schoviah (2012)</td>
<td>Effect of marketing distribution channel strategies on a firm's performance</td>
<td>Branch network and multiple distributions were used by the banks</td>
<td>The study context will be Telkom Kenya Limited</td>
<td></td>
</tr>
<tr>
<td>Kuswantoro et al. (2012)</td>
<td>Distribution channel innovation on the performance of small and medium enterprises</td>
<td>Transportatio n coordination had positive and significant relationships with firm</td>
<td>The study will use qualitative data</td>
<td></td>
</tr>
<tr>
<td>Source: Researcher (2019)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.5 Conceptual Framework

Mugenda and Mugenda (2003) observed that a conceptual framework is a hypothesized model identifying the model under study and the relationship between the dependent and independent variables. The following conceptual framework depicts the relationship between the independent variable and the dependent variable; it will be based on four independent variables and one dependent variable.
Independent Variables

Pricing Strategy
- Price skimming
- Bundling pricing
- Economy pricing

Distribution Strategy
- Indirect distribution
- Direct distribution
- Channel selection

Diversification Strategy
- Related
- Unrelated
- Corporate

Differentiation Strategy
- Product features
- Product uniqueness

Dependent Variable

Organizational Performance
- Operational efficiency
- Market share
- Customer satisfaction

Source: Researcher (2019)

Figure 2.1: Conceptual Framework

Figure 2.1 hypothesizes the relationship between independent variables and dependent variables.

The independent variables are pricing strategy, distribution strategy, diversification strategy and differentiation strategy and the dependent variable is the organizational performance.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This chapter comprises research design, target population, sampling design and ample size, data collection instruments, pilot study, data collection procedure, data analysis and presentation and ethical consideration.

3.2 Research Design
This study employed a descriptive research design. According to Stangor (2014) descriptive research design provides a means of measuring a populations characteristics, self-reported and observed behavior, awareness of programmes, attitudes or opinions and needs and its appropriateness in describing the current situation of phenomenon. The justification is that the descriptive survey method allowed the collection of significant amount of data in an economical and efficient manner and it is a method of research which involves the gathering of data directly from a population or a sample thereof at a particular time.

3.3 Target Population
The unit of analysis was Telkom Kenya Limited in Nairobi City County, Kenya and the unit of observation was 65 respondents who comprised of managers and support staff of the organization and were obtained from the technology Department, Business units-mobile department, support department and Pre-sales and Post-sales department as shown in Table 3.1.
Table 3.1: Target Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology Department</td>
<td>15</td>
</tr>
<tr>
<td>Business units-mobile department</td>
<td>25</td>
</tr>
<tr>
<td>Support department</td>
<td>17</td>
</tr>
<tr>
<td>Pre-sales and Post-sales</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>65</strong></td>
</tr>
</tbody>
</table>

Source: Telkom Kenya HRM Department Report of 2019

3.4 Sampling Design and Sample Size

The study selected a sample size from the population through cluster sampling technique, where subjects will be selected because of their convenient accessibility and proximity to the researcher (Sekaran & Bougie, 2010). Therefore, a census of 65 respondents was carried out.

3.5 Data Sources and Collection Instrument

The study collected primary data using questionnaires. The questionnaire was structured into six sections whereby section one focused on the demographic data of respondents, section two focused on questions related to pricing strategies, section three focused on questions related to distribution strategy, section four focused on questions related to diversification strategy, section five focused on questions related to differentiation strategy and section six focused on questions related to organizational performance.

3.6 Pilot Study

Pilot study is a small test involving a small number of respondents to assist the researcher in determining if there are flaws, barriers, or other weaknesses in the studies instrument layout and permits her or him to make important revisions before embarking on the actual study (Orodho,
According to Hazzi and Maldaon (2015) sample sizes larger than 10 and less than 50 are appropriate for descriptive research. Therefore, questionnaires were piloted to 10 respondents within Telkom Kenya and were not included in the final study. Pilot study was carried out to ensure the validity and reliability of the research instruments.

**3.6.1 Validity of the Instruments**

Validity is the extent to which an instrument can be relied upon to do what it purports to do accurately (Aune, Welsh & Williams, 2010). Content validity was established for the instrument. It is a form of validity that involves ensuring that items on a test represent the entire range of possible items a test should cover. Ogwokhademhe (2010) maintained that a content validity estimate can be obtained from the panel of experts who would rate instruments in terms of how effective they represent salient aspects of the purpose of the study. In this regard the questionnaires were given to the supervisor to ascertain the validity. Construct validity was tested to check whether the operational definition of a variable actually reflect the true theoretical meaning of a concept.

**3.6.2 Reliability of the Instruments**

According to Falaye (2015) reliability is the consistency, accuracy, stability and trustworthiness of a measuring instrument or scores obtained. It aimed at finding out the extent to which the same test would give the same result if it were done again on different occasions, either with or different sets of equivalent items under the same conditions. Reliability of the study instrument was performed for each scale within the instrument, and a combination of all scales using the Cronbach alpha reliability statistics. Coefficient of 0.7 is a commonly accepted rule of thumb that indicates acceptable reliability and 0.8 or higher indicate good reliability (Mugenda & Mugenda, 2003). Therefore, a coefficient of 0.792 was sought as shown in Table 3.2.
### Table 3.2: Reliability Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s Alpha (α)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing strategy</td>
<td>0.784</td>
<td>Reliable</td>
</tr>
<tr>
<td>Distribution strategy</td>
<td>0.803</td>
<td>Reliable</td>
</tr>
<tr>
<td>Diversification strategy</td>
<td>0.764</td>
<td>Reliable</td>
</tr>
<tr>
<td>Differentiation strategy</td>
<td>0.811</td>
<td>Reliable</td>
</tr>
<tr>
<td>Organizational performance</td>
<td>0.799</td>
<td>Reliable</td>
</tr>
<tr>
<td>Aggregate Score</td>
<td>0.792</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

**Source: Pilot Study (2019)**

The results in Table 3.2 indicate that differentiation strategy had the highest alpha coefficient at 0.811 (81.1%), followed by distribution strategy at 0.803 (80.3%), organizational performance at 0.799 (79.9%) and diversification strategy at 0.764 (76.4%). The study data was reliable because the overall coefficient obtained was higher than 0.7 at 0.792 as recommended by Mugenda and Mugenda (2003).

#### 3.7 Data Collection Procedure

The organization management was contacted to permit the research to carry out the study within the organization. The researcher administered the questionnaires himself and gave the respondents two weeks for filling in the questionnaires. The researcher also made a visit to the respondents to remind them of the importance of filling the questionnaires so as to ensure high response rate.
3.8 Data Analysis and Presentation

The data collected was analyzed using both descriptive and inferential statistical procedures. According to Daramola (2016) descriptive statistics are often used in organizing and describing the characteristics of research variable in concise, meaningful and quantifiable terms. The collected data was analyzed using descriptive statistics such a mean and standard deviations with the use of Statistical Package for Social Sciences (SPSS).

Multiple regression analysis was used to determine whether a combined group of independent variables predicts a given dependent variable (Cooper & Schindler, 2011). Multiple regression analysis was used to show the extent to which variables relate to each other. The multiple regression equation was:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3+ \beta_4X_4 + \varepsilon \]

Whereby 

\[ Y = \text{Organizational Performance} \]

\[ X_1 = \text{Pricing strategy} \]

\[ X_2 = \text{Distribution strategy} \]

\[ X_3 = \text{Diversification strategy} \]

\[ X_4 = \text{Differentiation strategy} \]

\[ \beta_1, \beta_2, \beta_3 \text{ and } \beta_4 \text{ are coefficients of determination} \]

\[ \varepsilon \text{ is the error term.} \]

3.9 Ethical Consideration

Prior to data collection exercise, respondents were informed that there was no direct benefits or losses incurred if they fail to participate in the study. The study addressed the issue of confidentiality by assuring participants that the information they provide will not be shared with third parties, and that it would only be meant for purposes of data analysis. The respondents were
also informed that they are free to stop participating in the study at any stage if they are not willing to continue.
CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of data collected from the field. The response rate is given first followed by background information of the respondents, descriptive statistics and regression analysis.

4.2 Response Rate

A total of 65 questionnaires were administered to managers and support staff of Telkom Kenya Limited. Their response rate is presented in Table 4.1.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded</td>
<td>61</td>
<td>93.8</td>
</tr>
<tr>
<td>Non-Respondent</td>
<td>4</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>65</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research Data (2019)

Table 4.1 indicates a response rate of 93.8% and a non response rate of 6.2%. As per the recommendation by Baruch (2012) that a response rate of above 80% is sufficient for data analysis. Therefore, 93.8% study response rate was considered appropriate for data analysis. This meant that there was acceptance and credibility of the research findings of the study due to high response rate.

4.3 Background Information

On the background information of the respondents, the study sought information on the respondents’ gender, age, level of education and work experience.
4.3.1 Respondents’ Gender

Figure 4.1: Gender of the Respondents

Source: Research Data (2019)

The results in Figure 4.1 show that male respondents accounted majority as indicated by 55.74% while female respondents accounted for 44.26%. Gender of the respondents was necessary to show a true representative of both men and women in the study which means giving equal importance to both men and women in the workplace on school management. Chaudhry (2016) indicate that gender diversity had the greatest influence on the performance of employees in the organization.

4.3.2 Respondents’ Age

Table 4.2: Age of the Respondents

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25 years</td>
<td>5</td>
<td>8.2</td>
</tr>
<tr>
<td>25 - 34 years</td>
<td>16</td>
<td>26.2</td>
</tr>
<tr>
<td>35 - 44 years</td>
<td>39</td>
<td>63.9</td>
</tr>
<tr>
<td>45 years and above</td>
<td>1</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>61</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Research Data (2019)
The results in Table 4.2 shows that majority (63.9%) of the respondents were aged between 35 to 44 years, 26.2% aged between 25 to 34 years, 8.2% aged below 25 years and 1.6% aged 45 years and above. According to Kunze, Boehm and Bruch (2011) age diversity of the workforce has a significant contribution to predict the employees’ performance and the organization as a whole.

4.3.3 Respondents’ Education Level

![Chart showing education level of respondents]

Figure 4.2: Education Level of the Respondents

Source: Research Data (2019)

The results in Figure 4.2 show that majority (42.62%) had a attained a undergraduate level of education, 21.31% had a College Diploma certificate and Master’s degree respectively and 14.75% had a Post Graduate Diploma Level of education. In this case, the respondent had the requisite level of literacy to participate in the study and provide the information of interest to the researcher. Kasika (2015) observe that the higher the education level the more are the effects of education and skill on organizational management.
4.3.4 Respondents’ Work Experience

Table 4.3: Work Experience of the Respondents

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>7</td>
<td>11.5</td>
</tr>
<tr>
<td>5 - 9 years</td>
<td>6</td>
<td>9.8</td>
</tr>
<tr>
<td>10 - 15 years</td>
<td>18</td>
<td>29.5</td>
</tr>
<tr>
<td>Above 15 years</td>
<td>30</td>
<td>49.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>61</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Research Data (2019)

Table 4.3 indicates that majority (49.2%) of the respondents had a work experience of over 15 years, 29.5% between 10 to 15 years, 11.5% less that 5 years and 9.8% between 5 to 9 years. These results confirm that the respondents involved in this study had necessary experience to provide the information that was of interest to the researcher.

4.4 Descriptive Statistics

Descriptive statistics such as means and standard deviations were used to present quantitative data with the use of Statistical Package for Social Sciences (SPSS) version 17.0. The findings of the descriptive statistics were based on study specific variables and presented as follows:

4.4.1 Pricing Strategy

The study sought to examine the influence of pricing strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya. The findings are presented in Table 4.4.
Table 4.4: Pricing Strategy

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean (M)</th>
<th>Standard Deviation (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting a low price to enter a competitive market and raising it later improves organizational performance</td>
<td>4.23</td>
<td>0.620</td>
</tr>
<tr>
<td>Value based pricing helps the organization to set lower prices that appeal to customers who have lower finances</td>
<td>4.05</td>
<td>0.846</td>
</tr>
<tr>
<td>Setting a price based on how much the customer believes what the organization selling is worth improves organizational performance</td>
<td>4.48</td>
<td>0.640</td>
</tr>
<tr>
<td>Setting a price based on what the competition charges improves organizational performance</td>
<td>4.45</td>
<td>0.677</td>
</tr>
<tr>
<td>Pricing strategy helps consumers to have an image of the standards the firm has to offer through their products</td>
<td>4.60</td>
<td>0.545</td>
</tr>
<tr>
<td><strong>Aggregate Score</strong></td>
<td><strong>4.27</strong></td>
<td><strong>0.753</strong></td>
</tr>
</tbody>
</table>

Source: Research Data (2019)

The results in Table 4.4 shows that the respondents strongly agreed that pricing strategy influence the performance of Telkom Kenya Limited in Nairobi City County, Kenya as indicated by the aggregate mean score of 4.27 with significance variance of 0.753. These findings are in line with the findings of a study carried by Oke et al. (2016) study that revealed that pricing strategies have a great influence on the performance of brewery.

The respondents strongly agreed that setting a price based on how much the customer believes what the organization selling is worth improves organizational performance, setting a price based on what the competition charges improves organizational performance and pricing strategy helps consumers to have an image of the standards the firm has to offer through their products as shown by mean score of 4.60, 4.48 and 4.45 respectively with respective variance of 0.545, 0.640 and 0.677. These findings concur with the findings of Nyaga and Muema (2017) study results that indicated that there was a statistically significant and positive relationship between
economy pricing, skimming pricing, penetration pricing, premium pricing, price optimization strategies, strategies and profitability.

The respondents agreed that setting a low price to enter a competitive market and raising it later improves organizational performance and that value based pricing helps the organization to set lower prices that appeal to customers who have lower finances as shown by mean score of 4.23 and 4.05 respectively with respective variance of 0.620 and 0.846. These findings are supported by the findings of a study carried out by Soufi and Moradian (2015) shows that pricing strategies has a positive effect on marketing capabilities aspects and confirms the research hypotheses stated as effect of pricing strategies on marketing capabilities aspects.

### 4.4.2 Distribution Strategy

The study sought to establish the influence of distribution strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya. The findings are presented in Table 4.5.

**Table 4.5: Distribution Strategy**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean (M)</th>
<th>Standard Deviation (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution strategy allows the organization to focus on core competencies</td>
<td>3.70</td>
<td>1.572</td>
</tr>
<tr>
<td>Distribution strategy enables the organization to develop a network of retailers that covers a large geographic area and can reach as many end users as possible.</td>
<td>3.28</td>
<td>1.502</td>
</tr>
<tr>
<td>Distribution strategy reduces the line of contact for the organization to one and provides an efficient way for the organization to get their products to market.</td>
<td>4.58</td>
<td>0.747</td>
</tr>
<tr>
<td>Direct distribution allows the organization get their products to consumers faster</td>
<td>3.33</td>
<td>1.730</td>
</tr>
<tr>
<td>Time of delivery is reduced due to efficiency and experience of the channel members</td>
<td>4.21</td>
<td>0.795</td>
</tr>
<tr>
<td>Aggregate Score</td>
<td>3.86</td>
<td>1.388</td>
</tr>
</tbody>
</table>

*Source: Research Data (2019)*
The results in Table 4.5 shows that the respondents agreed that distribution channel strategy influence the performance of Telkom Kenya Limited in Nairobi City County, Kenya as indicated by the aggregate mean score of 3.86 with significance variance of 1.388. These findings are in line with the findings of a study carried by Adimo and Osodo (2017) which found that an increase in channel differentiation strategy such as use of market trends to determine most appropriate channel strategy.

The respondents strongly agreed that strongly agreed that distribution strategy reduces the line of contact for the organization to one and provides an efficient way for the organization to get their products to market and that the time of delivery is reduced due to efficiency and experience of the channel members as shown by the mean score of 4.58 and 4.21 respectively with respective variance of 0.747 and 0.795. This is in support of study findings observed by Schoviah (2012) that the branch network, electronic banking and multiple distributions were used by the banks.

The respondents agreed that distribution strategy allows the organization to focus on core competencies as shown by mean score of 3.78 and a standard deviation of 1.572. Kuswantoro, Rosli, Abdul and Ghorbani (2012) study evaluated the impact of distribution channel innovation on the performance of small and medium enterprises and found that distribution channel effectiveness mediated the relationship between innovation in assortment and transportation coordination and firm performance.

The respondents indicated to a low extent that direct distribution allows the organization get their products to consumers faster and distribution strategy enables the organization to develop a network of retailers that covers a large geographic area and can reach as many end users as possible as shown by mean score of 3.33 and 3.28 respectively with respective significance
variance of 1.730 and 1.502. This is in contrary to study findings observed by Schoviah (2012) that the branch network, electronic banking and multiple distributions were used by the banks.

4.4.3 Diversification Strategy

The study sought to assess the influence of diversification strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya. The findings are presented in Table 4.6.

**Table 4.6: Diversification Strategy**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean (M)</th>
<th>Standard Deviation (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversification strategy leads to increased organizational sales and revenue</td>
<td>3.90</td>
<td>1.081</td>
</tr>
<tr>
<td>Diversification strategy enables the organization to tap more market</td>
<td>4.63</td>
<td>1.148</td>
</tr>
<tr>
<td>Diversification strategy enables the organization to gain more technological capability</td>
<td>4.75</td>
<td>0.588</td>
</tr>
<tr>
<td>Through diversification strategy, the organization can introduce older products in the new market or introduce the new products in older and more mature market.</td>
<td>4.83</td>
<td>0.385</td>
</tr>
<tr>
<td>Diversification strategies help to limit risk</td>
<td>3.95</td>
<td>0.504</td>
</tr>
<tr>
<td><strong>Aggregate Score</strong></td>
<td><strong>4.39</strong></td>
<td><strong>0.838</strong></td>
</tr>
</tbody>
</table>

Source: Research Data (2019)

The results in Table 4.6 shows that the respondents strongly agreed that diversification strategy influence the performance of Telkom Kenya Limited in Nairobi City County, Kenya as indicated by the aggregate mean score of 4.39 with significance variance of 0.838. These findings are in line with the findings of a study carried by Oyedijo (2012) which found that there is a high and positive correlation between financial performance and related diversification strategy.

The respondents strongly agreed that strongly agreed that through diversification strategy, the organization can introduce older products in the new market or introduce the new products in older and more mature market, diversification strategy enables the organization to gain more
technological capability and that diversification strategy enables the organization to tap more market as shown by mean score of 4.83, 4.75 and 4.63 with respective variance of 0.385, 0.588 and 1.148. Yigit and Behram (2013) observe that when organizational performance values are high for single businesses and unrelated diversification in Turkey, organizational performance is high for dominant businesses in Netherlands.

The respondents agreed that diversification strategies help to limit risk and that diversification strategy leads to increased organizational sales and revenue as shown by mean score of 3.95 and 3.90 with respective variance 0.504 and 1.081. Mwangi (2016) study investigated the effect of diversification strategies on the performance of Commercial Banks in Kenya and found that established that mobile and internet banking is highly employed as a product diversification strategy.

### 4.4.4 Differentiation Strategy

The study sought to evaluate the influence of differentiation strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya. The findings are presented in Table 4.7.
Table 4.7: Differentiation Strategy

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean (M)</th>
<th>Standard Deviation (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation strategy provides greater scope to produce products with more valued, desirable features as a means of coping with market demand</td>
<td>4.10</td>
<td>1.136</td>
</tr>
<tr>
<td>The uniqueness of the organizations brands enhances the convenience of product choice by customers</td>
<td>4.07</td>
<td>0.834</td>
</tr>
<tr>
<td>Distinctive product features is a key source of competitiveness which improves organizational performance</td>
<td>4.33</td>
<td>0.598</td>
</tr>
<tr>
<td>The organization has adopted new technology to keep operations cost below the competitors</td>
<td>4.10</td>
<td>0.831</td>
</tr>
<tr>
<td>The variety offered by the organization has increased reliability of the products in the competitive market</td>
<td>4.51</td>
<td>0.595</td>
</tr>
<tr>
<td>Aggregate Score</td>
<td>4.22</td>
<td>0.799</td>
</tr>
</tbody>
</table>

Source: Research Data (2019)

The results in Table 4.7 shows that the respondents strongly agreed that differentiation strategy influence the performance of Telkom Kenya Limited in Nairobi City County, Kenya as indicated by the aggregate mean score of 4.22 with significance variance of 0.799. These findings are in line with the findings of a study carried by Kireru et al. (2016) which found that there has been a product process differentiation in the bank where observable characteristics of a product or service that are relevant to customers’ preferences and choice processes are met.

The respondents strongly agreed that the variety offered by the organization has increased reliability of the products in the competitive market and that distinctive product features is a key source of competitiveness which improves organizational performance as shown by mean score of 4.51 and 4.33 with respective variance of 0.595 and 0.598. Otieno (2011) study focused on gaining competitive advantage through differentiation: a Case of radio stations in Nairobi and found out that there is a relationship between differentiation strategy chosen by the radio stations and competitive advantage.
The respondents agreed that the organization has adopted new technology to keep operations cost below the competitors, differentiation strategy provides greater scope to produce products with more valued, desirable features as a means of coping with market demand and that the uniqueness of the organizations brands enhances the convenience of product choice by customers as shown by mean score of 4.10, 4.10 and 4.07 with respective significance variance 0.831, 1.136 and 0.834. Putra (2018) studied analysis of differentiation strategies to create competitive advantages in facing global markets and indicated that the differentiation strategy performed on brand convention business Never Get Old Company is product differentiation, service differentiation, and brand differentiation.

4.4.5 Organizational Performance

Table 4.8: Organizational Performance

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean (M)</th>
<th>Standard Deviation (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is improved operational efficiency in the organization</td>
<td>4.51</td>
<td>0.595</td>
</tr>
<tr>
<td>There is increased market share</td>
<td>4.49</td>
<td>0.622</td>
</tr>
<tr>
<td>Customers are satisfied with the products and services the organization is providing to them</td>
<td>4.59</td>
<td>0.528</td>
</tr>
<tr>
<td><strong>Aggregate Score</strong></td>
<td><strong>4.53</strong></td>
<td><strong>0.582</strong></td>
</tr>
</tbody>
</table>

Source: Research Data (2019)

The results in Table 4.8 shows that the respondents strongly agreed that market penetration strategies influence the performance of Telkom Kenya Limited in Nairobi City County, Kenya as indicated by the aggregate mean score of 4.53 with significance variance of 0.582. The respondents strongly agreed that customers are satisfied with the products and services the organization is providing to them as shown by mean score of 4.59 and standard deviation of 0.528. This was followed by the statements that there is improved operational efficiency in the organization and that there is increased market share as shown by mean score of 4.51 and 4.49.
respectively and with significance variance of 0.622 and 0.595. Pearce and Robinson (2015) observe that to be successful at market penetration a business must be aware of what has made the product a success in the first place his can be done through attracting customers who have not yet become regular users, attacking competitors’ sales and increasing consumption amongst existing users perhaps by reducing the price or offering promotions.

4.5 Regression Analysis

The study carried out regression analysis to establish the degree to which independent variables (pricing strategy, distribution channel strategy, diversification strategy and differentiation strategy) influenced the dependent variable (organizational performance). The results are presented as follows:

Table 4.9: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
</tr>
<tr>
<td>1</td>
<td>.635a</td>
<td>.403</td>
<td>.387</td>
<td>.271</td>
<td>-.035 Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>F Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>df1, df2, Sig. F Change</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.403, 25.810, 4, 153, .000</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), differentiation strategy, distribution channel strategy, diversification strategy, pricing strategy

Source: Research Data (2019)

The four independent variables that were studied, explain 38.7% of the performance of Telkom Kenya Limited in Nairobi City County, Kenya as represented by the adjusted R square. This therefore means that other factors not studied in this research contribute 61.3% of the organizational performance. The study therefore recommends that other studies to be carried out to show how other market penetration strategies adopted by Telkom Kenya Limited influences their performance.
Table 4.10: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>7.558</td>
<td>4</td>
<td>1.890</td>
<td>25.810</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>11.201</td>
<td>153</td>
<td>.073</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>18.759</td>
<td>157</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), differentiation strategy, distribution channel strategy, diversification strategy, pricing strategy
b. Dependent Variable: organizational performance

Source: Research Data (2019)

The value 0.000\(^a\) shows the significance level is less than 0.05 showing a statistical significance of the model on how independent variables studied influenced the dependent variable. The results in Table 10 also indicate that F calculated value is greater than the value of F tabulated (25.810 > 1.890) at 5% significance level confirming the significance of the model.

Table 4.11: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.681</td>
<td>.277</td>
<td></td>
<td>13.273</td>
</tr>
<tr>
<td>pricing strategy</td>
<td>.620</td>
<td>.025</td>
<td>4.175</td>
<td>2.484</td>
</tr>
<tr>
<td>distribution channel</td>
<td>.529</td>
<td>.013</td>
<td>2.142</td>
<td>2.143</td>
</tr>
<tr>
<td>strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>diversification</td>
<td>.610</td>
<td>.021</td>
<td>1.051</td>
<td>1.762</td>
</tr>
<tr>
<td>strategy</td>
<td>.339</td>
<td>.037</td>
<td>3.584</td>
<td>9.203</td>
</tr>
</tbody>
</table>

a. Dependent Variable: organizational performance

Source: Research Data (2019)

The established regression equation by the study was:

\[
Y = 0.698 + 0.528X_1 + 0.556X_2 + 0.513X_3 + 0.600X_4
\]
Where \( Y = \) Organizational performance

\( X_1 = \) Pricing strategy

\( X_2 = \) Distribution channel strategy

\( X_3 = \) Diversification strategy

\( X_4 = \) Differentiation strategy

From the above regression model, holding all the independent variables studied constant, the performance of Telkom Kenya Limited in Nairobi City County, Kenya would be 68.1%. It was established that differentiation strategy, distribution channel strategy, diversification strategy, pricing strategy significantly influenced the performance of Telkom Kenya Limited. In addition, pricing strategy was found to have a greater influence on performance at 62.0% compared to followed by diversification strategy at 61.0%, distribution channel strategy at 52.9% and lastly differentiation strategy at 33.9%.

Luo and Zhao (2014) argue that as soon as a company enters a new market, it strives for market penetration. Du and Agwu (2014) observe that pricing strategy enables to differentiate a product or service from another one of similar characteristics. Mahendra (2013) observe that distribution strategies play a crucial role in the launch of new products to the market and in the growth of market share in an organization. Grossmann (2017) observe that firms diversify in response to environmental changes, search for market power, to spread risk and because it may be an avenue to extend the boundaries of a firm in the presence of internal coordination problems, which naturally arise in large firms. Putra (2018) observe that differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers’ sensitivity to price. Increased costs can usually be passed on to the buyers.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents the summary of the findings, conclusions, recommendations for policy and practice and recommendations for further studies.

5.2 Summary
The study aimed at evaluating the influence of market penetration strategies on the performance of Telkom Kenya Limited in Nairobi City County, Kenya. The specific objectives were to examine the influence of pricing strategy, distribution channel strategy, diversification strategy and differentiation strategy on organizational performance. A descriptive research design was utilized. Managers and support staff of Telkom Kenya Limited formed the study population. Questionnaires were used to collect data which was analysed using descriptive statistics and regression analysis and the summary of the finding is presented as follows:

The study sought to examine the influence of pricing strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya and examined that pricing strategy had positive significant influence on organizational performance. Setting a price based on how much the customer believes what the organization selling is worth improves organizational performance, setting a price based on what the competition charges improves organizational performance and pricing strategy helps consumers to have an image of the standards the firm has to offer through their products.

The study sought to establish the influence of distribution channel strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya and established that distribution channel strategy had positive significant influence on organizational performance. Distribution strategy reduces the line of contact for the organization to one and provides an efficient way for the
organization to get their products to market and that the time of delivery is reduced due to efficiency and experience of the channel members.

The study sought to assess the influence of diversification strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya and assessed that diversification strategy had positive significant influence on organizational performance. Through diversification strategy, the organization can introduce older products in the new market or introduce the new products in older and more mature market, diversification strategy enables the organization to gain more technological capability and that diversification strategy enables the organization to tap more market.

The study sought to evaluate the influence of differentiation strategy on the performance of Telkom Kenya Limited in Nairobi City County, Kenya and evaluated differentiation strategy had positive significant influence on organizational performance. The variety offered by the organization has increased reliability of the products in the competitive market and that distinctive product features is a key source of competitiveness which improves organizational performance.

5.3 Conclusions
On pricing strategy, the study concludes that a competitive pricing strategy positions the organizational product in reference to other options on the market. The organization sets its price after considering the prices of comparable products, using the product to send a message about whether its offering is a better value or of higher quality. Skimming and market penetration are pricing strategies based on a product's newness.
On distribution channel strategy, the study concludes that using an existing distribution network, however, extends the organizations geographical reach much more easily and quickly. The members of distribution channel are specialized in what they do and perform at much lower costs than companies trying to run the entire distribution channel all by itself. Along with costs, time of delivery is also reduced due to efficiency and experience of the channel members.

On diversification strategy, the study concludes that diversification helps the organization to maximize the use of potentially underutilized resources. It helps the organization to increase its market share and gain financial advantage. By introducing new products, exploring new regions or targeting new groups of customers, the organization can expand its customer base.

On differentiation strategy, the study concludes that differentiation strategy is a marketing strategy that organization uses to distinguish a product from similar offerings on the market. When a company uses a differentiation strategy that focuses on the cost value of the product versus other similar products on the market, it creates a perceived value among consumers and potential customers.

5.4 Recommendations for Policy and Practice

On pricing strategy, the organization should understand their buyers’ behaviour as this will help in redefining marketing activities and lead to an understanding of customers’ willingness to buy at a given price. Survey the customer base and collect hard data, analyze data and create value-based pricing that appeals to the target segments, communicate value to customers and create the right, profit focused culture.

On distribution channel strategy, the organization should determine what value a channel partner adds to the organization’s products and services. The organization must choose the best and
suitable channel that adds competitive advantage and is designed to save on cost, improve on efficiency, provide routine transactions, serves a large customer base and allows the organization to focus on other aspects.

On diversification strategy, the organization should incorporate diversification in its business operations through use of technological advancements and other aspects such as innovation and benchmarking strategies to realize full benefits of diversification. It is important for the organization to develop a strategic plan so as to outline all the potential ways it can diversify its business activities.

On differentiation strategy, the organization should select one type of differentiation best suited to target market desires, as well as its own financial constraints, and focus its efforts on honing products along that dimension. The organization must then communicate the differentiation to distributors, retail outlets and end users. The organization should also review all marketing and advertising materials prior to distribution or broadcast to guarantee the differentiation takes center stage.

**5.5 Suggestion for Further Studies**

This study focused on market penetration strategies and the performance of Telkom Kenya Limited in Nairobi City County, Kenya with a specific focus on how pricing strategy, distribution channel strategy, diversification strategy and differentiation strategy influences the organizational performance. Therefore, the study suggests that further studies should be carried out focusing on other variables that have not been studied.
REFERENCES


APPENDICES

Appendix 1: Letter of Introduction

Dear Respondent,

RE: Support on MBA project

RE: COLLECTION OF DATA

I am an MBA student at the Kenya University in my final year of my study. The University as part of my study requires me to undertake a research. My topic of choice is to investigate the market penetration strategies and performance of telecommunication industry in Kenya: A case of Telkom Kenya as a partial requirement for my Master’s degree.

I’m therefore requesting kindly for your support in responding to the attached questionnaire. Your accuracy and positive response will be important in the achievement of the objective of the research. I would like to assure you that all information will be treated with strict confidence. The findings of the research will only be used for academic purposes and hopefully help in the improvement of management of your organization.

Thank you for your time on this task.

Yours sincerely,

Mohamed Jimale Bulle

D53/CTY/GAR/32240/2017
Appendix II: Questionnaire

Section A: Background Information

Please tick as appropriate

1. Indicate your Gender: [ ] Male [ ] Female

2. Age:
   - Less than 25 years [ ]
   - 25 – 34 Years [ ]
   - 35 – 44 Years [ ]
   - 45 years and above [ ]

3. Indicate your highest level of education
   - [ ] Diploma
   - [ ] Post Graduate Diploma
   - [ ] Bachelors Degree
   - [ ] Master’s Degree

4. Indicate your work experience:
   - [ ] Less than 5 years
   - [ ] 5-9 years
   - [ ] 10-15 years
   - [ ] Above 15 Years

Section B: Pricing Strategy

Indicate the extent of which you agree or disagree with the following statements regarding pricing strategy the performance of telecommunication industry in Kenya. Supplied are five options corresponding to these statements:

**Key:** Strongly agree(SA)=5, Agree(A)=4, disagree (U)=3, Strongly Disagree (D)=2, and Not at all (SD)=1.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting a low price to enter a competitive market and raising it later improves organizational performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value based pricing helps the organization to set lower prices that appeal to customers who have lower finances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Setting a price based on how much the customer believes what the organization selling is worth improves organizational performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Setting a price based on what the competition charges improves organizational performance

Pricing strategy helps consumers to have an image of the standards the firm has to offer through their products

Section C: Distribution Strategy

Indicate the extent to which you agree or disagree with the following statements regarding distribution strategy the performance of telecommunication industry in Kenya. Supplied are five options corresponding to these statements:

**Key:** Strongly agree (SA)=5, Agree (A)=4, disagree (U)=3, Strongly Disagree (D)=2, and Not at all (SD)=1.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution strategy allows the organization to focus on core competencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution strategy enables the organization to develop a network of retailers that covers a large geographic area and can reach as many end users as possible.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution strategy reduces the line of contact for the organization to one and provides an efficient way for the organization to get their products to market.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct distribution allows the organization get their products to consumers faster</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time of delivery is reduced due to efficiency and experience of the channel members</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Section D: Diversification Strategy

Indicate the extent to which you agree or disagree with the following statements regarding diversification strategy the performance of telecommunication industry in Kenya. Supplied are five options corresponding to these statements:
Key: Strongly agree(SA)=5, Agree(A)=4, disagree (U)=3, Strongly Disagree (D)=2, and Not at all (SD)=1.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversification strategy leads to increased organizational sales and revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversification strategy enables the organization to tap more market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversification strategy enables the organization to gain more technological capability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Through diversification strategy, the organization can introduce older products in the new market or introduce the new products in older and more mature market.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversification strategies help to limit risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Section E: Differentiation Strategy

Indicate the extent to which you agree or disagree with the following statements regarding differentiation strategy the performance of telecommunication industry in Kenya. Supplied are five options corresponding to these statements:

Key: Strongly agree(SA)=5, Agree(A)=4, disagree (U)=3, Strongly Disagree (D)=2, and Not at all (SD)=1.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation strategy provides greater scope to produce products with more valued, desirable features as a means of coping with market demand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The uniqueness of the organizations brands enhances the convenience of product choice by customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distinctive product features is a key source of competitiveness which improves organizational performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The organization has adopted new technology to keep operations cost below the competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>The variety offered by the organization has increased reliability of the products in the competitive market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Section F: Organizational Performance**

Indicate the extent to which you agree on the following statements concerning the relationship between market penetration strategies and the performance of telecommunication industry in Kenya.

**Key:** Strongly agree (SA)=5, Agree (A)=4, disagree (D)=3, Strongly Disagree (D)=2, and Not at all (SD)=1.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is improved operational efficiency in the organization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>There is increased market share</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Customers are satisfied with the products and services the organization is providing to them</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>