

EFFECT OF ONLINE MARKETING STRATEGIES ON PERFORMANCE OF TELECOMMUNICATION COMPANIES: A CASE OF SAFARICOM LIMITED

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International Academic Journal of Information Systems and Technology (IAJIST) | ISSN 2518-2390

Received: 10th August 2017

Accepted: 19th August 2017

Full Length Research

Available Online at:

http://www.iajournals.org/articles/iajist_v2_i1_49_60.pdf

Citation: Mathenge, P. M. (2017). Effect of online marketing strategies on performance of telecommunication companies: A case of Safaricom Limited. *International Academic Journal of Information Systems and Technology*, 2(1), 49-60

ABSTRACT

The study sought to establish the effect of online marketing strategies on performance of telecommunication companies through a case study of Safaricom Limited, a leading mobile network operator in Kenya. The objective was to determine the effect of promotion and product development on performance of Safaricom Limited. The study reviewed relevant literature that focused on promotion and product development in regards to their effect on performance of telecommunication companies. It interrogates the promotional mix theory and integrative model theory. The adopted research design was descriptive survey research design used on a sample size of 72 respondents. There was a response rate

of 73.5% that was sufficient for the study. It was found that majority of the respondents were male (52%) compared to female (48%). The respondents were in the age bracket of 20-39 years. Based on the study, there is a clear indication that there exists a positive relationship between online marketing strategies; promotion and product development with performance. It was therefore recommended that organizations upscale the uptake and implementation of internet especially with regards to promotion and product development in order to have a competitive edge.

Key Words: *online marketing strategies, performance, telecommunication companies, Safaricom Limited*

INTRODUCTION

The research scrutinizes the importance of online marketing and explains how, if realized early, an organization can maximize fully from a competitive edge improving performance and assuring achievement of goals and objectives. Online marketing is used worldwide and has recorded numerous success stories. There are different online marketing strategies that are used to ensure that a business registers positive results and improves performance in the industry. Two of these strategies are promotion and product development. The internet provides a level ground for all types of businesses to market their products and services. One of the companies that has taken advantage of this conception is Safaricom Limited. As new as the concept is to the market, the company has realized that promotion and product development as an online marketing strategy is an important aspect that can be used to boost performance of their organization.

PROBLEM STATEMENT

The transformational effect of online marketing continues to drive telecommunications operator's critical strategic and operational decisions. These trends govern how telecom companies try to monetize their infrastructure investments and exploding data traffic, boost newly needed capabilities, rationalize their product and service offerings, improving the customer experience and evolve their asset portfolios and business models (Friedrich, Hall, & Darwiche, 2015). Online marketing of telecommunication services is a challenge experienced by Safaricom Limited whereby there is a lot of stiff competition and all organizations in this industry have had to come up with effective and efficient strategies that will allow them to

capture a large portion of the market share and overcome competition for market survival and growth (Ongache, 2015). The use of websites in online marketing can generate more revenues. Safaricom as the largest telecommunication company in Kenya does not reap a hundred percent revenues but with in-depth research and development, revenues can be increased by a substantial margin leading to success (Barlow, 2014). The use of online marketing may also facilitate rapid development of products and services which may negatively affect an organization, for example, where Safaricom has met resistance to change, identity and fraudulent theft. Safaricom is making attempts to increase awareness on technology to help in maximizing profits and gaining customer share for market growth and survival. At the same time for online marketing promotion to be successful in terms of use of websites, one must achieve a high hit and conversion rate, which is directly affected by consumer page clicking behavior, content, search engine optimization and web page management (Murphy, Hofacker & Racine, 2006).

Application of online marketing also makes it difficult for many customers to easily access the organization's services due to various factors which range between individual, social, economic, environmental, cultural and knowledge factors (Ndung'u, Nyambura, Waema & Mitullah, 2012). This can make it difficult for the organization to ensure high customer share. Pricing methods related to online marketing lead to challenges whereby, some of the services are expensive beyond the affordability of some customers in the market. Government regulation also affects telecommunication companies. The Government regulates the operations of telecommunication companies and assist in formulation of laws that will govern the companies through the Communications Authority of Kenya (CAK). Some of the regulations do affect telecommunication companies, for instance, licensing of all systems and services, regulation of countries frequency spectrum and numbering resources, approval of communication equipment and regulation of communication tariffs (CAK, 2012).

OBJECTIVE OF THE STUDY

To determine the effect of promotion and product development on performance of Safaricom Limited.

LITERATURE REVIEW

Promotional Mix Theory

Promotional mix theory best describes a blending of promotional variables chosen by marketers to help an organization achieve its objectives. Promotional mix has also been seen as a subset of the marketing mix. It is believed that there is an optimal way of allocating budgets for the different elements within the promotional mix to achieve best marketing results, and the challenge for marketers is to find the right mix for them. Activities identified as elements of the promotional mix vary and can be best adopted according to the nature of the business. In this theory, we will concentrate on advertising, sales promotion, public relations and direct marketing.

In the telecommunications industry, Safaricom Limited is one of the companies which has proven that the strategy is clearly effective. The Company has taken full advantage of the promotional mix by adopting the use of internet to reach and attract clients. It has implemented promotions, advertising, and public relations through the use of social media and other similar platforms to market its products, which has proven successful.

Integrative Model Theory

This theory is developed from three streams focused on both overlapping and complementary sets of constructs. The rational plan perspective contributes a sweeping view of product development, including team, senior management, market, marketing tool and product characteristics to predict success. In contrast, the problem-solving perspective has a more deeply focused view on the actual development process that is the management factors that contribute to a better product development process and a more effective product concept which is marketable. The concepts are more elaborated than in the rational plan perspective for effective execution to provide concrete and detailed development in the problem-solving perspective. The communication web perspective is narrower still. This theory centers on a very specific, but important, aspect of product development both on internal and external communication.

Also, key to developing an integrative model is the observation that the streams have complementary theoretical approaches. The rational plan perspective is largely theoretical, consisting of collections of associations. In contrast, the product solving perspective has a cognitive theoretical orientation, which links ideas about information and its organization to effective problem solving. Finally, the communication perspective relies on a simpler but consistent theoretical view of information and a complementary political perspective, which emphasizes the need for resources. These overlapping and complementary focal interests as well as the theoretical complementarities suggest that the streams are ready for synthesis into an integrative model.

CONCEPTUAL FRAMEWORK

Promotion

Promotion is important because the consumers are informed about the new products and their attributes before they develop attitudes toward them. This then goes to show that, how a product or service is marketed is really important as it will paint an impression to the client which will dictate their interest level. For the goods and services in the market, promotion acts as a way to persuade and inform the end users so that they attain the product knowledge and hence like the product. A satisfied customer will send word of mouth to other customers thereby marketing the product or service and increasing the demand of the product or service. A good promotion involves product distribution and price components of marketing (Evans & Berman, 1994).

The promotional mix is therefore a crucial concept in an organization’s marketing strategy. It consists of a blend of advertising, personal selling, sales promotion, brand management, product placement and public relations tools. It has been proven that many companies that apply these promotion mix elements are successful in terms of increase in revenue. Each of the applied promotional mix elements have strengths and weakness and it should be the company management’s responsibility to determine the most effective promotion mix element that will increase sales revenue (Evans & Berman, 1994).

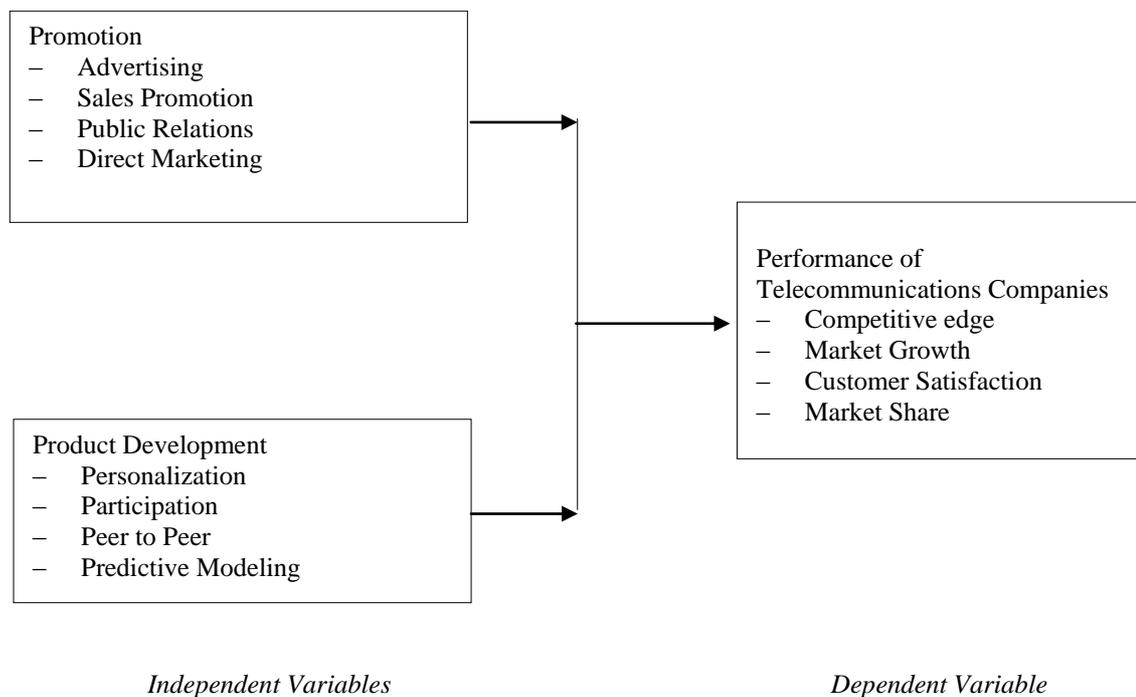


Figure 1: Conceptual Framework

Product Development

The internet has provided one of the most challenging environments for product development where the need of the market is that a product is meant to satisfy and the technologies required to satisfy them can change radically even as the product is under development. This has come up with the need for a flexible product development process that allows designers to continue to define and shape products even after implementation has begun. This innovation enables companies that use internet to incorporate rapidly changing customer requirements and evolving technologies into their designs until the last possible moment before a product is introduced to the market.

Flexible product development has been mostly fully realized in the internet environment because of the turbulence found there, but the foundations for it exist in a wide range of industries where the need for responsiveness is paramount. Challenges characterized by rapidly evolving technologies, changing customer tastes, and sweeping regulatory changes have been curbed by mechanisms that allow product developers to generate and respond to new information about what customers want and about how technology has evolved over the course of a project.

These mechanisms not only enable a continuous flow of information about customer needs and new technologies but also reduce both the cost and the time it takes to integrate that information into the evolving product design. They allow designers to continually sense customer needs, to test alternative technical solutions, and to integrate the acquired knowledge into a coherent product design. This flexible process continues iteratively throughout the development process (Iansitis & MacCormack, 1997).

Performance of Telecommunication Companies

One of the main goals for any organization is to maximize on profits, have a competitive advantage over other organizations, to grow exponentially in the market, meet customer or client needs and position themselves top in the market having the largest market share. Alipour (2013) conducted a study on customer relationship management and its impact on performance improvement of companies in Iran telecommunications. Findings revealed that advancement in information technology and innovative methods of collecting and organizing data regarding customers led to a faster response to customer needs and hence increased market share, customer satisfaction, competitive edge and market growth.

EMPIRICAL REVIEW

Empirical Data on Promotion

Past studies have shown how promotion has changed in the recent years, technology advances have enabled an increase in two-way communication channels, such as social media marketing, which is seen as an evolution of the former one-way communication (Parment, 2008). Marketing campaigns by mobile operator Safaricom have dominated in marketing awards, scooping three prizes for the various campaigns it runs through the year. The company's campaigns Bring Zack Back Home and Kenyans for Kenya won the best private sector product/services campaign and best corporate campaign on social media (Kamau, 2012). It ranked second place on Twitter and fourth place on Facebook. Safaricom as an organization was the only African brand to make it to the top ten on both criteria across the globe.

According to Social Bakers, social devotion can be determined in different ways such as, if the firm uses social media sites as a channel for communication with its customers. The company should be most likely to post online significant information worth sharing with its customers to draw them closer in an aid to promote its products and services. Another way that has been proven in studies is that a company must be about 65% active on the site and able to attend to queries posted by its followers. Lastly, companies must respond to its customer's concerns appropriately (McLeod, 2013). Prahalad (2010) argues for the need to shift from promotion towards awareness. He states that the consumer needs to be aware of new products and services that are being offered to them and this has been practically proven by most telecommunication companies in Kenya today.

Empirical Data on Product Development

Past studies have shown that product development can be seen as an interlinked sequence of information processing tasks where knowledge of customer needs is translated and processed to come up with a final product design (Meybodi, 2003). According to (Ramaseshan et al, 2002), new products are essential to the survival and long term growth of any organization if they are to survive and perform in the market. From past studies, one can derive that success in new product development is a critical management issue particularly in technology driven organizations. New product development is specifically the ability of an organization to develop products and services that can rival and supersede those of their competitors in the market.

Statistics have thus shown that this has come as a benefit to organization in building its own competitive advantages in the market (Kok, 1996). A practical example is derived from Safaricom with their introduction of a value add service known as Okoa Jahazi. The service allows one to do a credit top up on their device which is borrowed and paid later. The response to this service by customers was captivating and the service has benefited many customers, at the same time boosting revenues from interest. The study findings indicate that product or service development and promotion is of huge significance and plays a big role in performance and growth of organizations. On the basis of these findings, the study concludes that effective product development, promotion and customer awareness has the most significant influence on the performance of the telecommunications companies. Thus, product development is also a key factor as a performance driver that can boost profitability to higher levels.

Empirical Data on Performance

Studies have shown that as competition intensifies, many businesses continue to seek profitable ways in which to differentiate themselves from competitors (Porter, 1980). Strategies concern the purpose and objectives of the organization driving them to excel in their field of business. They are things that organizations do, the paths they follow and the decisions they take in order to reach certain points or level of success. Influences such as economic restructuring, intensified competition, government regulations, and technological advances have resulted in heightened environmental turbulence and uncertainty for organizations (Covin & Slevin, 2004).

Noorani (2014) in a study on competitive advantage sought to identify the core ingredients that promoted an organization's competitive edge in the market. The author observed that investing in the development of both physical and non-physical components of products and services available for sale could lead to enhanced business prospects ultimately ensuring success. Abasinasab (2010) found that customer relationship technology-based strategy included creation and application of market knowledge intelligence to create and maintain a portfolio for customer implementation that benefited the organization's performance. This showed the importance of understanding and knowing the customer so as to come up with

competitive strategies that will address their needs, earn their loyalty and thereby enhance market growth and share.

RESEARCH METHODOLOGY

The study adapted the descriptive survey research design. Bryman and Bell (2007) observes that a descriptive research design is used when data is collected to describe persons, organizations, settings or phenomena. A descriptive research design offers the opportunity to explain the factors affecting and playing roles in determining the outcome of the research (Cooper & Schindler, 2002). The target population was staff from both the marketing and IT department. The target population also included a sample of Safaricom's customers. The sampling technique that was used in this study was stratified random sampling. Data was collected using questionnaires and the data analyzed. The data from the questionnaire was coded into numerical data for analysis. Quantitative analysis was applied using descriptive analysis including frequencies and percentages. The data was analyzed statistically using Statistical Package for Social Sciences (SPSS).

RESEARCH RESULTS

Promotion

From the study, majority of respondents agreed that Safaricom makes use of internet as a tool for promotion in business processes and that the sales promotion is very effective on performance of telecommunication services in Safaricom. These findings are in line with the study by Prahalad (2010) who argued for the need to shift from promotion towards awareness. He stated that the consumer needs to be aware of new products and services that are being offered to them and this has practically been proven by most telecommunication companies in Kenya today. Respondents further agreed that advertising plays a big role in promotion and performance of telecommunication services in Safaricom and that the company has adopted internet use in its processes. The results are supported by the findings of Kanso and Nelson (2004) who observed the important role of advertising in providing price and product quality information. Informative advertising reduces the costs associated with consumer search and facilitates substitution possibilities between products, resulting in lower prices and superior market performance.

The respondents also agreed that Safaricom has fully adopted an online forum for public relations with regards to marketing and promotion and that Safaricom has significantly managed to maximize profits in terms of promotions and sales. Respondents also agreed that Safaricom uses external agents to market and promote its products and services. This, according to Kamau (2012), can be observed by the products/services in social media. (Parment, 2008) avers that past studies have shown how promotion has changed in the recent years, technology advances have enabled an increase in two-way communication channels, such as social media marketing, which is seen as an evolution of the former one-way communication. This showed 76.4% agreed thus, there is a strong level of agreement with the

statements to indicate that promotion has a significant effect on the performance of telecommunication companies.

Product Development

From the findings, respondents agreed that product development is influenced by use of internet and that the internet has helped develop products and services that can be differentiated from others competitors in the industry. The respondents further agreed that the internet has provided a way to receive feedback thereby assisting in continuous product and service improvement. This in turn has had a significant effect on the performance of telecommunication services. The results are supported by a study by Ramaseshan et al (2002) who state that new products are essential to the survival and long-term growth of any organization, if they are to survive and perform in the market. From past studies, one can derive that success in new product development is a critical management issue particularly in technology driven organizations. New product development is specifically the ability of an organization to develop products and services that can rival and supersede those of their competitors in the market.

Respondents also agreed that internet marketing has increased the client base for the organization and that product development significantly affects marketing of telecommunication services. They affirmed that the internet helps the organization design products and services according to market needs and feedback. They were of the view that internet helps in carrying out effective market analysis and developing quality products and services. These findings are in line with a study by Kok (1996) on Safaricom's value add Okoa Jahazi. The study findings indicate that product or service development and promotion is of huge significance and plays a big role in performance and growth of organizations. 62.4% of the respondents agreed that product development has a significant effect on the performance of telecommunication companies. On the basis of these findings, the study concludes that effective product development, promotion and customer awareness has the most significant influence on the performance of the telecommunications companies.

Performance

Performance is the dependent variable and majority of the respondents agreed that the appropriate execution of promotions and other related marketing strategies can increase revenues significantly. These findings are consistent with Maguire and Magrys (2007) who noted that internet marketing involves finding the right online marketing mix of strategies that appeal to your target market and will actually translate into sales. The science of online marketing is the research and analysis that goes into both choosing the online marketing strategies to use and measuring the success of those using online marketing.

The respondents agreed that Safaricom has been able to maintain being the leading telecommunications service provider due to the adoption of a good online marketing promotion framework. Smith and Chaffey (2005) noted that organizations who have embraced the use of internet marketing/promotion reap the benefits of ease of linking and

communicating to clients and stakeholders for mutual benefit which supports these findings. They observed that firms have been able to increase their sales turnover, profitability and their market share from the adoption of internet marketing due to the ease of access to information, reduced cost of economic interactions and improved communication with customers.

Majority of the respondents were in agreement with the statements. These findings are supported by the study by Smith and Chaffey (2005) who observed that firms have been able to increase their sales turnover and profitability and their market share from the adoption of internet marketing which is due to the ease of access to information, reduced cost of economic interactions and improved communication with customers. In terms of profit, Safaricom has moved from Kenya Shillings 12.628 billion in 2012 to Kenya Shillings 38.104 billion in the year 2016. Safaricom Annual Report (2012 - 2016). This was a huge increase in terms of net income or profit and implies that Safaricom's performance has improved. It also implies that Safaricom's competitive online marketing promotion strategy has a big impact on its performance in the telecommunications industry.

CONCLUSIONS AND RECOMMENDATIONS

The study revealed that promotion in online marketing influences the performance of telecommunication companies. The results indicate that promotion has the most significant positive influence on the performance of telecommunication companies in marketing strategies. Promotion can be considered as a stimuli which induces consumers to buy a firm's product or service. The resultant effect of such induced acts to buy the said product or service in the sales process, is maximized sales volume.

Product development, one of the other variables was found to be positively significant in influencing the company's performance. The findings affirm that Safaricom is innovation centered and is committed towards providing continuous product development so as to meet changing consumer needs. This can be confirmed by the huge expenditure by Safaricom on continuous research and development on how to improve product and services to keep customers satisfied. Having clear structured methodology will help guide all aspects of product/ service development from concept development to delivery and ongoing value addition. This will help ensure that the high-quality products and services are provided and that potential key revenue generating activities are identified and dressed in a timely manner.

This surely shows how Safaricom has managed to rise up the ranks and maintain its position in the telecommunications industry with the adoption of effective and efficient online marketing strategies like promotion and product development.

Telecommunications companies should ensure that they tap and maximize on the potentiality of promotion and product development as an online marketing strategies. This will maximize sales revenues and enhance organizational performance. In a continuously evolving and competitive market place, adoption of promotion as an online marketing strategy will give a competitive edge in the industry and due to the ever-changing consumer need, organizations

should invest greatly in continuous product development to meet the customers' expectations as well as ensure that they tap on optimal value creation in each process of product development. As such, internet marketing should be encouraged to ensure that information regarding a firm's product/service offering reaches out to the target customers and their needs or preferences considers in products and services to be rendered.

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