Marketing Strategies for Profitability: A Case of Safaricom Ltd in Kenya Telecommunication Industry.

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Abstract - The study was done to explore and highlight the marketing strategies that Safaricom Ltd has utilized to spur its remarkable growth in terms of the market share as well as its unprecedented strong super profit within the telecommunication industry both in Kenya and the entire East Africa region. The objective of the study was to majorly identify the marketing strategies for safaricom’s growing market share and profitability. The study basically used a textual approach in collecting and analyzing data which was presented in content and thematic analysis from secondary data. The scope of the study was the Safaricom limited company. The study found various marketing mix and techniques were employed that include: auditory marketing, new product creation, animation, pricing, place, content localization, brand alliances, use of celebrities and constant promotions. The study indicates that these techniques were found to enhance the uptake of safaricom products hence, resulting to increased revenue leading to profitability.

Index Terms - Marketing strategies, Competitive Intelligence, Profitability, Safaricom Ltd.

I. INTRODUCTION

To build a strong and profitable business, it is necessary to develop a strategy. Essentially, marketing strategy is a plan that allows a business owner to direct activities that are consistent with the goals of the business owner and organization and spend money wisely in order to create the greatest amount of return on investment.

The key to a sustainable strategy and positioning is an integrated marketing system. Competitive advantage comes from the ability to identify the firms’ position, make strategic plans, and engage an entire integrated marketing system. All activities of the firm should fit together and complement each other to produce a well-oiled machine, which creates differentiation in the consumers mind as well as an edge on competitive advantage.

Competitive Intelligences valuable for many reasons. It can both help decrease the possibility for risk and guide the firm avoid unnecessary or additional costs. In terms of savings, it can increase revenues and save time, which translates into cost savings. Competitive Intelligence also provides information for innovation, product development, and targeted marketing by validating trends, clarifying events, and providing discovery and insightful information Marketing strategy and competitive analysis (www.abahe.co.uk)

II. SCOPE OF THE STUDY

The study mainly targeted Safaricom limited, a public company listed in the Nairobi Securities Exchange. The research entailed analysis of various literature review reports from websites, journals and newspaper daily prints that reflected the strategies; used in marketing and their frequencies in usage towards determining a company’s profits and it takes a case study approach.

III. THE PURPOSE OF THE STUDY

The purpose of this research was to determine the role that different marketing strategies have on enhancing a company’s profitability trends in the market. This study is expected to be of significant importance to: entrepreneurs in developing effective marketing strategies that enable them succeed in the long term, academicians in the strategic management who may use these as a good basis for further research especially in Kenya and Africa and finally the policy makers.

IV. LITERATURE REVIEW

It is clear that a poor or vague strategy can limit implementation efforts dramatically. Good execution cannot overcome the shortcomings of a bad strategy or a poor strategic planning effort (Hrebiniak, 2006). Gupta (1987) classifies Strategic Business Units (SBU’s) strategic contexts into two dimensions: strategic mission (such as a “build ”strategic mission and a “harvest” strategic mission) and competitive strategy (such as differentiation and low cost).

Walker and Ruekert (1987) divided business strategy behaviors into three types: prospectors, differentiated defenders and low cost defenders. These distinctions are based on the strategy categories introduced by Miles and Snow (1978; prospectors, defenders, analyzers, reactors) and by Porter (1980); overall cost leadership, differentiation and focus.

Chimhanzi (2004) suggests that cross-unit working relationships have a key role to play in the successful implementation of marketing decisions. Implementation effectiveness is affected negatively by conflict and positively by

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communication and specifically, interpersonal, not written. In turn, these interdepartmental dynamics are affected by senior management support, joint reward systems, and informal integration. Chimhanzi (2004) also points out that the marketing and R&D interface remains the most extensively researched dyad within the specific context of the New Product Development (NPD) process.

Chimhanzi and Morgan (2005) findings indicate that firms devoting attention to the alignment of marketing and human resources are able to realize significantly greater successes in their strategy implementation. Specifically, these findings imply that marketing managers should seek to improve the relationship with their HR colleagues by emphasizing two of the process-based dimensions: joint reward systems and written communication.

Executors are comprised of top management, middle management, lower management and non-management. Effectiveness of strategy implementation is, at least in part, affected by the quality of people involved in the process (Govindarajan, 1989). Here, quality refers to skills, attitudes, capabilities, experiences and other characteristics of people required by a specific task or position (Peng and Littljohn, 2001).

Gronroos (1985) believes that an organization must first persuade its employees about the importance of the strategy before turning to customers (cited in: Rapert and Lynch and Suter, 1996). Aaker (1991) considers brand awareness, brand associations, perceived quality, and brand loyalty to be the most important dimensions of consumer-based perspectives. Keller (1993) indicates that customer-based brand equity consisted of two dimensions, brand knowledge and brand image. Marketing decisions affect brand equity and purchase intention. Managers need to evaluate the marketing activities and reduce or avoid brand-hurting activities.

Yoo, Donthu and Lee (2000) indicate marketing activities such as price, slogans, symbols, packaging, company image, country of origin; store image, advertising expenditures, and promotional events have important influence on the brand equity and purchase intention. High brand equity levels lead to higher consumer preferences and purchase intentions (Zeithmal, 1998: Cheng and Chang 2004). Firms with high brand equity usually have good performance (Pappu, Quester and Cooksey, 2005).

V. Methodology

The study is exploratory in nature and forms the basis for future research. Zikmond (1991) sees three purposes for exploratory research (i) situation diagnosis, (ii) the screening alternatives and (iii) discovering new ideas (Zikmond, 1991: 103). This study was exploratory in that its aim was to provide greater insight and understanding into the link that exists in auditory marketing, content localization, animation, promotion, pricing, product creation, place and use of celebrities in media in organizational profit management. Exploratory research can be conducted into a research problem or issue when there are very few or no earlier studies. The exploratory research also aims at searching for patterns, ideas or hypotheses, rather than testing or confirming a hypothesis (Hussey and Hussey, 1997).

VI. Discussion and Findings

Product Creation

New product development (NPD) is an inter-linked sequence of information processing tasks where knowledge of customer needs is translated into final product design (Meybodi, 2003). According to Ramaseshan et al. (2002), new products are essential to the survival and long-term growth of any firm. Success in NPD is a critical management issue particularly in technology-driven firms. NPD, specifically the ability of a company to develop products that outperformed their competitors in the marketplace had been proved to benefit a firm in building its own competitive advantages (Kok, 1996). The introduction of value added service like Okoa Jahazi where credit top up is borrowed and paid later (www.safaricom.co.ke) is a product that is captivating. The study findings indicate that product or service promotion did have a very significant influence on the performance of Safaricom. On the basis of these findings, the study concludes that effective promotion and customer education has the most significant influence on the performance (profitability) of the phone service provider. Thus promotion was a key performance driver that can boost profitability to higher levels.

Price

For consumer products, consumers use price as an important extrinsic cue and indicator of product quality or benefits. Customers often perceive high priced brands to be of higher quality and less vulnerable to competitive price cuts than low priced brands (Dodd, Monroe, and Grewal, 1991). Prahalad (2010) argue that companies doing business within the base of pyramid segment should think about developing products that can be affordable to those consumers. What he means is that firms should develop products and services that the base on pyramid consumer could pay for. Prahalad (2010) not only means working with price reduction but also about making payment feasible to these consumers, who usually receive their salary in a daily basis. Prahalad (2010) also points out that besides affordability, firms should work simultaneously with other important factors. They are awareness, access, and availability. The call rates available will be communicated to via Cell Broadcast Service (CBS). The base tariff will be Ksh 8.00 per minute. The discounts range from 0% to 90% meaning the lowest calling charge will be 80 cents, on supa onega tariffs (Njihia, 2009). Currently the prices have reduced to Ksh 4 and Ksh 3 in the Uwezo tariff and the cost of sending money has significantly reduced to as low as Ksh 1 and Ksh 2. (Okuttah, 2010).

Brand Alliance: Brand Endorsing and Endorsed Strategies

According to Washburn, Till and Priluck, (2004) two brands whose associations interact to form a new brand combination comprise a brand alliance. Strong brand associations can affect the credibility of brands in an alliance, and consumers assume that high-equity brands will likely partner with other high-equity brands, increasing the value of the combination and the two individual brands as well. The use of corporate brand endorsement as either a name identifier or logo identifies the product with the company and provides reassurance for the customer. Equally, negative effects or associations can do harm
and have long-lasting effects across multiple product lines. Thus, both aspects need to be weighed in determining the role of corporate brand endorsement in brand architecture (Douglas, Craig and Nijssen, 2001).

Safaricom partnered with Commercial Bank of Africa (CBA) to launch M-Shwari, a banking product within M-Pesa (Mbuvi, 2012). M-Shwari is coined from a Swahili word that denotes to smoothen or make something better or good, it is a revolutionary product set to change the lives of millions of Kenyans. The "M" signifies mobile centric as this product is operated entirely from your mobile phone. It is not accessible through any CBA branches but, on the consumers handset. All the consumer’s requires is their handset and be registered on M-PESA! There are no physical forms or additional documentation required for them to sign up into M-Shwari (www.cbagroup.com).

Auditory marketing
The effectiveness of a selling environment depends on its capacity to manage the subjectivity of the potential consumer. Music is in every point of sale or restaurant is an integral part of the atmosphere, so are lightning or design, and whatever in its place (discrete speakers or video-clips in a big flat TV) has a role to play in the customer perceptions. Music may provide a better indicator of mood because there is no single music center in the brain (Sacks, 2008). Indeed, listening to and appreciating music seems to activity just about every part of the brain, and there is a long history of human evolutionary adaptation to music (Levitin, 2007).

Kotler (1973) points out that consumers purchase a total product or experience, consisting of not only the physical item but also the packaging, after sales services, promotions, image and the atmosphere of the place where the transaction took place. A successful brand aims to develop meaningful relationships with consumers. For Safaricom Company limited this has been achieved through the use of music and jingles that has come from Safaricom choir marketing the Safaricom products, services and brands in diverse promotions. The use of “skiza” on the caller ring back tone, “niko na safaricom” song promo and the thematic “mpesa” advert called relax “uko na mpesa” have impacted facilitated the profitability of the company profile through brand loyalty (www.safaricom.co.ke).

Celebrity personality
According to McCracken (1989) definition of a celebrity endorser is an individual who enjoys public recognition and who uses this recognition on behalf of a consumer good by appearing with it in an advertisement (marketing communication). The celebrity-product match model states that attractive endorsers are more effective when promoting products used to enhance ones attractiveness (Kamins, 1990) and that the impact will be not significant in the case of a product that is unrelated to attractiveness. Kahle and Homer (1985) found that in the case of attractiveness related products the use of physically attractive celebrities increased message recall; product attributes, and purchase intention. In keeping with tradition, Safaricom unveiled some of the biggest artistes in Kenya’s music scene to headline the years Niko na Safaricom Live countrywide music tour which covered five towns including the three cities. Among the artistes were the gospel master Daddy Owen, P-Unit, gospel sensation-Gloria Muliro, love ballads maestro-Kidum and hip hop sensation Octopizzo. The lead event master of ceremony (MC) was comedian Eric Omondi assisted by DJ Kaytrixx (Majale, 2013).The use of these personality in entertainment enhances attraction to the Safaricom products due to association hence the reputation and brand improvement a quality for profitability increase.

Animation
In the context of learning, Cooper, (1998) points out that the use of the pictorial form of communication leads humans to improved comprehension and retention. Animation appeals to the power of the human visual system (Rieber, 1990). Animation is an important component in designing interactive multimedia which creates a visual interest and makes scientific learning more appealing and enjoyable for learners (Lih-Juan ChanLin, 2000). Safaricom, unveiled a new animation based way of communicating with its 15 million-plus consumers. The campaign is meant to convey the benefits of Safaricom’s superior product and service offering in an exciting and easy-to-understand manner (Tech mtaa 2010).

Content Localization
Localization is the process of adapting a product or service to a particular language, culture, and desired local “look-and-feel.” In localizing a product, in addition to idiomatic language translation, such details as time zones, currency, local color sensitivities, product or service names, gender roles, and geographic examples must all be considered “look-and-feel.” In localizing a product, in addition to idiomatic language translation, such details as time zones, currency, local color sensitivities, product or service names, gender roles, and geographic examples must all be considered. The goal of localizing user interfaces is to provide a “technologically, linguistically and culturally neutral platform from which to launch global e-commerce initiatives while allowing a framework that incorporates local content and functionality” (Shannon, 2000).

Toplogy and Color
Some work in the area of design and culture has used Hofstedes dimensions1 to compare user reactions from different countries on preferences for design characteristics such as color or screen images (Del Galdo and Nielson, 1996; Marcus and Gould, 2000). Del Galdo and Neilson (1996) demonstrate that color and screen design directions have various psychological and social associations in different cultures, and that diverse users have different concepts of screen usage. Color - Several examples of color preferences related to culture exist in the literature (Barber and Badre, 2001; Simon, 2001). When applied to Web design, color may impact the user’s expectations about navigation, content and links, as well as overall satisfaction (Barber and Badre, 2001).

Content and Structure
According to Huizingh (2000), content refers to information; features or services offered in the Web site and represents another form of communication between the user and the site. In
this research various components of interaction and structure include help function availability, type of help available (online, email, telephone), index features, site map features, and use of commercial banner ads. Also of interest is the amount of page layout devoted to commercial advertising, Web contents, and graphics.

Safaricom has released a major brand advertising campaign featuring a 600 member choir singing in Swahili in scenic locations, aiming to cement the company’s connection with the Kenyan market. The Safaricom Choir appears on Mt Kenya, Mt Longonot crater, Mt Elgon, alongside the Tana River, Ndere Island, Porror Ridge, the Aberdare Range, Lake Victoria, Kericho, and in the hills at Suguta Valley south of Lake Turkana (www.the inspiration room.com).

Place
Chikweche and Fletcher (2012) found cases of success where distribution channels were related to the development of unconventional channels. In those cases the usage of informal channels was applied besides the formal (traditional) ones. Anderson (2006) points out that one of the biggest challenges of serving markets is to ensure availability of products and services throughout the country, not just in cities. Safaricom boasts of a distribution footprint of 2,000 exclusive dealer branches with over 200,000 retailers pushing Safaricom airtime & other products countrywide. Safaricom’s extensive distribution network not only ensures that our subscribers can access airtime whenever they are, but it also directly & indirectly employs over 350,000 people in the distribution & retailing business. The Safaricom retail shops adopted a strategy of being a one stop shop for all mobile telecommunication equipment. This resulted in Sales Revenue growth of over 140% in the last financial year having generated over Ksh 3.5 Billion in Sales which was over 10% ahead of target (Safaricom Annual Report, 2010).

Promotions
In the recent years, technology advances has enabled an increase in two-way communication channels, such as social media marketing, and could been seen as an evolution of the former one-way communication (Parment, 2008). Marketing campaigns by mobile operator Safaricom dominated this year’s marketing awards, scooping three prizes for the various campaigns it run 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 2nd place on Twitter and 4th place on Facebook. Safaricom was the only African brand to make it on the top 10 on both criteria across the globe.

According to Social Bakers, social devotion can be determined in three ways such as, if the firm uses social media sites as an avenue for communication with its subscribers. The company should be most likely to post significant information worth sharing with its consumers. Another is that the company must be about 65% active on the site and being able to attend to questions 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 consumers need to be aware of new products and services that are being offered to them.

VII. CONCLUSION AND RECOMMENDATION

Conclusion
From the discussions above it has been deduced that Safaricom uses different ways to promote its services and products to the market and consumer at large. No channel is irrelevant as both have significant appeals and attracts an equal measure of listening and viewership. It is therefore evident that marketing plays a crucial role in enhancing a company’s growth and performance in capturing new markets, retaining the market and promoting financial muscles in profits of an organization.

Recommendation
Further recommendation should be on the study in detail of each variable under discussion to show the level of influence on the performance of a company, besides more studies should be done to highlight other strategies not included in this study and to relate their effect on productivity.

REFERENCES

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