

# The Role of Strategic Positioning On Products Performance in the Telecommunications Industry in Kenya

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**Abstract:** Originally, strategic positioning was a marketing term that described how a company configured the 4 Ps of marketing (product features, price, place, and promotion) so that they appeal to a specific market segment or niche. The general objective of this study was to determine the role of strategic positioning on products performance in the telecommunications industry in Kenya. The study also sought to determine the effect of combining strategic resources, firm's marketing strategy, research and development and multiple products on products' performance in the telecommunication industry in Kenya. Descriptive research design was used. The target population of this study comprises of the 403 staff working in the headquarters of telecommunication companies in Kenya. This study used stratified random sampling method to select 30% of the respondents. Primary data was collected using semi-structured questionnaires. The quantitative data in this research was analyzed by descriptive statistics using Statistical Package for Social Sciences (SPSS version 21). Content analysis was used in processing of qualitative data. The study also used multivariate regression analysis to establish the relationship between the dependent variable and independent variables. The study found that combining strategic resources was influencing products performance in the telecommunication industry in Kenya most, followed by multiple products, research and development and firms' marketing strategy. This study established that combining of resources with other organizations help in the market penetration of a product and hence recommends that telecommunication companies should form more and more strategic alliances. The study also established that marketing strategies influence products performance in the telecommunication industry and hence recommends that telecommunication companies should intensify their marketing strategies and advertisements so as to improve their products performance. The study found that research and development influences products performance in telecommunication companies in Kenya and hence recommends that telecommunication companies should equip and develop their research facilities so as to produce products that meet their customers' needs. The study also revealed that multiple products influence products performance in telecommunication companies and hence recommends that telecommunications companies should increase their products range and lines so as to ensure that they cater for the needs of all their customers including all classes of people.

**Keywords:** Combining Strategic Resources, Research and Development, Firm's Marketing Strategy, Multiple Products, Products' Performance

## 1. Introduction

Originally, strategic positioning was a marketing term that described how a company configured the 4 Ps of marketing (product features, price, place, and promotion) so that they appeal to a specific market segment or niche [1]. Today, strategic positioning is all about performing different activities from rivals or performing similar activities in different ways. Strategic positioning is a differentiation tactic by customer segment, with the goal to dominate one market niche as much as possible, thus matching production costs, locations, price and product to maximize the returns on investment (ROI) on that combination. The primary benefits are to gain market share dominance, and keep margins as high as possible to maximize profits. Fundamentally, the strategy acknowledges that for most companies 'one size does not fit all'. By matching the combination of the four factors to market niches, a company can optimize its market penetration and its operations to serve those market niches [2].

Strategic positioning requires a more complex business operation, and managing this complexity increases overhead, and requires more sophisticated management techniques, tools and information [2]. If not done properly, one product configuration can cannibalize another in the marketplace, and launching a new product may actually not marginally

improve the businesses Return on Investment (ROI) because it just siphons customers from other products by the same company [3].

Companies use strategic positioning when they consciously decide to expand their business into different market segments than they are in currently. Of course, the best case is when a company produces a unique product or service that is universally desired by all market segments without regard to price or location, so the company does not have to worry as much about strategic positioning [4].

Senior executives of telecommunications companies are faced with complex and important decisions as they contend with major challenges in their industry. Competition is increasing substantially, with the end of traditional monopolies, the corporatization and privatization of many public firms and the liberalization of key markets [2]. The entry of ambitious, low-cost, more agile competitors is overturning the status quo. Additional competition is coming from outside the telephony service industry. For instance, from cable TV operators while a host of foreign competitors are invading their formerly protected home markets. These new competitors are attempting to "Cherry" the established telecom's most profitable customers. Cozy international revenue-sharing agreements among the principal players are breaking down. New technological alternatives like radio in

the local loop are threatening their enormous infrastructure investment and eliminating barriers to entry [5].

Most of the established telecoms recognize the need to cut down on their costs dramatically [6]. They have inherited public sector and monopolist inefficiencies, but now confront competitors with radically different cost structures. Their principal option is to down-size staff seeking major productivity gains through massive investment in IT systems and re-engineering of key business processes. But there are governmental and consumer pressures to pass on efficiency gains via further price cuts [7].

The strategic challenges are made even more complex by conflicting regulatory policies and goals. Telecom regulators desire increased competition and are very concerned that new competitors be given a chance to succeed [8,9]. Regulators fear that if allowed the opportunity, the dominant telecom will "abuse its monopoly power" to crush the new entrants. The objective of most regulators is to achieve a substantial reduction in the dominant player's market share. At the same time, many regulators are mandating price reductions like through Retail Price Index (RPI-x) price policies which restrict price changes to less than the rate of inflation [10]. But what if inflation is low, but "x" is high? If the rate of "RPI-x" pricing is intended to provide incentives for increased efficiency, since the profits from bringing costs down faster than prices- in theory- accrue to the benefit of the company. In fact, most regulators view substantial profits as "monopoly profits" and react by increasing "x" [11].

And in an attempt to ensure the success of new competitors, regulators often "tilt the playing field" to their advantage. The dominant telecom generally is required to provide "essential public services" even if they are profitable like service to low volume users in remote areas. Competitors often are either relieved of such obligations, or they are usually required to pay a share of this "access deficit" it may offer while competitors are less restricted. And the regulator generally requires telecom to offer competitors cheap, easy interconnection to its network.

In addition, telecom executives must contend with the long-term threat of "commoditization" of basic telephony services. This is driven by substantial, persistent overcapacity. It results in competition primarily on price and a steadily eroding return on assets in a very asset-intensive business. Under these circumstances, the incentives to continue investments in new technologies or products are low [6].

### 1.1 Statement of the Problem

Realization of the fact that the telecommunication companies in Kenya tend to compete each other when it comes to innovation and invention has resulted to offering same products to the target population [12]. The difference with the largest shareholder in the industry, Safaricom Ltd Kenya is that it is a first mover in most of these products. The company entered the market with a disruptive strategy that made their prices cheap and affordable [13]. This led to an establishment of a good customer base that covered almost everyone who owns a mobile phone in Kenya over the years. This has acted as Safaricom's competitive edge over the years. The introduction of M-pesa for instance facilitated

money transactions through mobile phones and this feature greatly aided the business sector and raised the economy. Airtel Kenya initially had this same product but did not lay greater emphasis on it until Safaricom started massive advertising on it.

The above information shows that Safaricom has invested heavily in innovation as compared to other companies in the same industry. However, Safaricom is still investing a lot of money in adverts while it has already spent in research and development that ultimately spurs innovation. The latest advertisement is the acquiring of naming rights for the Moi International Sports Centre Kasarani at a tune of Kshs 55million. In addition, the fact that Safaricom has always been the first to invest in innovation hinders the penetration of similar products from other companies in the market [4].

It is therefore important for these companies to identify with the cornerstone that comes with successful strategic directions by creating their fundamentals on the basis of strategic positioning. This would enable them to easily build up proper strategic choices and as such apply relevant strategic actions if they are to ensure they have an equitable share of the market and as such turning the industry into a perfectly competitive one. This study therefore sought to establish the role of strategic positioning on products performance in the telecommunication industry in Kenya.

### 1.2 Research Objectives

The overall objective of this study was to determine the role of strategic positioning on products performance in the telecommunications industry in Kenya.

The specific objectives of the study were;

- i. To determine the effect of combining strategic resources on products' performance in the telecommunication industry in Kenya.
- ii. To establish the effect of a firm's marketing strategy on products' performance in the telecommunications industry in Kenya.
- iii. To find out the effect of research and development on products' performance in the telecommunication industry in Kenya.
- iv. To determine the effect of multiple products on products' performance in the telecommunication industry in Kenya.

## 2. Conceptual Framework

This study sought to determine the role that strategic positioning of products plays in the product performance within the telecommunication industry in Kenya. The independent variables of this study were the combining of strategic resources, a firm's marketing strategy, research and development and multiple products lines while the dependent variable was the product performance in the telecommunication industry.

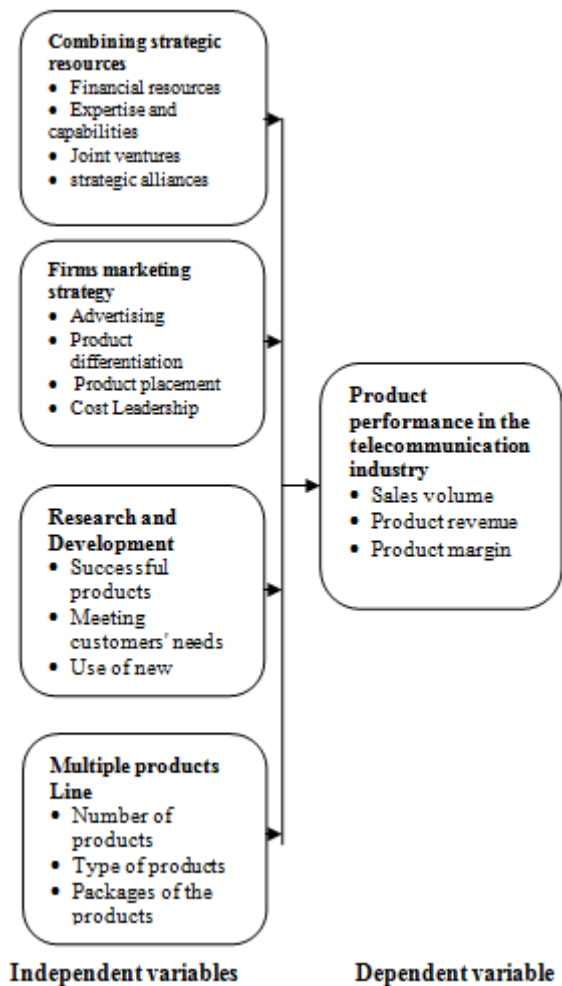


Figure 1: Conceptual Framework

### 3. Empirical Literature Review

Originally, strategic positioning was a marketing term that described how a company configured the 4 Ps of marketing (product features, price, place, and promotion) so that they appeal to a specific market segment or niche [3]. Primarily, strategic positioning is a differentiation tactic by customer segment, with the goal to dominate one market niche as much as possible, thus matching production costs, locations, price and product to maximize the returns on investment (ROI) on that combination [10]. The primary benefits are to gain market share dominance, and keep margins as high as possible to maximize profits. Fundamentally, the strategy acknowledges that for most companies 'one size does not fit all'. By matching the combination of the four factors to market niches, a company can optimize its market penetration and its operations to serve those market niches [2].

Strategic positioning requires a more complex business operation, and managing this complexity increases overhead, and requires more sophisticated management techniques, tools and information [14]. If not done properly, one product configuration can cannibalize another in the marketplace, and launching a new product may actually not marginally improve the businesses ROI because it just siphons customers and resources from other products by the same company [15].

Companies use strategic positioning when they consciously decide to expand their business into different market segments than they are in currently. Of course, the best case is when a company produces a unique product or service that is universally desired by all market segments without regard to price or location, so the company doesn't have to worry as much about strategic positioning [16].

### 4. Research Gap

There is immense literature on strategic positioning both locally and internationally. For instance, internationally a study was done on world market segmentation and brand positioning strategies [2]; and another study was done on strategy orientation analysis in the mobile phone case business [3]. Locally, a study was done on the use of strategic positioning to achieve sustainable competitive advantage at Safaricom Limited [4] and another study was done on determination of strategic positioning of newly chartered public universities in Kenya [4]. However, these studies did not outline the role of strategic positioning on products performance, and more specifically in the telecommunications industry in Kenya.

### 5. Research Methodology

This research study used a descriptive research design. It involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data. Descriptive studies portray the variables by answering who, what, and how questions.

The target population of this study comprised of the staffs working in the marketing and research & development departments at the headquarters of telecommunication companies in Kenya. These departments were selected as the respondents in these departments were in a position to answer questions in relation to the objectives of the study. The four major players in the Telecommunications industry in Kenya include Safaricom Limited, Airtel Kenya and Orange. The target population of this study was therefore 491. This research study used a stratified random sampling method to select 30% of the respondents. The sample size of this study was therefore 147 respondents.

This study used both primary and secondary data. The structured questions were used in an effort to conserve time and money as well as to facilitate an easier analysis as they are in immediate usable form; while the unstructured questions will be used as they encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information. With unstructured questions, a respondent's response gives an insight to his or her feelings, background, hidden motivation, interests and decisions.

Quantitative data in this research was analyzed by descriptive statistics using Statistical Package for Social Sciences (SPSS). Descriptive statistics includes mean, frequency, standard deviation and percentages to profile sample characteristics and major patterns emerging from the data. Data was then presented in tables, charts and graphs. Qualitative data collected was checked for completeness and

cleaned ready for data analysis. Content analysis was used in processing of this data and results were presented in prose form. The study also used multivariate regression analysis to establish the relationship between the dependent variable and independent variables. The regression model in this study was;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Whereby Y = product performance in the telecommunications industry, X1 = Combining strategic resources, X2 = Firm's marketing strategy, X3 = Research and development, X4 = Multiple products and  $\varepsilon$  = Error Term.

## 6. Results and Discussion

### 6.1 Combining Strategic Resources and Products' Performance

The study sought to determine the effect of combining strategic resources on products' performance in the telecommunication industry in Kenya. The study established that the telecommunications companies in Kenya had formed strategic alliances with other organizations. These organizations include mobile phone manufacturing companies, public institutions like Kenya Power & Lighting Company (KPLC), Kenya Wildlife Service (KWS) among others, private institutions as well as learning institutions.

In addition, the study found that combining of resources with other organizations help in the market penetration of a product. Inter-organizational relationships create the opportunity to share the resources and capabilities of firms while working with partners to develop additional resources and capabilities as the function for new competitive advantages.

It was also established that bringing together expertise and capabilities from various organizations improves the performance of a product. Further, combining financial resources and strategic alliances help in improving the performance of a product. It was also found that joint ventures help in improving the performance of a product.

### 6.2 Firm's Marketing Strategy and Products' Performance

The study also sought to find out the effect of a firm's marketing strategy on products' performance in the telecommunications industry in Kenya. The study found that a firm's marketing strategy influences a products performance in the telecommunication industry to a great extent. The telecommunications companies were using advertisements in radio, television, twitter, Facebook, bill boards and promotion activities as their marketing strategies.

The study also revealed that product differentiation influences products' performance in the telecommunication industry to a great extent. In addition, cost leadership was found to influence products' performance in the telecommunication industry to a great extent. Further, the study found that product placement influences products' performance in the telecommunication industry to a great extent. Additionally, advertising was found to influence

influences products' performance in the telecommunication industry to a great extent.

### 6.3 Research and Development and Products' Performance

The study also sought to find out the effect of research and development on products' performance in the telecommunication industry in Kenya. The study found that the telecommunication companies in Kenya conduct research and development of products. Safaricom Limited Orange and Airtel Kenya have invested in research and development as compared to other telecommunication companies. The study also found that the telecommunication companies in Kenya have established research development facilities to improve their products.

It was also revealed that research and development facilities influence products performance in the telecommunication industry in Kenya to a great extent. In addition, meeting customers' needs influence products performance in the telecommunication industry in Kenya to a great extent. It was also revealed that the use of new technology influences products performance in the telecommunication industry in Kenya to a great extent. Additionally, the study found that successful products influence products performance in the telecommunication industry in Kenya to a great extent.

### 6.4 Multiple Products and Products' Performance

The study sought to determine the effect of multiple products on products' performance in the telecommunication industry in Kenya. The study found that the use of multiple products influences a products performance in telecommunication companies. The study also established that multiple products influence products performance in telecommunication companies to a great extent.

The study also established that product differentiation influences products performance in the telecommunication industry in Kenya to a great extent. In addition, types of products were found to influence products performance in the telecommunication industry in Kenya to a great extent. Further, the study found that the number of products influence products performance in the telecommunication industry in Kenya to a great extent. In addition, the study revealed that packaging of the products influence products performance in the telecommunication industry in Kenya to a great extent.

## 7. Regression Analysis

A multivariate regression analysis was used to establish the relationship between the dependent variable and independent variables. The regression model in this study was;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Whereby

Y = Product performance in the telecommunications industry.

X1 = Combining strategic resources

X2 = Firm's marketing strategy

X3 = Research and development



X4 = Multiple products

ε = Error Term

**Table 1: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.545 <sup>a</sup>	.297	.275	.43602

According to table 4.7 above, the four variables (combining strategic resources, firm’s marketing strategy, research and development and multiple products) can be used to explain 27.5% of products' performance in the telecommunication industry in Kenya. This shows that 72.5% of the products performance in the telecommunication industry in Kenya can be explained by other factors not studied in this research.

**Table 2: ANOVA**

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.270	4	2.568	13.506	.000 <sup>b</sup>
	Residual	24.334	128	.190		
	Total	34.604	132			

According to the analysis of variance table the regression model is fit in explaining the influence of the combining strategic resources, firm’s marketing strategy, research and development and multiple products on products' performance in the telecommunication industry in Kenya. This is because the p-value (0.000) is less than 0.05 (significance level). In addition, the F-calculated (13.506) is greater than the F-critical (2.46).

**Table 3: Coefficients**

Model	B	Std. Error	T	Sig.
(Constant)	-.080	.785	-.102	
Combining Strategic Resources	.467	.089	5.268	.000
Firm’s Marketing strategy	.135	.063	2.130	.035
Research and Development	.247	.103	2.389	.018
Multiple products	.251	.123	2.038	.044

According to the results above, the regression model is;  
 $Y = -0.08 + 0.467X_1 + 0.135X_2 + 0.247X_3 + 0.251X_4 + \epsilon$

The findings show that holding all the four variables constant, the value of products performance in the telecommunication industry in Kenya will be -0.08. In addition, the findings show that combining strategic resources positively influences products performance in the telecommunication industry in Kenya as shown by a coefficient of 0.467 and a p value of 0.000. This shows that a unit increase in combining strategic resources leads to a 0.467 increase in products performance in the telecommunication industry in Kenya.

Further, a firm’s marketing strategy influences products performance in the telecommunication industry in Kenya positively as shown by a coefficient of 0.135 and a p-value of 0.035, which is less than 0.05. This shows that a unit increase in a firm’s marketing strategy leads to a 0.135 increase in products performance in the telecommunication industry in Kenya.

In addition, research and development influences products performance in the telecommunication industry in Kenya positively as shown by a coefficient of 0.247 and a p-value of 0.018, which is less than 0.05. This shows that a unit improvement in research and development leads to a 0.247 increase in products performance in the telecommunication industry in Kenya.

Lastly, introduction of multiple products was found to influence products performance in the telecommunication industry in Kenya positively as shown by a coefficient of 0.251 and a p-value of 0.000. This shows that a unit increase in products leads to a 0.251 increase in the products performance in the telecommunication industry in Kenya.

The study concludes that combining strategic resources was influencing products performance in the telecommunication industry in Kenya most, followed by multiple products, research and development and firms' marketing strategy.

**8. Recommendations**

This study established that combining of resources with other organizations help in the market penetration of a product. This study therefore recommends that telecommunication companies should form more and more joint ventures. The study also recommends that telecommunication companies should bring together expertise and capabilities from the banking industry and mobile manufacturers so as to improve their products performance.

The study established that marketing strategies influence products performance in the telecommunication industry. This study therefore recommends that telecommunication companies should intensify their advertisements and promotion activities so as to improve their products performance.

The study found that research and development influences products performance in telecommunication companies in Kenya. This study therefore recommends that telecommunication companies should invest more resources in researching for better products to satisfy their customers' needs.

The study also revealed that multiple products influence products performance in telecommunication companies. This study therefore recommends that telecommunications companies should increase their products range and lines so as to ensure that they cater for the needs of all their customers including all classes of people.

**9. Future Scope of the Study**

This study suggests that further studies should be conducted to establish factors that affect products' performance in other

industries in Kenya. The study also suggests further studies on the role of strategic alliances on product performance in the telecommunication industry in Kenya.

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## Author Profile

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