Market Penetration Strategies and Organizational Growth: A Case of Soft Drink Sector in Kenya

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Abstract: Soft drink companies are employing different market penetration strategies to increase organizational growth. The aim of the research study was to study the strategies employed by the soft drink companies and their success in penetrating the Kenyan market. This research was guided by the following objectives: to find out the extent to which penetration pricing strategy influence organization growth, the extent to which market promotion influences organizational growth, the extent to which distribution channels influences organization growth and to examine the extent to which product improvement strategy influences organizational growth in the soft drink sector. Stratified random sampling technique was employed. A sample of 160 soft drink companies was randomly selected for the study. Data was collected and analyzed by both descriptive and inferential statistical tools. Correlation analysis was used to describe the strength and direction of the linear relationship between two variables. The results indicated that penetration strategies have a relationship with organizational growth. Penetration pricing strategy was negative and doesn’t have a strong impact on organizational growth. Promotional strategies on the other hand is key because it positively affects organizational growth, distribution channel do not directly determine the organizational growth because it had a negative relationship hence companies have to add on distribution channels and incorporate other strategies to gain organizational growth. The correlation result indicates a weak positive relationship between product improvement strategies and organizational growth. The researcher recommended that all the strategies are a prerequisite for organizational growth and they complement each other.

Keywords: Market penetration strategy, Organization growth, penetration pricing strategy, Promotion, Distribution channels and Product improvement.

1. INTRODUCTION

Market penetration is both a measure and a strategy. A business will utilize a market penetration strategy to attempt to penetrate in an existing market. The goal is to get in quickly with your product or service and capture a large share of the market. Market penetration is also a measure of the percentage of the market that your product or service is able to capture. A marketing penetration strategy involves increased sale of already existing products to a market that is already in existence. This is in an effort to acquire a bigger market share than the organization’s competitors. In this regard, market penetration offers the organizations an opportunity to increase both their sales as well as revenue. It is viewed as the least risky strategy of all four in the Ansoff matrix. Growth is something for which most companies strive, regardless of their size. Small firms want to get big, big firms want to get bigger. Indeed, companies have to grow at least a bit every year in order to accommodate the increased expenses that develop over time. With the passage of time, salaries increase and the costs of employment benefits rise as well. Organizational growth, however, means different things to different organizations. There are many parameters a company may use to measure its growth. Since the ultimate goal of most companies is profitability, most companies will measure their growth in terms of net profit, revenue, and other financial data. Other business owners may use one of the following criteria for assessing their growth: sales, number of employees, physical expansion, success of a product line, or increased market share. Ultimately, success and growth will be gauged by how well a firm does relative to the goals it has set for itself. A marketing strategy is viewed by many authors as the most critical framework that helps the organization know where it should concentrate its infinite resources in order to
accrue the most benefits and maintain a significant competitive advantage (Baker, 2008). There are a variety of definitions of marketing strategies offered by different authors. These different definitions are a reflection of how these authors have different perspectives on the subject matter. According to Orville and Walker (2008), a marketing strategy is simply a plan that the company uses to achieve its marketing goals by focusing on a particular market segment. By achieving these marketing goals, the company is also achieving its overall objectives. There are various marketing strategies that companies can adopt. The Ansoff Product Market Growth Matrix was developed by Igor Ansoff to help companies to grow by using new and existing products in new or otherwise existing markets (Ansoff, 1957). The matrix developed by Ansoff has four main strategies that the company can choose from. These strategies include: marketing penetration, product development, market development and diversification.

Statement of the problem:

Kenya's soft drink market is worth approximately 1 billion dollars (Ness et al., 2002). A great portion of the market is dominated by carbonated soft drinks and synthetic juices (Mise et al., 2013). The battle for the soft drinks market share in Kenya is intensifying, with players introducing new products. The Kenyan soft drink sector is quite competitive, since it is characterized by a good number of new entrants into the markets. Expressively, these new entrants always face cut throat competition from the dominants in the soft drink markets (Institute of Economic Affairs, 2002). Other research studies that have been conducted on the area of market penetration strategies used by different companies in Kenya; Oloko et al. (2014), highlighted 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, Kimani (2014), analyzed market penetration strategies used by internet service providers and the challenges encountered when implementing the various strategies, Koome (2011), looked at the market penetration strategies used by Essar Telecom Kenya, Meyer and Tran (2006), looked at the market penetration and acquisition Strategies for Emerging Economies and lastly Sije and Oloko (2013), examined the relationship between penetration pricing strategy and the performance of the SMEs in Kenya among others. The study examined the extent to which market penetration strategies influenced organizational growth in the soft drink sector in Kenya since soft drink companies had realizing that their established marketing practices were inadequate for the new market conditions in the existing market as again levels of customer defection in the sector intensified. Hence the project or the researcher aimed in coming up with framework that can be adopted to achieve organizational growth.

2. LITERATURE REVIEW

Theoretical Review:

The market orientation theory was first developed during the 1990s by Naver and Slater (1990). There are several definitions that have been used to explain this relatively novel business philosophy. According to Narver and Slater (1990), market orientation can be defined as a marketing philosophy which is designed to ensure the superior creation of intrinsic value of the products for the customers. This guarantees customer satisfaction as well as loyalty and an increase in market share for the company. Quintana and Beeril (2001) and Hernandez (2002), emphasized that there are five directions in approaching the concept, thus: as business philosophy, as management process concerning whit the market information, as inter-functional coordination referring to dissemination of market information to all departments from the organization, as an organizational learning source and as a competitive strategy.

Innovation theory:

According to this theory, innovative firms have the opportunity to drive out the competition from the market. The creative destruction innovation is one such mechanism that can be applied in such a scenario (Tushman& Anderson, 1986). Innovation changes the dynamics of a market and does not lead to equilibrium in the long run. A lot of research has gone into understanding the effects of innovation on new and established firms in order to determine whether these companies will fail or succeed under these new conditions (Tripsas, 1997). The prevailing conclusion is that new innovations from new market participants will threaten the market share of incumbents.

Production and Markets Theory:

The firm is a clump consciousness standing between households in the unconscious order of a market economy (Donald, 1985). Although usually confined to profit seeking enterprises, the word firm and the economic reasoning that accompanies it is in fact also applicable to other entities for example hospitals (Donald, 1985). A firm does not exist independently of the people who own, work for, sell to, and buy from it. Households dealing with a firm are implicitly
dealing with other households. The final approach to market penetration is a variety of ways to achieve this including: developing loyalty schemes, altering the current product and increasing the value of the product. However, before using any of the market penetration strategies mentioned above, the company should conduct a SWOT analysis. This analysis involves identifying the strengths, opportunities, threats and weaknesses involved with each market penetration strategy (Evans & Shulman, 1992).

EMPIRICAL REVIEW:

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. There is no limit to the number of variations in pricing strategies. Promotion refers to the mix of promotional elements a firm uses to communicate with its current or potential customers about its products or services. Promotion efforts can be directed to the ultimate consumer, to an intermediary such as a retailer, a wholesaler or a distributor, or to both. Promotion is fundamental to the success of your firm because, without promotion, potential customers won’t know about the existence and benefits of your product or service. Not even the best product or service sells without some promotional effort (Healey, 2013). In many product markets, firms often desire to modify their product attributes. Evolving consumer preferences, advances in technological capabilities, changes in manufacturing costs, and competition from other brands drive firms to consider improving product characteristics. While some companies attempt to develop radically innovative products, new product activity often involves the modification of an existing product. Growth is an organizational outcome resulting from the combination of firm specific resources, capabilities and routines (Nelson & Winter, 1982). Gupta, Guha & Krishnaswami, (2013), defines growth in terms of revenue generation, value addition, and expansion in terms of volume of the business while observing that it can also be measured in the form of qualitative features like market position, quality of product, and goodwill of the customers. According to Barkham et al. (1996), Researchers employ a wide variation of growth variables when measuring the growth of a firm. Some of the most common ways to measure a firm’s size are according to its revenue, profits, human and physical capita. Any analysis of firm’s growth should be based at least on changes in revenue

Conceptual Framework:

Bradley (2008), defines conceptual framework as a visual or written product that explain either graphically or in a narrative, the main things to be studied, the key factors, concepts or variables and the presumed relationship among them. It is therefore a model used in research to outline possible courses of action or to present a preferred approach to an idea or thought.

![Conceptual Framework](image-url)
3. RESEARCH METHODOLOGY

This research adopted a descriptive research design. According to Kothari (1990), the major purpose of descriptive survey is to describe the present status of a phenomenon, determining the nature of the prevailing conditions, practices, attitudes and seeking accurate descriptions. According to Mugenda and Mugenda (2003), stratified sampling technique is useful for heterogeneous samples while random sampling technique accords each element in a sample an equal probability of being sampled hence eliminating representative biasness. Simple random sampling technique was used to select a sample of 160(10% of 1600 soft drink companies in Kenya Mugenda (2003), says for descriptive study, 10% of the accessible population is enough for sampling. For the purpose of this study, stratified sampling technique was to ensure equal representation of employees from all the departments. The researcher collected data using questionnaires. The questions were both close-ended and open ended and arranged systematically in the questionnaires. The data processing and analysis was done bearing in mind the objectives of the study. All the data that was collected was processed and analyzed. According to Kothari (2004), before beginning the real research, it was always advisable to conduct pilot study for testing the questionnaires.

4. RESEARCH FINDINGS AND DISCUSSIONS

In a bid to identify the relationship between penetration pricing strategies and organizational growth, the researcher conducted a correlation test and the results were shown in table 1

<table>
<thead>
<tr>
<th>Penetration pricing strategies</th>
<th>Pearson Correlation</th>
<th>Organizational growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penetration pricing strategies</td>
<td>1</td>
<td>-.048</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>127</td>
<td>127</td>
</tr>
<tr>
<td>Organizational growth</td>
<td>Pearson Correlation</td>
<td>-.048</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
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<td>N</td>
<td>127</td>
<td>127</td>
</tr>
</tbody>
</table>

Correlation analysis is used to describe the strength and direction of the linear relationship between two variables. A Pearson product-moment correlation coefficient was used to determine the relationship between the penetration pricing strategies and organizational growth. The correlation reported in the Table 1 is negative and the value of -.048 is significantly different from 0 because the p-value of 0.000 is less than 0.10. This therefore means that penetration pricing strategies do not always have a strong impact on organizational growth. The organization has to add some other penetration strategies instead of relying only on penetration pricing strategies. This findings resemble the studies done by Richard (1985) and Myers (1997) who did a research on the value of pricing to the organization and found that pricing strategy has played an important role in consumer purchasing behavior and decision making process, however if incorporated with other factors like promotions.

Market Promotion Strategies and Organizational growth:

Product promotion is one of the necessities for getting the organizational brand in front of the public and attracting new customers. These are the numerous ways to promote a product or service in an organization. In this study, some of the companies use more than one method, while others may use different methods for different marketing purposes. From a distance, market promotion strategies can be seen as affecting organizational growth. To understand if this was true or not, the researcher decided to conduct a correlation test to ascertain if market promotional strategies had an impact on the organizational growth and this was represented in table 2

<table>
<thead>
<tr>
<th>Market promotions</th>
<th>Pearson Correlation</th>
<th>Organizational growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market promotions</td>
<td>1</td>
<td>.244**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.006</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>127</td>
<td>127</td>
</tr>
<tr>
<td>Organizational growth</td>
<td>Pearson Correlation</td>
<td>.244**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.006</td>
<td>1</td>
</tr>
<tr>
<td>N</td>
<td>127</td>
<td>127</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
The correlation results from table 2 indicate a positive (with r = 0.244) relationship between market promotion strategies and organizational growth and the value of 0.006 is significantly different from 0 because the p-value is less than 0.10. This suggests that the company should focus more on promotional strategies because they positively affect organizational growth. The relationship between market promotion and organization effectiveness is controversial. The nature of the impact is inconclusive. Some authors believed that the impact of market promotion on organization effectiveness is minimal and non-significant (Pauwels et al. 2002).

Distribution channels and Organizational growth:

The path through which goods and services travel from the vendor to the consumer or payments for those products travel from the consumer to the vendor. A distribution channel can be as short as a direct transaction from the vendor to the consumer, or may include several interconnected intermediaries along the way such as wholesalers, distributors, agents and retailers. Each intermediary receives the item at one pricing point and moves it to the next higher pricing point until it reaches the final buyer. In a bid to understand the relationship between distribution strategies and organizational growth, the researcher conducted a correlation test that explained the strength of the relationship between the two variables and the results were summarized in table 3.

Table 3: Relationship between Distribution Strategies and Organizational Growth

<table>
<thead>
<tr>
<th>Product Distribution Strategies</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Organizational Growth</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Distribution</td>
<td>1</td>
<td>.118</td>
<td>-118</td>
<td>1</td>
<td>.119**</td>
<td>127</td>
</tr>
<tr>
<td>Strategies</td>
<td></td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational Growth</td>
<td>-.118</td>
<td></td>
<td>1</td>
<td>-.118</td>
<td>.000</td>
<td>127</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td></td>
<td>.000</td>
<td>1</td>
<td>.119**</td>
<td>127</td>
</tr>
<tr>
<td>Strategic control</td>
<td>.127</td>
<td></td>
<td></td>
<td>.127</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The correlation results in table 3 indicate a negative relationship between product distribution strategies and organizational growth. A negative r = -0.118 indicates that as one variable increases, the other decreases but the strength of the relationship remains the same. In this case, distribution channels do not directly determine the organizational growth. According to Rapoport (2005), the companies are advised to add on distribution channels other measures that can lead to organizational growth.

Product Improvement and Organizational growth:

Product improvement involves either improving an existing product or its presentation, or developing a new product to target a particular market segment or segments. Consistent product improvement is a necessity for companies striving to keep up with changes and trends in the marketplace to ensure their future profitability and success. To identify the relationship between product improvement and organizational growth a correlation test was conducted and the results were summarized in table 4.

Table 4: Relationship between product improvement strategies and organizational growth

<table>
<thead>
<tr>
<th>Product Improvement Strategies</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Organizational growth</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product improvement</td>
<td>1</td>
<td>.119**</td>
<td></td>
<td>.119**</td>
<td>.002</td>
<td>127</td>
</tr>
<tr>
<td>Strategies</td>
<td></td>
<td>.002</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Organizational growth</td>
<td>.119**</td>
<td></td>
<td>1</td>
<td>.119**</td>
<td>.002</td>
<td>127</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.002</td>
<td></td>
<td></td>
<td>.002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic control</td>
<td>127</td>
<td></td>
<td>127</td>
<td>127</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**correlation is significant at 0.01 level of significance (2-tailed)**

The correlation result from table 4 indicates a weak positive relationship between product improvement strategies and organizational growth. This is indicated by the r = 0.119. However, product improvement strategies are important aspects that should be taken into consideration in ensuring organizational growth.
5. CONCLUSIONS

The study affirms that there exists a relationship between market penetration strategies and organizational growth. Correlation analysis is used to describe the strength and direction of the linear relationship between two variables. A Pearson product-moment correlation coefficient was used to determine the relationship between the penetration pricing strategies and organizational growth. In conclusion all the penetration strategies have a relationship with organizational growth as the findings indicates whereby penetration pricing strategy has a negative relationship therefore it doesn’t have a strong impact on organizational growth hence it has to be complimented with other penetration strategies, promotional strategies on the other hand is key because it positively affects organizational growth, distribution channel do not directly determine the organizational growth because it has a negative relationship that indicates that as one variable increases, the other decreases but the strength of the relationship remain the same hence companies have to add on distribution channels and incorporate other strategies to gain organizational growth. The researcher recommends that all the strategies are a prerequisite for organizational growth and that all the strategies compliments each other and should be incorporated in the marketing plan for a company to increase its market share/market penetration and organizational growth.

6. RECOMMENDATIONS

Based on the research findings on market penetration strategies, the study recommended that soft drink companies have to continually conduct research to study the market trends and identify their strengths, weaknesses, opportunities and threats and establish whether they are in line with their Vision and mission of the company and whether their goals and objectives are attainable.

Market penetration strategies require a lot of skills and resources therefore the need for highly skilled personnel who needs to be vigorous in marketing and well-motivated through continuous training to improve on efficiency.

Adapting to new, innovative and modern technology is essential so as to move with the current market trends and have a competitive advantage in the market; competition gives room for growth and improvement and the findings strongly recommends that adding value to products, establishing distribution channels, good pricing practices and effective and unique product promotion activities and good management that is effective in managing cash flows and other resources is very key in enhancing organizational growth and market share in the soft drink industry in Kenya.

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