



Effects of IT in Marketing of Communication services

Case: Safaricom Kenya Ltd



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The use of information technology on marketing of communication services is a major problem faced by most communication companies. Many organizations are still striving in integrating marketing functions with information technology, hindering effective marketing of communication services. The main purpose of this study was therefore to determine the effects of information technology on marketing of communication services with a specific reference, Safaricom Limited. The study narrowed its research undertaking on the major effects such as promotion, product development, distribution, price and competition.

Data was obtained using questionnaires and analyzed using a qualitative method. Tables and charts were used to present the study findings. The study established that promotion was a major factor that greatly affected marketing of communication services. The use of information technology influenced introduction and application of effective promotion methods that eased marketing of organization services in the target market. The study concluded that the effects of information technology have eased acquiring products information and conducting communications globally. Applications of effective promotion methods have been made better and this has contributed towards achievement of increased sales revenue. The study finally recommended that the company should incorporate updated and most effective information technology in all its departments especially marketing.

Key Words: Promotion, IT, Marketing, Product development, communication.

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1 Introduction

Marketing strategies and improvement have been advancing. As defined by Kotler, marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.

Marketing is a business section that focuses on the practical application of marketing techniques and the management of a company's marketing resources and activities. Marketing managers are often responsible for influencing the level, timing, and composition of customer demand in a way that will achieve the company's objectives (Kotler 2000, 8)

Marketing management involves choosing the target market, which has to be maintained through creating, delivering and communicating customer value. In this regard marketing management is quite broad and defines all the activities a company uses to acquire customers and manage relationship with them. Additionally, the Kotler definition involves both the development of new products and services and their delivery to customers. (Kotler & Keller 2005, 45).

The developing and use of the internet on a global scale has created opportunities for end users, sellers and producers to communicate online and hence no physical movement required. Internet marketing combines creative and technical aspects of the Internet, including design, development, advertising, and sales. Internet marketing does not simply entail building or promoting a website, nor does it mean placing a banner advertisement on another website. Effective Internet marketing requires a comprehensive strategy that synergizes a given company's business model and sales objectives with its website function and appearance, focusing on its target market through proper choice of advertising type, media, and design (Combe 2006, 118).

Information technology has been a key contributor to the major transformations on how companies market their products and services. Anticipating the impact of information technology is becoming more difficult. Businesses are experiencing fundamental transformation due to the impact of information technology. When utilized appropriately, technology can affect how business processes are planned, implemented and evaluated. Technology can affect information processes and the information made available to decision makers, as well as the roles and responsibilities of organization personnel. Due to its potential impact, understanding the nature and use of information technology in solving problems is becoming increasingly important to professionals. (Hollander, Denna & Cherrington 1996, 46)

All new information technology (IT) systems bring a range of associated changes with them. These may be changes to the business process and procedures, new roles and responsibilities, organizational restructuring, new equipment or facilities, or new skills to learn. All these issues involve people and it is they within organizations that are the key to success of any IT implementation. Failure of new IT systems in an organization might be due to lack of training and communication or failure to obtain support and commitment from the users. These problems can be eliminated by proper planning, training and implementation of information technology programmes in the company. Many companies are also attempting to use information systems to form closer relationships with the customers and their suppliers through sophisticated extranets (Wheelen & Hunger 2004 176).

1.1 Purpose of the study

The main objective of the study was to determine the effects of information technology on marketing of communication services in relation to Safaricom Company. However the specific objectives of the study were;

- To determine the effect of promotion on marketing of communication services
- To establish the effect of product development on marketing of communication services
- To determine the effect of distribution on marketing of communication services
- To evaluate the effect of price on marketing of communication services
- To assess the effect of competition on marketing of communication services

The research study will be of great significance to the marketing management staff at Safaricom Limited. This is because the study report highlighted and explained the effects of IT on marketing of communication services, which will be of importance towards guiding the marketing staff on how to integrate marketing strategies with information technology and contribute towards realization of high sales turnover.

The study will be of significance to the board of directors and other senior organization management staffs who are involved in formulation of key management decisions. The research study will provide information and explain the problems that affect marketing of communication services. The board of directors and management staff will thus be in position to make decisions pertaining the staff recruitment and the best appropriate strategies that should be implemented by the organization in order to effectively implement information technology in all marketing functions.

The study is of significance to communication companies that operate in Kenya since they also experience similar marketing problems. This will help the communication companies to clearly understand the prevailing challenges in the current marketing environment and guide them on how to design their services to distinguish them from those of other firms in the target market.

This study is of significance to project managers who coordinate the implementation of various information and communication technology (ICT) projects. By highlighting the effects of IT on marketing, project managers will be made aware of the nature of IT challenges and this will influence application of effective IT programmes that influence delivery of quality communication services. The study will facilitate the project managers to adopt proactive measures that enhance effective implementation of information technology project in organizations.

The study is of significance to students and future scholars since it acts as a source of knowledge about the problems facing the use of IT on marketing of communication services. This will contribute towards equipping many students with more knowledge and skills on the benefits associated with effective use of IT. Future researchers and scholars will find the study material useful in their studies since they will have a ready source of literature review. The study report will act as reference and stimulate interest among academicians and this will encourage further research about the problem and solutions, thereby facilitating effective application of information technology on marketing of communication services.

1.2 Research limitations

The nature of the organization was a major limitation since the organization is large and the researchers were not able to evaluate all the organization activities. Since the respondents were selected from the organization offices, this affected the findings since many of the field staff do not always report at the organization offices where samples were obtained.

Sensitivity and confidentiality of the research study made many respondents reluctant and hesitant in answering the questionnaires, some of the respondents thought that the study findings were to be used as a competitive tool against the organization. However, the researcher gave a full disclosure of the study purpose, which was only intended for academic.

Cases of uncooperative respondents were experienced and this affected answering of the research questions. Some of the questions were not properly answered since respondents were not supervised when answering the questionnaires, this affected data validity and reli-

ability. The researchers therefore had to involve some of the respondents in a personal interview before issuing them with the questionnaires as a strategy to reduce response rate.

1.3 Statement of the problem

The use of information technology in marketing of communication services is a major problem experienced by most communication companies. Many organizations are still striving in integrating marketing functions with information technology and this has influenced most of the IT effects to hinder effective marketing of communication services. Safaricom Limited is one of the major communication companies that have not effectively incorporated information technology in all its marketing functions.

The use of information technology has led towards implementation of it in promotion methods, product development, distribution methods, pricing methods and realization of increased competition. The organization applies various promotion methods as a strategy to acquire a large market share in the country, Kenya. However these promotion methods act as core obstacles since they do not facilitate attention of many customers. The use of IT does facilitate rapid development of organization products and this negatively affects marketing of communication services. Application of IT in distribution functions makes it difficult for many customers to easily access the company products in the market. The applied pricing methods lead to major marketing problems since most of the services are expensive beyond the affordability of many customers in the target market.

Many other organizations in the communication sector have learnt and take advantage of IT, competition problems have been generated and this has made the organization marketing efforts to be of no significance towards acquiring and retaining a big market share in the competitive market. Since no major study has been undertaken to address these problems, marketing managers lack knowledge and skills on how to effectively incorporate IT in marketing of communication services. This study bridged the knowledge gap by exploring the effects of IT on marketing of communication services with a specific reference to Safaricom Limited.

There were major changes such as retrenchment, economic recession and increased competition in the 1980s due to the introduction of new technology. This resulted to reduced number of employees in organizations. This is because information technology combines many tasks that could be done by a certain number of people. The downsizing of many organizations is supported by the use of IT. Job design and work organization should be continually checked for preparedness against external environmental changes. (Turban & Ephraim 2001, 701).

1.4 Choice of the context

The case company, Safaricom, is the largest telecommunication service provider in Kenya and has been expanding its operation to many other regions in East Africa. There have been few competitors in the market and the number is still increasing. Therefore the study was of interest to the researchers for their learning process and also to give some recommendations on strategies to manage the competition. The field of technology is advancing and so the company needs to update its technology in order to meet the needs of the market.

1.5 Structure of the study

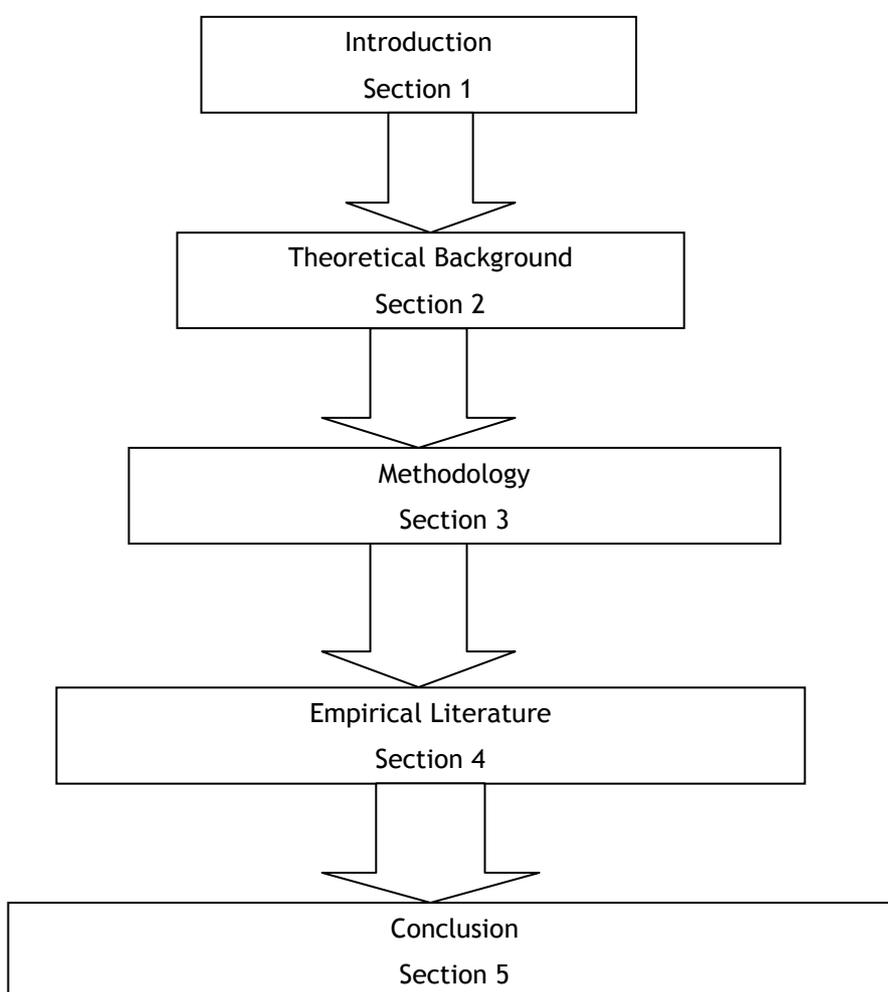


Figure 1: Structure of the study

The research is categorised in four major sections; theoretical section which discusses the research topic, effects of IT in marketing of information systems specifically based on promotion, product development, distribution and marketing of communication services. Methodology section discusses the ways used by the researchers and presents the findings of the

study, while the case company analysis is discussed in the empirical section of the study. In the final section, the study gives the conclusion and the recommendations of the study. In summary this is illustrated in Fig.1 above.

2 Theoretical discussions

2.1 Introduction

This section discusses the research topic, effects of IT on marketing of information systems specifically based on promotion, product development, distribution and marketing of communication services. There exist many theoretical suggestions that have been stated by various researchers on efforts to address the factors affecting marketing execution of organizations' marketing functions. The study therefore selected the most appropriate theories that addressed the variables that were highlighted by the specific objectives of the study; this gave a clear account of all past theoretical undertakings that tried to address the effects of information technology on marketing of communication services.

2.2 Marketing

Marketing can be defined as a process by which organizations, individuals and groups investigate the needs and wants of the customers, create products/services that satisfies them to the intended markets (Kotler 2000, 8).

Services marketing can be used to market a product or service and is based on relationship and value. A service unlike a product is intangible and this means that the service cannot be returned by the customer in case of dissatisfaction. Service Marketing mix adds 3 more ps such as, People, physical environment and process. (Baron & Harris 2003, 21-26).

The role of advertising is to create demand for a product. It is also important to consider the cost of advertising so that it does not exceed the intended return. However the expenses to be incurred varies based on the nature of the product. For example, new products need a larger advertising budget to help create awareness and to encourage consumers to try the product. A product that is highly differentiated may also need more advertising in order to gain competitive advantage, emphasizing on the difference.

To achieve the objectives, marketers should select carefully their market segments. Attractiveness of the market may be due to size, income level and competition available. The implication of selecting target segments is that the business will subsequently allocate more resources to acquire and retain customers in the target segments than it will for other,

non-targeted customers. In some cases, the company may operate to the extreme of discouraging customers that are not in its target segment. (Baron & Harris 2003, 8-9).

2.3 Marketing mix

Marketing mix is a process where specific marketing elements are used to achieve an organization's or individual's objectives and satisfy the target market. This is achieved by using four tools such as Product, distribution, promotion and price. Besides the four Ps, services marketing comprises more categories such as People, which means any person meeting customers. They are particularly important because, to the customers, their personal presentation creates either a positive or a negative impact to them. Because of this, they must be appropriately trained, well motivated and the right type of person assigned the duties. Process involves the steps in providing a good or service and the behavior of people, which can be important to customer satisfaction. Physical evidence is important to be considered because unlike a product, a service is intangible. This, therefore, means that potential customers could perceive greater risk when deciding whether to use a service. To reduce the feeling of risk, thus improving the chance for success, it is often important to make the consumers visualise what a service would be (Baron & Harris 2003, 5-8)

Kotler (2006,536) discovered that the effectiveness of promotion in marketing of services is generally affected by four distinct elements, namely advertising, public relations, word of mouth and point of sale. It was realised that there is an outcome when promotion uses the four principle elements together, which is common in film promotion. Advertising involves any communication that is paid for, from television and cinema commercials, radio and Internet advertisements through print media and billboards. Public relations is where the communication is not directly paid for and includes press releases, sponsorship deals, exhibitions, conferences, seminars or trade fairs and events. Word-of-mouth is any apparently informal communication about the product by ordinary individuals or satisfied customers.

2.1.1 Product

Product refers to all the goods and services a company offers to the market. Also products may comprise physical products, services, information, places, organizations or ideas that can be offered for attention, acquisition or consumption that might satisfy a want or a need. Products are classified in two categories; tangible and intangible products. (Kotler 2001, 7)

The product is therefore more than a branded, packaged good offered for sale. Its definition has been widened to include services and benefits and the services that can be achieved from the product. This refers to a core product or service, which can be changed by adding features and options. It consists of multidimensional entities and benefits offered to customers. In business-to-business markets, products satisfy buyers' wants or needs. The products should be developed to satisfy the group intended. Product should clearly define who the intended users are and the customer's preferences and needs. Through the product concept, the product idea can be analysed through several concepts by considerations such as who will use the product, what are primary benefits and when it should be consumed (Kotler 2001, 164).

Product consists of elements such as packaging, branding labeling and product attributes that are of good quality, style, features and design. Strong brand preference is an added feature to the product. A product which is an object or a service, is produced or manufactured on a large scale with a specific volume of units. A less obvious but a common mass-produced service is a computer operating system. A successful new product is the result of careful marketing (Kotler & Keller 2009, 46).

A product has its concepts; brand, product line and product mix. A brand is a distinctive product offering created by use of a name, symbol, design, packaging or some combination of these intended to differentiate these from competitors. A product line is a group of brands that are related in terms of the functions and benefits they provide. Product mix is a total set of products marketed by the company. (Jobber 2004, 296).

The use of information technology influenced introduction and application of effective promotion methods that eased marketing of organization services in the target market. With the advancement of technology there have been new channels of selling products, and this has also provided consumers with a good quality of the products, this is due to high rate of competition. The product information can be accessed easily. The consumers can sort products based on any desired attribute. IT has made the companies to be flexible in changing and managing their portfolios of options and products. Another impact is that IT has significantly reduced transaction cost, thus making products cost cheaper and ease of doing business and actual product improvement. The use of information technology increases the pace of product development and this facilitates effective marketing of communication services. The evolution and introduction of more effective communication services is greatly influenced by development of new information communication technology. New product development leads to a wide product range that influences attraction and retention of many customers. Lack of product development leads to loss of market share, as the few products do

not satisfy many customers' interests. This also negatively affects marketing of communication services in various market segments. (Turban, Lee, King & Viehland 2004, 16)

2.3.2 Place

Place or distribution involves delivering of products or services to the final user. The channel of distribution is very important to be considered depending on the size of the company and the nature of the product. It should also be estimated on whether to sell directly to the consumer or use intermediaries such as wholesalers and retailers. Cost is the most important factor to be considered when deciding on the distribution channel. Proper distribution planning which means a systematic distribution decision making process, is also important for effectiveness and cost reduction (Evans & Berman 1994, 480)

The distribution channel needs to be designed and monitored frequently to withstand changes in the market and to reduce channel problems resulting from inefficiency using features such as transportation and storage in the market place. (Chaffey 2002, 314)

Distribution chain or the channels refer to the stages involved in delivering the product to the market. Each of the elements in these stages has specific needs it meets for both the seller and the end user and are very important to be considered especially by the producer because the main objective is to satisfy the needs of the customers. There are different types of these channels such as selling direct to the consumer, wholesalers who sell in bulk and retailers who sell the products in smaller units to the customers. There are two basic types of channels, a direct channel of distribution and indirect channel of distribution. Direct involves the movement of goods and services from producer to consumers without the use of independent intermediaries. It is mostly preferred by companies that want control over their entire marketing programs, desire close customer contact and have limited target markets. An indirect channel of distribution involves the movement of goods and services from producer to independent intermediaries to consumers and is usually used by companies that want to enlarge their markets, raise sales volume, reduce distribution functions and costs, and are willing to waive some channel control and customer contact. (Evans & Berman 1994, 486)

2.3.3 Promotion

Promotion is important because the consumers are informed about the new products and their attributes before they develop positive attitudes toward them. 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 the others thereby increasing the demand of the product. A good

promotion involves product, distribution and price components of marketing. (Evans & Berman 1994, 574)

A business' total marketing communications programme is called the "promotional mix" and consists of a blend of advertising, personal selling, sales promotion, brand management, product placement and public relations tools. It has been established that many companies apply these promotion mix elements in order to increase sales revenue. Decline in sales revenue has been a result of poor implementation of the most effective promotion mix elements. Each of the applied promotional mix elements has strengths and weaknesses 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, 591)

2.3.4 Price

Price represents the value of a good or service for both the seller and the buyer. In order for it to be of importance there has to be a defined price planning which means a systematic decision-making relating to all aspects of pricing by a company involving both tangible and intangible factors, purchase terms, and the non-monetary exchange of goods and services. It is the only element in the marketing mix that produces revenue; the others produce costs. Price balances demand and supply because it makes the buyer and the seller agree on a certain value for goods and services. (Evans & Berman 1994, 690)

Price is one of the positioning methods and should be implemented in relation to target market, product mix, services and competition. Price should involve all the cost, otherwise companies will incur losses. Therefore, the management and the managers should understand how to set the price by considering lost margin and lost sales. Also factors such as demand, competition, distribution channels, internal environment and public authorities affect price setting. Understanding how to set a price is an important aspect of marketing decision-making because of changes in the competitive market that many believe will act to decrease prices in many countries. Developing a coherent pricing strategy assumes major significance (Jobber 2004, 376).

Pricing decisions include determining the overall level of prices (low, medium, or high), the range of the prices (lowest to highest), the relationship between price and quality, the emphasis to place on price, how to react to competitors' prices, when to offer discounts, how prices are computed and what billing terms to implement such as cash or credit policy. (Evans & Berman 1994, 37)

Customary pricing occurs when a company sets goods or service prices and seeks to maintain them for a period. Price does not change for a given period. It is used for items such as candy, gum, magazines and restaurant food. Rather than modify prices to reflect cost increases, a company may decide to reduce package size or change ingredients. The consumers will tend to prefer these alterations to price increment. Odd pricing is used when selling prices are set at levels below currency values for instance dollar or Euro. It is a popular strategy for several reasons. Consumers like obtaining change, they also gain an impression that the company thinks carefully about prices and sets them as low as possible and customers may believe that odd prices represent price reduction. Prestige pricing is a pricing strategy that indicates consumers may not buy a product when the price is low. Many people tend to correlate price and quality and perceive that a high quality product should be expensive. People will buy a premium priced product because they believe the high price is an indication of good quality and a sign of self worth. It indicates their success and status. It is a signal to others that they are a member of an exclusive group. In psychological pricing, the consumers are sensitive to certain prices and tend to avoid purchasing products decreasing the demand. Customary, odd and prestige pricing strategies are all forms of psychological pricing. (Evans & Berman 1994, 716-718)

According to Philip Kotler (2001, 215) technology is taking us back to an era of negotiated pricing. The internet, corporate networks, and wireless setups are linking people, machines, and companies around the globe connecting sellers and buyers than before. Websites such as compare.net and priceScan.com allow buyers to compare products and prices quickly and easily. Price is one of the flexible elements and can be changed quickly. The pricing power has changed from companies to consumers e.g. in auction homes such as ebay.com and priceline.com, the customer proposes the price to the company. IT has also reduced many transactions, hence lowering the prices. This is also due to intense competition. It provides comparative price information that may reduce the cost. Concerning the consensus over competition on the internet, it has also created the issue of price discrimination, whereby the seller can charge different prices to different consumers for the same product.

From the figure below, it can be established that the pricing process involves the steps shown and based on the market segment and the prevailing market situation.

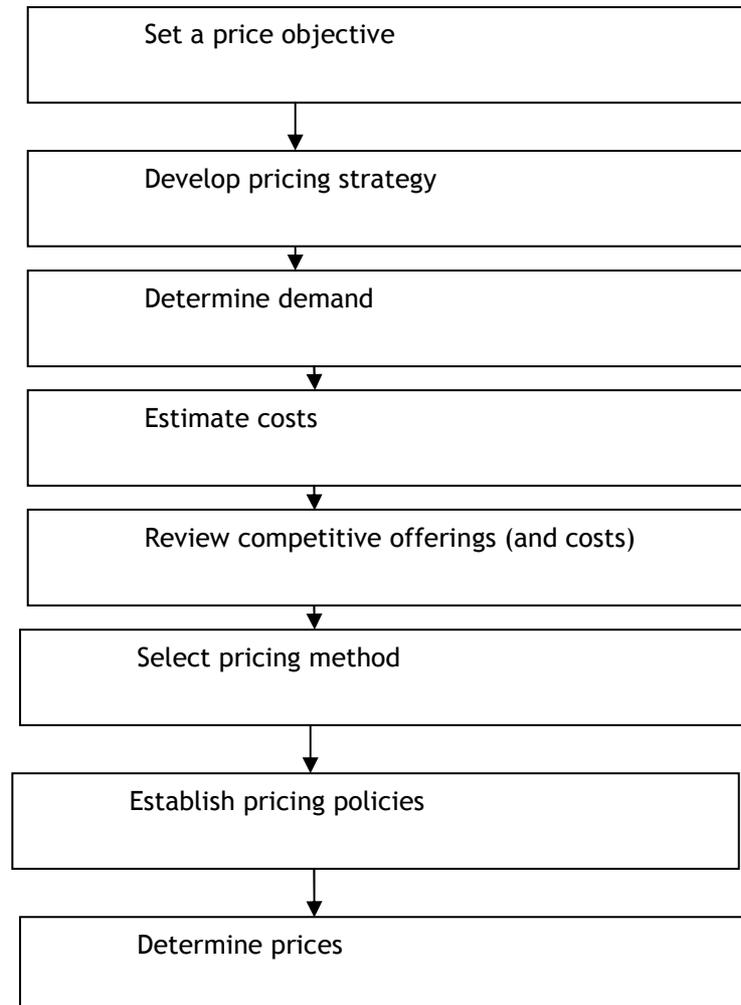


Figure 2 The pricing process (Blythe 2006, 449).

2.1.2 Competition

The competitive environment often affects a company's marketing efforts and its success in attracting a target market. Thus, a company needs to analyze the structure of the industry in which it operates and to examine its competitors on the basis of these characteristics: Marketing strategies, domestic or foreign companies, company size, generic competition, and channel competition. There exist four possible competitive structures and table 1 shows the attributes of these structures. In monopoly competitive structure, one company sells a good or service and has control over marketing while a limited number of large companies compete on non-price factors in an oligopoly competition structure. Monopolistic competition occurs when there are several companies in an industry, each trying to offer a unique marketing mix in order to increase its demand over the other. When many companies sell virtually identical goods or services, then the type of competition in place is pure competi-

tion. It is important that a company to develop reputation for reliability, sell products at the lowest profitable prices, and convince as many distributors or retailers as possible to stock their products. (Evans & Berman 1994, 43)

Table 1: Attributes of competitive structures

ATTRIBUTES	MONOPOLY	OLIGOPOLY	MONOPOLISTIC COMPETITION	PURE COMPETITION
Number of firms	One	Few	Several	Many
Size of market for each	Small or Large	Large	Small or large	Small
Control of Marketing	Total control of price, distribution, promotion and product	Some control of price, distribution, promotion and product	Some control of price, distribution, promotion and product	No control of price, distribution, promotion and product
Ease of entry into industry	Difficult	Difficult	Easy	Easy
Differential advantages	Only source of good or Service	Non price Marketing factors	Any Marketing factors	None
Key Marketing task	Maintain unique status	Differentiate on nonprice Factors	Differentiate on any Factors	Ensure supply at low prices and widespread distribution

Competitive structures (source: Evans & Berman 1994, 43)

After analyzing the competitive structure of the industry in which it operates, a company needs to know the marketing strategies used by competitors and what consumers perceive about their products. This will help the companies establish the exact needs of the market. However even though companies are striving to increase their market share, there are uncontrollable factors such as consumer characteristics, interpersonal influences on consumer behaviour, consumer decision process, the competitive structure, government legislation and political environment, economy of the country and level of technology. (Evans & Berman 1994, 42-44)

2.2 Information management

Refers to utilization of information collected from different sources to various managerial departments and specific functions within an organisation. Organisations emphasize different processes depending on their strategies and objectives. There are four major cycles of information management, which includes capturing, organizing, refining and transfer. (Palmer 2005, 182)

2.3 Benefits of information management.

Information management acts as a very important function to any organisation. There are many benefits that a company can derive from a well-organized knowledge management system. (Palmer 2005, 182)

2.3.1 Customer information management

With knowledge management, companies can retain customers' records. Companies need to assess what information they have on their customers and how an individual within the organization can use the information effectively. The company should keep customers' viable information for future use. (Palmer 2005, 182)

2.3.2 Demand focusing

Besides current demand conditions existing in the market, a company needs to have knowledge about future demand and respond to it appropriately. From this analysis, a company can reduce or increase its capacity in relation to the market (Palmer 2005, 182).

2.3.3 New service development

Reengineering might be expensive for companies, hence if the knowledge management system is well designed, the company analyses the historical trends and marketing strategies of the competitors and know on what to develop in relation to the needs of the market (Palmer 2005, 182)

2.3.4 Performance monitoring

A company should have knowledge about which of its human and physical assets are performing effectively so that what the company plans to implement in future have evidence of success and avoid wasting money in performing unnecessary projects. Recruitment staff for

instance should have full knowledge about the performance patterns of different types of employees. (Palmer 2005, 182)

2.4 Internet as a marketing tool

Traditional marketing methods such as trade-shows, where exhibition of products, advertisements in industry magazines, e-mail and paper catalogues and also sales-people who conduct field survey to existing and potential buyers are diminishing because of considerations of time and costs saving. Modern marketing methods are saving many companies in these problems because they tend to be effective, feasible or economical. Organisations are using a variety of online methods to reach business customers. The major methods such as online directory services, use of matching services to find business partners, use of the marketing and advertising services of exchanges, co-branding or alliances, affiliate programs, online marketing services and use of e-communities are widely used by companies. (Turban et al 2004, 162-164)

The internet is a public, global communication tool network that provides direct connectivity to anyone over a local area network via an internet service provider (ISP) or directly via an ISP. This public network is connected and routed over gateways. The ISPs are connected to internet service providers, to network service providers, and eventually to the internet appliances. Through the internet, communications has been enhanced whereby it enables improved internal communication, improved business partnership channels, effective marketing, sales, and customer support and facilitated collaborative activities support. Productivity enhancements include the extranet that enables just-in-time information delivery, reduction of information overload, productive collaboration between work groups, and training on demand. Internet enhances businesses by enabling faster time to market, potential for simultaneous engineering and collaboration, lower design and production costs, improved client relationships, and creation of new business opportunities. The internet is cost-effective, improved comparison shopping, reduced travel and meeting time and cost, and reduced administrative and operational costs and elimination of paper-publishing and mailing costs. The internet enables the flow of information delivery at a low-cost publishing, leveraging of legacy systems, standard delivery systems, ease of maintenance and implementation. Companies have benefited from the capabilities the internet has provided. In earlier times, companies had limited financial problems and the amount of information they could send to customers was in a form of brochures. However, nowadays companies can place almost an unlimited amount of information on their homepages and many people can learn about the company and its products online and buy them. Through online advertising, marketers have the possibility to change, cancel or improve their

marketing campaign from the internet if they know that it is not achieving or reaching the intended group. Also through the internet, organizations can improve their customer service strategies. (Turban et al 2004, 296-297)

According to Chapman & Holtman (1994, 11), Internet has been seen as a main contributor to a successful business strategy, and as an essential and central component of the wide marketing management process. There is substantial use of IT at all levels of organizations and especially the high management level. There is a clear understanding of the significance of IT and of the ways through which it can be utilised.

2.5 E-Marketing

Advancement of information and technology has greatly affected business operations and especially marketing. E-marketing is the use of information technology in the process of creating, communicating, and delivering value to customers, and for managing customer relationships in ways that benefit the organization and its stakeholders (Strauss, El-Ansary & Frost 2006, 3).

According to the Gartner Group, E-business is, “the continuous optimization of a company’s business activities through digital technology. Digital technologies are appliances such as computers and the internet, which allow the storage and transmission of data in digital formats” (Strauss et al. 2006, 3).

Internet is a global network of interconnected computers, enabling the users to share information along multiple channels (wikipedia 2009).

According to Chaffey (2002, 286), E-marketing is described as an application of the internet and related technologies to achieve marketing objectives, this includes the use of a company’s website with promotional techniques such as banners advertising, direct email and company’s links to acquire new customers and provide services to existing customers. It improves and develops customer relationship marketing.

Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements with an objective of making a profit. Marketing is categorized into individual and organizational activities that facilitate a satisfying exchange relationship in a dynamic environment through creation, distribution, promotion and pricing. These categories are further subdivided into marketing concepts, which is the management of a range of company activities that influence or helps the customer and marketing orientation,

which means the coordination of all the companies' activities that influences delivery of customer needs. In order to achieve all the company objectives, there should be E-marketing planning. This is the plan how to perform activities such as marketing research and marketing communication and the plan should be based on the company's objectives. (Chaffey 2002, 287)

A successful achievement of E-marketing for any business is creation of a clearly defined strategic process that links the objectives of E-marketing through marketing communication and clearly defined modules intended to achieve these objectives. There are different stages that are involved in marketing strategy. Situation indicates how the company is currently. Objectives indicate what the company's future. Strategy and tactics indicate how the company plans to achieve all the objectives. Action and control are the measures taken by the company to implement the strategies and maintain quality and satisfaction to customers. (Chaffey 2002, 288-289).

2.5.1 Products

Companies should review their options on how to add value to their core and extended services when developing their online strategies. Features of existing products vary using the internet. In particular, features of extended products such as the quality of the customer support information can be enhanced. To achieve these, companies should consider how to differentiate their online services from competitors and whether to provide extranet to their key customers. Customer relationship enhanced through personalized services online. (Chaffey 2002, 312).

2.5.2 Process

A process is a part of a system that has a clearly defined purpose or objective and also clearly defined inputs and outputs. Activity-based process definition methods are analysis tools used to identify the relationship between tasks within a business process. Business processes are a set of one or more linked procedures or activities that collectively realize a business objective or policy objective normally within the context of an organizational structure defining functional roles and relationships. Most important business processes are the elements of the value chain that includes inbound logistics, manufacture, outbound logistics or distribution and customer relationship management or sales and marketing activity. (Chaffey 2002, 422-423)

2.5.2.1 Implementation

This involves all the processes towards satisfying the needs of the customers. This gives a company a long-term competitive advantage and hence should be clearly analyzed for effectiveness. It comprises proper management of the infrastructure, proper means of creating awareness to the consumers, trial before implementation, full-scale adoption and evaluation of the success of the strategies (Chaffey 2002, 498)

2.7.2.2 Infrastructure

Infrastructure can be defined as physical and organizational structures needed for operation of organisations. The main function of infrastructures is to facilitate production of goods and services. E-commerce functions by the use of computers and hence components such as hardware, software, networks are vital. In order for companies to maintain their market share, they have to update all these functions regularly. Continuous market research also is of great importance so as to match the customer's needs and the current technology level. (Turban et al. 2004, 38)

2.7.2.3 Information

Companies need to maintain a constant customer relationship. This helps in keeping them informed about the products in the market and to know their need so that a company can evaluate how to meet them. As discussed earlier (in products), it is important for companies to do this and especially their online services should be made easy to understand since there is no physical contact with the customers. (Chaffey 2002, 312)

One of the major objectives of companies is to attain certain profit margins. This means that they operate to give value to their market and minimize on their operational costs. It therefore becomes necessary for them to concentrate on their areas of core competence and outsource the other functions. Outsourcing means subcontracting a business unit such as product design or branding to individuals or other companies. When online business owners know about the type of hosting service that best suits their needs, it is worth evaluating whether outsourcing their online services unit will save them costs. (Turban et al. 2004, 610-611)

2.7.2.4 Trial-turn

The objective of the online services provided by companies is to convey certain information to consumers. Kotler, in describing the elements of a communication process, states that the information from the sender needs to be interpreted by the receiver. Before launching their web site, companies need to evaluate it thoroughly to make sure that it sends a clear message to consumers without creating any confusion. Different customers have different levels of knowledge and skills and hence evaluating it before launching helps to meet their needs easily and to maintain market share because of competition from other companies in the same field (Chaffey 2002, 496). A soft launch also can be done using a few customers and the feedback from them used to develop some of the important elements needed to be included or enhanced in the web-site

2.5.2.2 Full-scale adoption

After the trial-run and a company is convinced that everything is justified, then the service is launched and the feedback serves as a guide to the customers' needs to be considered. If the company is performing the function itself, it is obligated to continuously update the web site and be doing market research to evaluate its success. This is performed through chatrooms where there is an immediate feedback or also through Emails (Chaffey 2002, 363).

2.6 Marketing communication

Marketing communication are the means by which companies attempt to inform, persuade, and remind consumers directly or indirectly about their products, services and brands they sell. The consumers are able to know how and why a product is used, by what kind of a person, where and when to use them. The brand and company image can be enhanced if effective marketing communication is practised. Marketing mix comprises personal selling, sales promotion, advertising, trade fairs, direct marketing, sponsorship, packaging, brands, E-marketing and merchandising. (Kotler 2006, 536)

2.7 Communication process

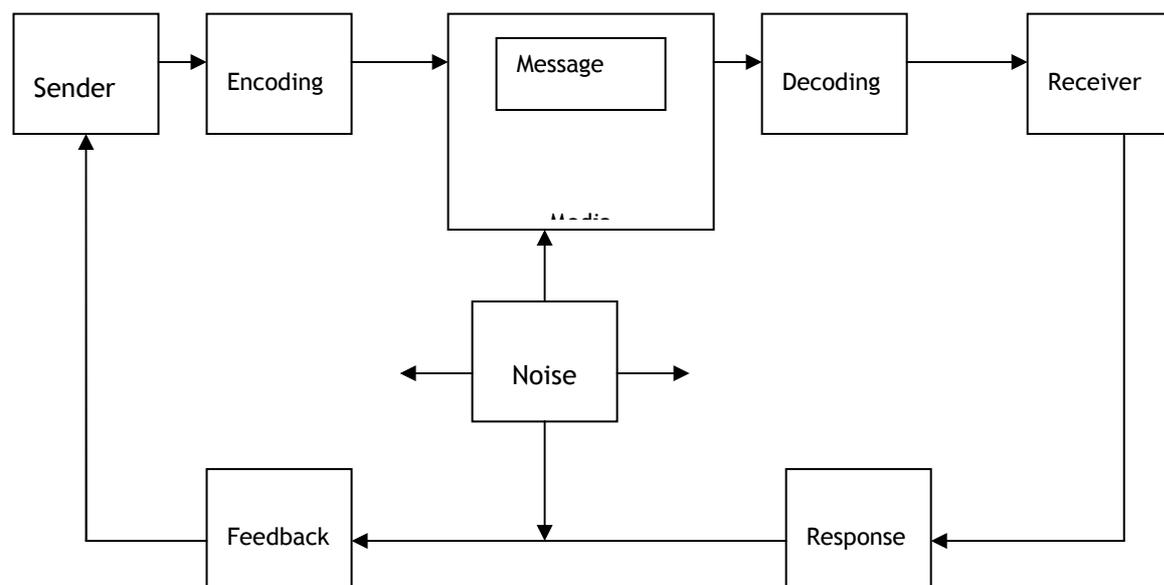


Figure 3: Marketing communication process model (kotler 2006,539)

Information is translated (encoded) by the sender into a message in a form of symbols representing an idea or a concept and conveyed through certain channels to the receiver through this process. The receiver interprets (decodes) the message and sends the response. Encoding exists in forms such as languages, words or gestures that are all used to interpret information or ideas to messages that recipients can understand. One should consider the message intended to be delivered and the receiver implying the knowledge, culture, skills the receiver has. Feedback is important because it is from this that the sender will know the measures to take in relation to the message. It is achieved in a written or spoken form. Lack of response is also a response because it might give an impression to the sender that the receiver misinterpreted the information and hence the former should evaluate the information. Experience that the sender possesses on the content of the information to be sent, attitude, culture background, the knowledge and skill of the field and subject are some of the attributes that might affect the encoding of the information by the sender. From Fig.3 above, it can be seen that the communication process comprises four major concepts; encoding, medium of transmission, decoding and feedback. (Kotler 2006, 539)

2.7.1 Elements in the communication process.

Marketing mix comprises personal selling, sales promotion, advertising, public relation, direct marketing, sponsorship, packaging, brands, e-marketing and merchandising. All these elements help in enhancing a customer relationship because they remind the consumer of the existing products and their value in relation to their need. Marketing mix also inform

them about new products being offered. When implemented effectively together with an organized and well-monitored communication process, marketing mix creates effectiveness in companies. (Kotler 2006, 536)

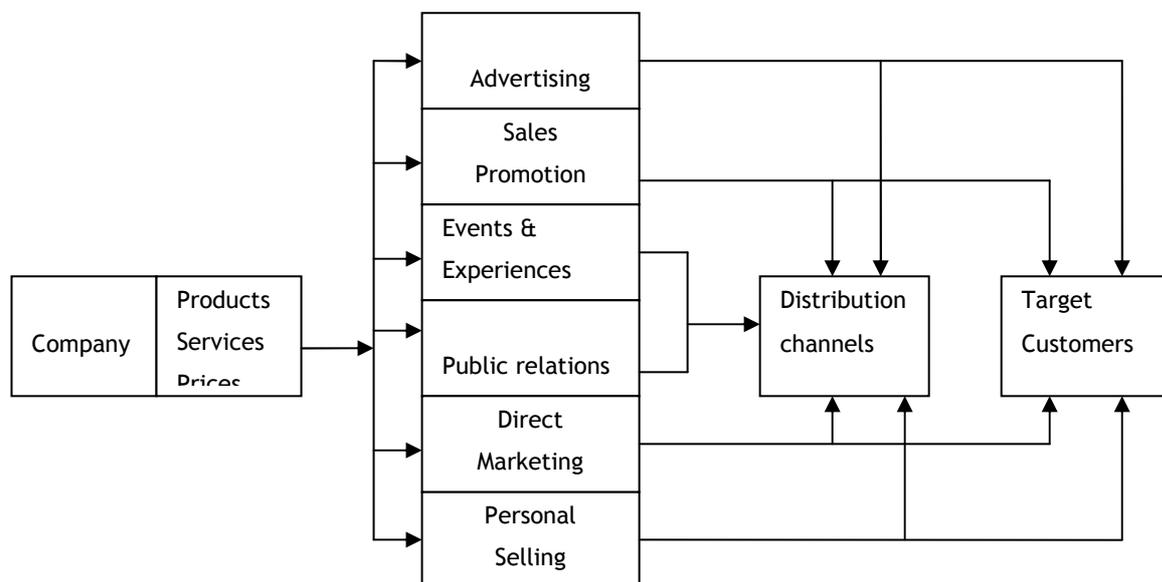


Figure 4: Marketing-mix strategy (kotler 2006,19)

2.7.2 Developing effective communications

From Fig.5 below, it can be established that communication process starts with identifying the target audience. The audience includes the company's potential buyers, current users, deciders, influencers, individuals, groups, particular public or general public. From the analyses of the market achieved through segmentation, the communicator decides on what to say, when to say it, where to say it and to whom to say it. This is because different market segments have different needs, tastes and preferences. Determining the objective is the next process where the communicator determines the needs of the market and how to present its services, increasing demand to the consumer. Analysis of what the company expects to achieve from this are also considered. Designing the communication is also important as it helps companies to know the right communication channels to use for specific market segments. Message strategy means what message the company wishes to send to the customers while creative strategy implies how to communicate and message source indicates who to convey the message are major elements in the communication process. (Kotler 2006, 544).

The amount to be spent on promotion is difficult to determine. However, companies should evaluate the amount to be spent on promotion based on what is expected to be achieved from the process. Some of the methods used are affordable method, the percentage-of-sales method, competitive-parity and objective-and-task method. Companies strive to operate at reduced costs, hence they always set the promotion budget at what they can afford. Based on the percentage of sales, companies set promotion expenditures at a specified percentage of sales (either specified or anticipated) or of the sales price while in competitive-parity method they set the promotion budget to achieve increased demand over their competitors. Objective-and-tasks involves the marketers developing promotion budgets by defining specific objectives, determining the tasks that must be performed to achieve these objectives, and estimating the cost of performing these tasks. Hence, the total of these costs is the proposed promotion budget. (Kotler 2006, 541-554)

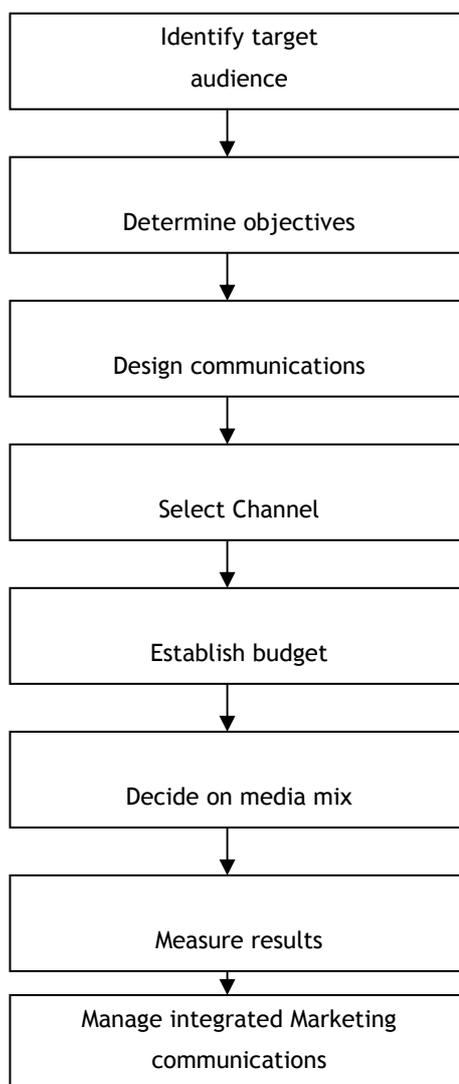


Figure 4: Steps in developing Effective Communications

2.8 Effects of IT on business processes

New information technology (IT) systems contribute a range of associated changes. These may be changes to the business process and procedures, new roles and responsibilities, organizational restructuring, new equipment or facilities, or new skills to learn. All these issues involve people, and it is they within any organization that are the contributors to success of any IT implementation. The failure of new IT systems in an organization is due to lack of training and communication or failure to achieve support and commitment from the key users. These problems can be avoided by planning of information technology programme throughout the life of the new IT system. (Wheelen & Hunger 2004, 277-279)

With information technology, there is increased decision-making effectiveness. Decision-making can be supported by providing better information, improving the decision process or automating the decision process altogether. Growth is realised in the use of technology to support all levels and aspects of decision-making. This trend will continue to eliminate the boundary of what is possible and justifiable (Hollander et al 1996, 462).

Information technology is a change that contributes threats to individuals and organizational security, status and lifestyles. It is the responsibility of organizations to adopt or modify technology within an organization. Information technology is changing businesses. Although organizations' cultures and business strategies shape the use of IT in organizations, more often the influence is stronger on information technology's effect on them. IT significantly affects strategic options and creates opportunities and issues that managers need to address in many aspects of their business (Skyrme 2009)

Information technology results in increased productivity and for managers, an increased scope of control (more employees per supervisor), and a decreased number of experts. IT allows organizations to acquire expert knowledge, and reduces the need for technical experts in the organization. It can be predicted that fewer managerial levels will exist in many organizations and there will be fewer staff and line managers (managers in specific line of business such as production or marketing). This trend is evidenced by the continuing phenomenon of the reducing size of middle management. Flatter organizational hierarchies will also result from reduction in the total number of employees, reengineering of business processes, and the ability of lower-level employees to perform higher-level jobs such as using expert systems (Turban & Efraim 2001, 701)

The importance of technology and innovation must be emphasized by people at the higher management level and reinforced by people throughout the corporation. If the managers in a higher hierarchy and members of the board are not interested, the managers below tend to

show their lack of interest. The management of an organization has the responsibility to encourage new product development and ensure that technology is being utilised effectively with the consumer considered. The managers should focus the research and development or manufacturing in those locations making a strong impact on product development. They should also listen to their stakeholders for sources of product and service improvements. (Wheelen & Hunger 2004, 279)

The most important task of the manager is to make decisions relating to various departments and the whole organisation. Information technology has affected the decision-making processes in companies because most of the tasks can be achieved by computers in various departments. (Turban & Efraim 1997, 297)

Globalization has placed new emphasis on the need for organizations to be aware of and responsive to the change and effects of information technology. Increased competition, changing consumer preferences, development of new products or services to meet current anticipated demands and growth of niche providers have changed the number of people who can be served and the variety of wants and needs waiting to be addressed. Information technology is a change contribute threats to individuals and organizational security, status and lifestyles. It is the responsibility of organizations to adopt or modify technology within an organization. (Hollensen 2004, 73)

3 Research and methodology.

3.1 Introduction

This section discusses the design and the methodology of the research study. Research design includes some of the major decisions in research methodology that the researcher makes in conducting the study, some of the important decisions included, sampling methods, data collection and data analysis. The methodology includes using logical methods in collecting of the data, determining a target population, sampling design, data collection methods and techniques and data analysis methods.

3.2 Research design

Descriptive research design was used in the study. It is applied to obtain information concerning a circumstance with respect to variables or conditions in a situation. It involves a field survey where a researcher involves a population of interest to inquire certain issues concerning the planned study. The objective is to gather data without any manipulation of the re-

search context and it is non-intrusive and involve naturally occurring phenomena, where the researcher has no control over the variables (Saunders 1997 194).

3.3 Target population

The target population was the staff working at Safaricom headquarters offices situated in Nairobi and various customers. The study focus was the staff involved in execution of various marketing and IT functions. The researchers' objective was to involve 100 marketing staff and 100 IT staffs. Two hundred customers were anticipated by the study as indicated in the table below;

Category	Target population	%(Percentage)
Marketing Staff	100	25 %
Information tech. staff	100	25 %
Customers	200	50 %
Total	400	100 %

Table 2: Target population

3.4 Sampling design

Probability sampling design was applied and this gave every member of the population an opportunity of being included in the final sample. A sample of 200 was hence selected for the study using stratified random sampling procedures. The respondents were obtained from various subgroups using a probability of a half (0.5) implying that either they would respond or not (Saunders 1997, 126)

3.4.1 Sampling method and techniques

The study applied a probability sampling method where a stratified random sampling technique was used to select respondents from the target population. This enabled all the respondents in the target population to obtain an equal chance of participating in the study since there was specific selection. The target population subdivided into subgroups and respondents were selected randomly from each population subgroup.

3.4.2 Sampling procedures

The study applied stratified random sampling procedures. Stratified sampling procedures were appropriate since the target population was categorised in sub groups called strata and applied simple random sampling procedures to select samples from each subgroup. A sam-

ple size of 200 respondents, of the target population, was achieved by the study as shown by the table below.

Category	Population Frequency	Ratio	Sample size
Marketing Staffs	100	0.5	50
Information technology staffs	100	0.5	50
Customers	200	0.5	100
Total	400	0.5	200

Table 3: Sample size

3.5 Data collection

Data collection refers to gathering of information relevant to the research study.

3.4.3 Data collection method and techniques

Data was obtained by questioning and observation. Data collection technique involved the use of interviews, structured and unstructured questionnaires, participant observation and desk review. The main data collection method used was open-ended questionnaires and closed-ended questionnaires.

3.4.4 Data collection procedures

Primary data presents the actual data that was obtained for the purpose of the research study from the answered questionnaires, interviews and observed facts. Primary data was collected and analyzed to help in answering the research questions

Collection of secondary data was achieved through desk research, which was from internal or external sources. The external sources included journals, reports and books.

3.5 Data reporting

The data collected was analyzed using qualitative analysis and was analyzed by a statistical software Microsoft excel which helped to present data using charts.

3.6 Ethical issues

Permission to conduct the study was sought and granted by the management of Safari-com limited. The researchers gave a full disclosure of the study objective and how the research process was to be performed. High level of data privacy and confidentiality was maintained and the findings were only be used for academic purpose. The authors presented a letter of request to the company management and were allowed to perform the study.

3.7 Data analysis, presentation and interpretation.

This section explains data analysis, presentation and interpretation of the research findings. The section outlines an account of the processes, techniques and procedures applied to analyze, present and interpret the data gathered using the questionnaires. The section begins by explaining analysis of the response rate and describes the quantitative and qualitative techniques adopted to analyze and present the research findings.

3.7.1 Qualitative analysis

Qualitative analysis was prepared to establish how the respondents answered closed-ended questions. This clearly demonstrated how the respondents expressed their opinions on the effects of IT on marketing of communication services.

3.7.1.1 Analysis of the response rate

For the study to determine with greater accuracy the number of the respondents who actively participated in the research study, the analysis of the response rate was carried out as shown in the table and the chart below;

Category	Sample size	Response	Percentage (%)
Marketing Staffs	50	25	12.5
Information technology staffs	50	25	12.5
Customers	100	50	25
Total	200	100	50

Table 4: Analysis of the response rate

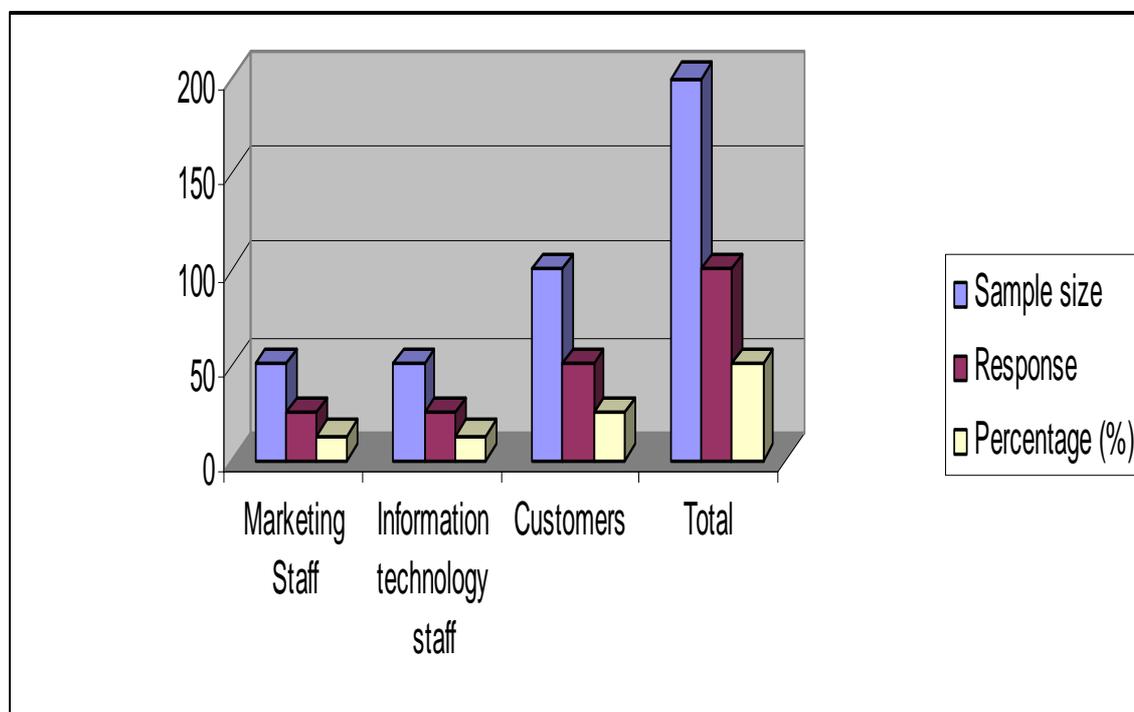


Figure 5: Analysis of response rate.

Fig.6 shows the analysis of the response rate by presenting the percentages of the respondents who participated in the research study. These respondents answered and submitted the questionnaires for data analysis. The chart indicates that a high response rate was from the customers, which was important for the analysis and recommendation. The chart demonstrates that most of the respondents in the sample size participated in the research study and this contributed to gathering of data that assisted in determining the effects of IT on marketing of communication services.

3.7.1.2 Gender.

The researchers decided to segment the respondents because people have different needs and hence have to be considered as per their needs. Based on gender the analysis the findings were as indicated in the figure below.

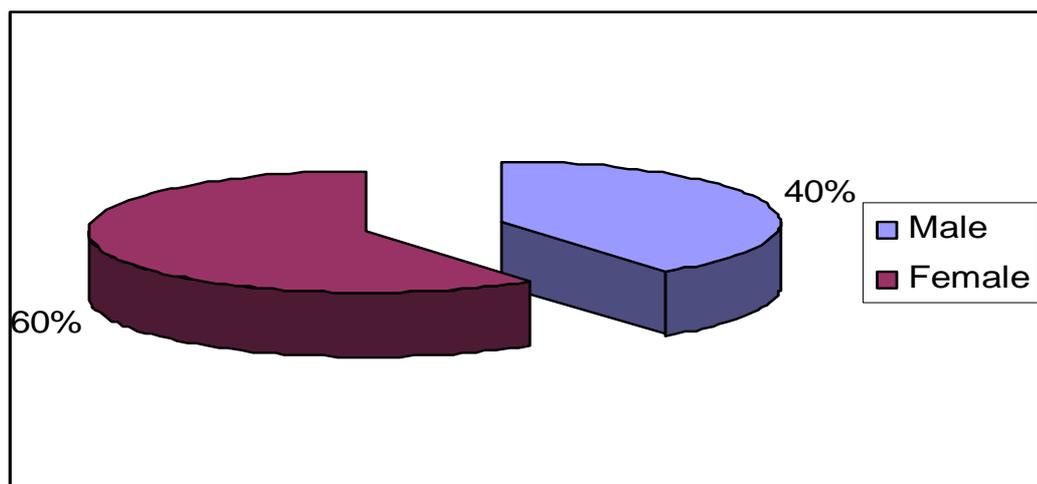


Figure 6: Gender analysis

Fig.7 shows that more than half of the respondents who participated in the study were females as compared to males. This was because most of the staff in the case company and the customers were women and were willing to participate in the research.

3.7.1.3 Age of the respondents

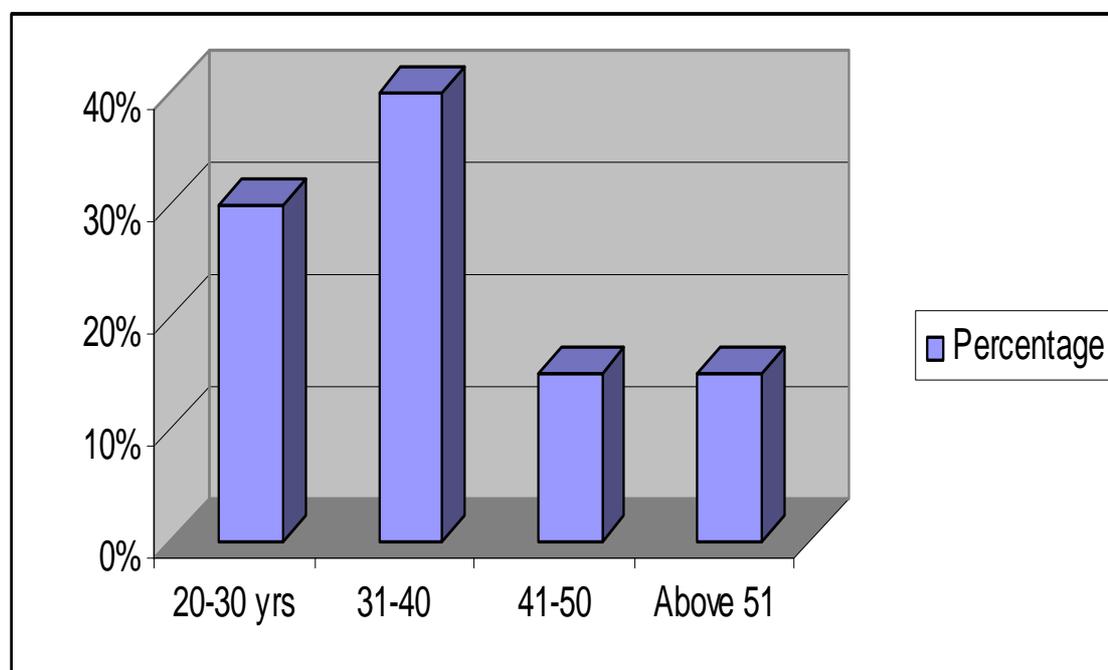


Figure 7: Age of the respondents.

Fig. 8 shows the age of various respondents who participated in the research study. The chart presents that 44% of the respondents were within the age bracket of 31-40 years. This was mainly because this group represents the working population and most of them rely on the services provided by the case company. Those between the age of 20-30 were almost same to this age bracket as a result of young people in colleges and universities and some even starting their careers at the age of 25.

3.7.1.4 Educational level

Fig 9 shows the level of education held by the respondents who participated in the research study. The chart indicates that a larger number of the respondents had a university education level, as compared to those with both college and secondary education. This indicates that most of the respondents had academic qualifications and thus they easily understood the effects of IT on marketing of communication services.

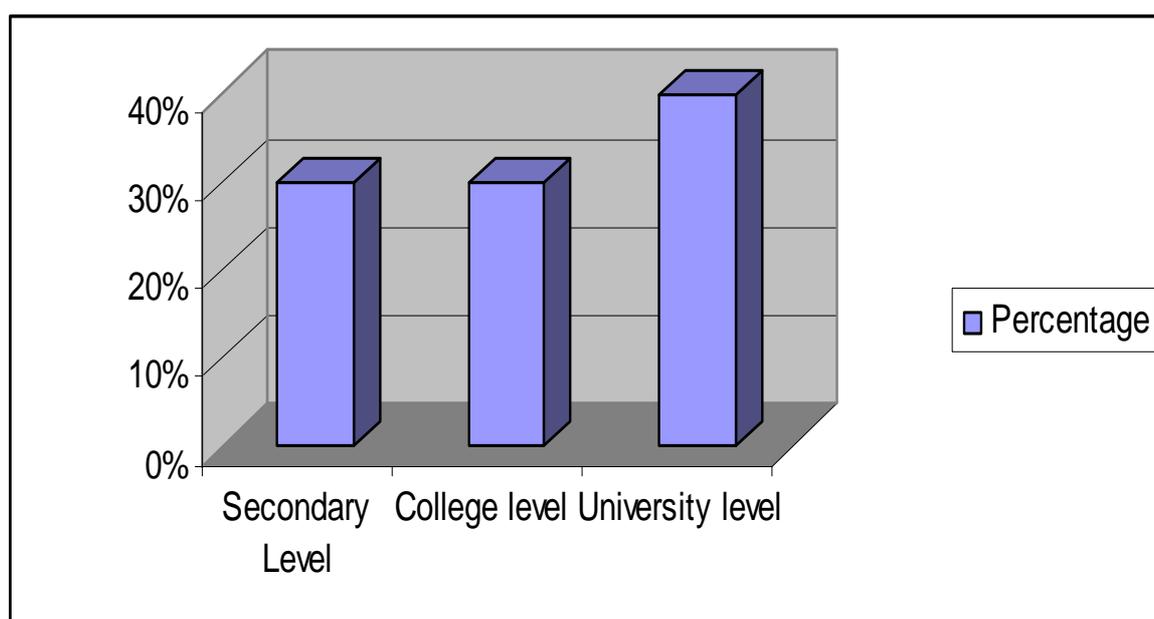


Figure 8: Educational level

3.7.1.5 Working experience

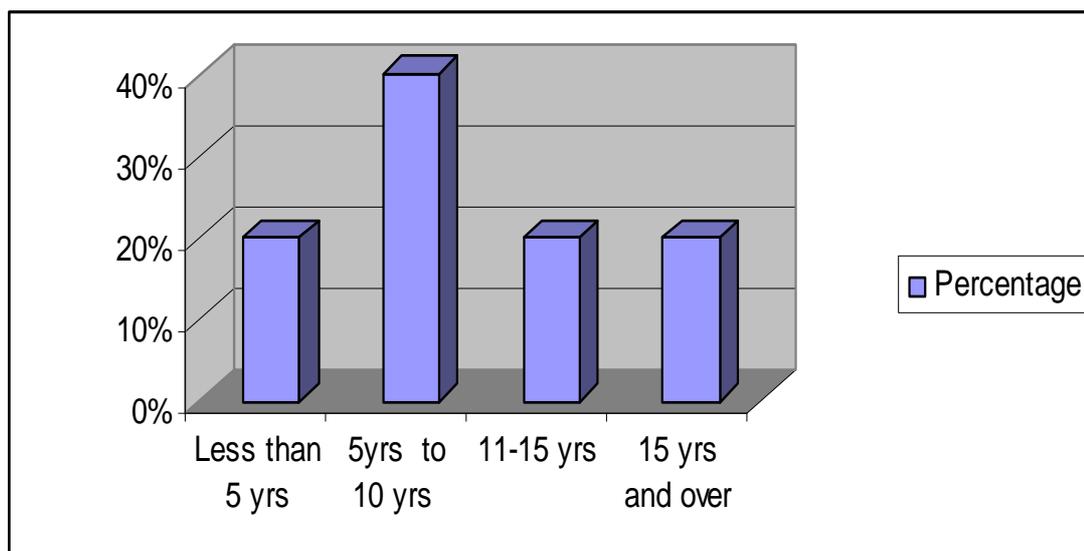


Figure 9: working experience

Fig. 10 shows that 40% of the respondents who participated in the study had a working experience of 5-10 years. This could be noticed in the chart indicating the age brackets of the respondents because those already in the working population were aged between 31-40. The remaining groups represented 20% each.

3.7.1.6 Effect of promotion

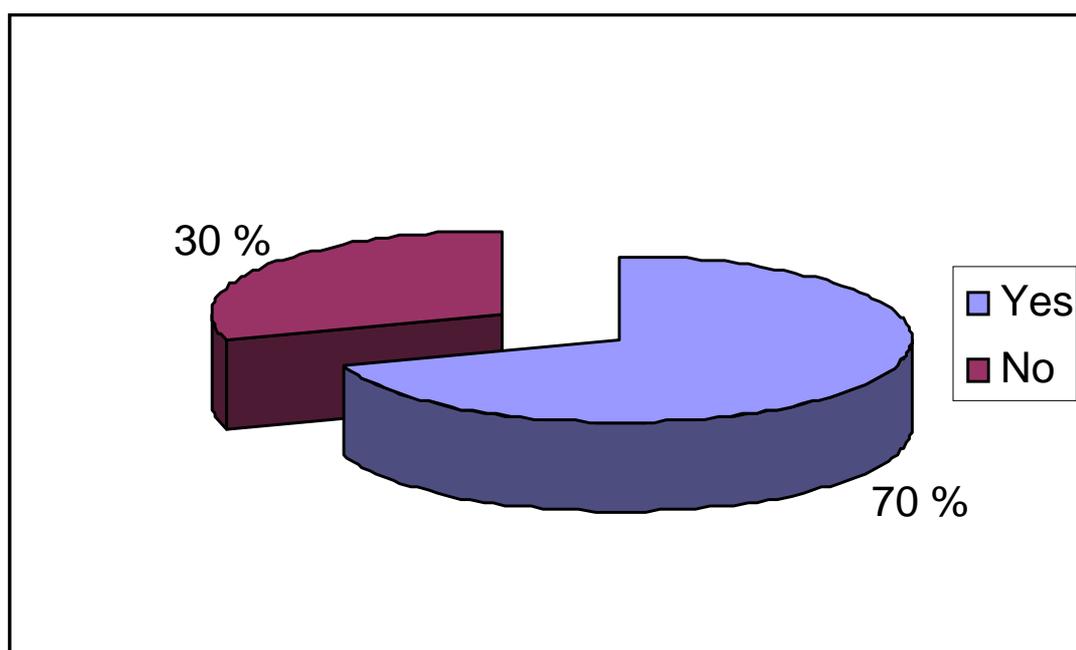


Figure 10: Effect of IT on promotion

Figure 11 shows that most of the respondents agreed that promotion affected marketing of communication services. This is indicated in the empirical section. The figure presents that 70% of the respondents rated the effect of promotion to be effective and 30% of the respondents was for average response and not effective response respectively. This indicated that promotion was a major effect of information technology that affected marketing of communication services

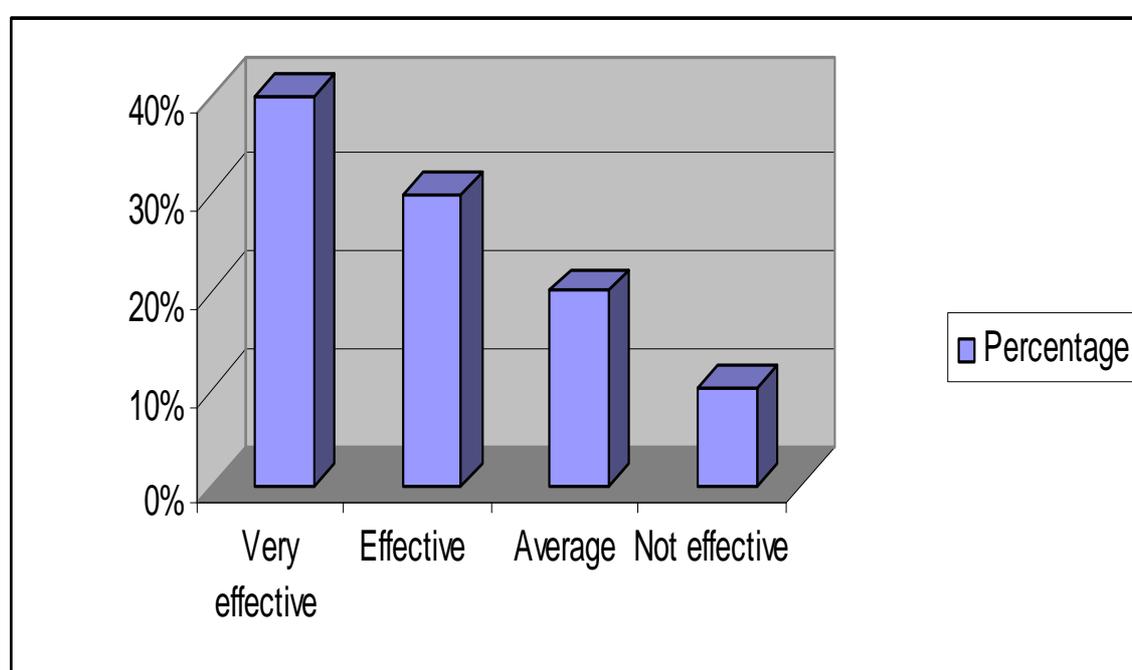


Figure 11: Determining the rate of the effect

Figure 12 shows how the respondents rated the effect of promotion on marketing of communication services. From the above figure it was rated that effects of IT in promotion is very effective which was 40%, effectiveness of promotion in IT was rated 30% and averaged effectiveness was rated 20%, while 10% represents not effective.

3.7.1.7 Effect of product development

Figure 13 below shows that the study established that 80% of the respondents expressed that product development was a major factor that affected marketing of communication services in the case company.

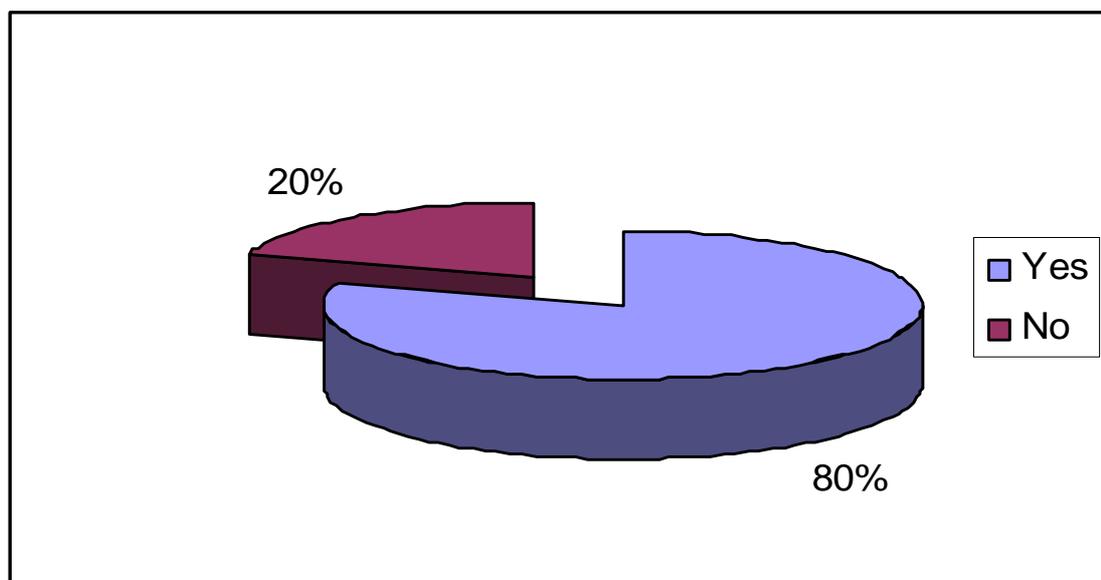


Figure 12: Effect of product development

Response	Frequency	Percentage
Very effective	40	40
Effective	30	30
Average	15	15
Not effective	15	15
Total	100	100

Table 5: Determining rate of effect of product development

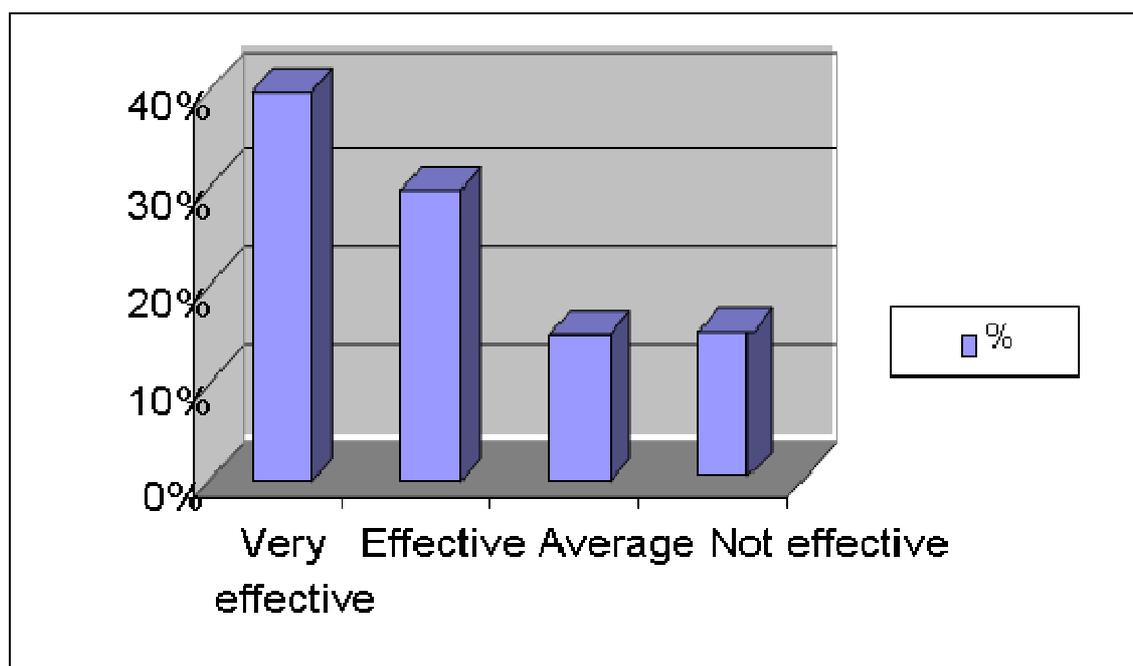


Figure 13: Determining the rate of effect

Fig.14 above represents how the respondents rated the effect of product development on marketing of communication services. The figure presents that most of the respondents rated the effect of IT on product development to be effective implying that it has contributed in especially quality and and accesbilty.

3.7.1.8 Effect of distribution

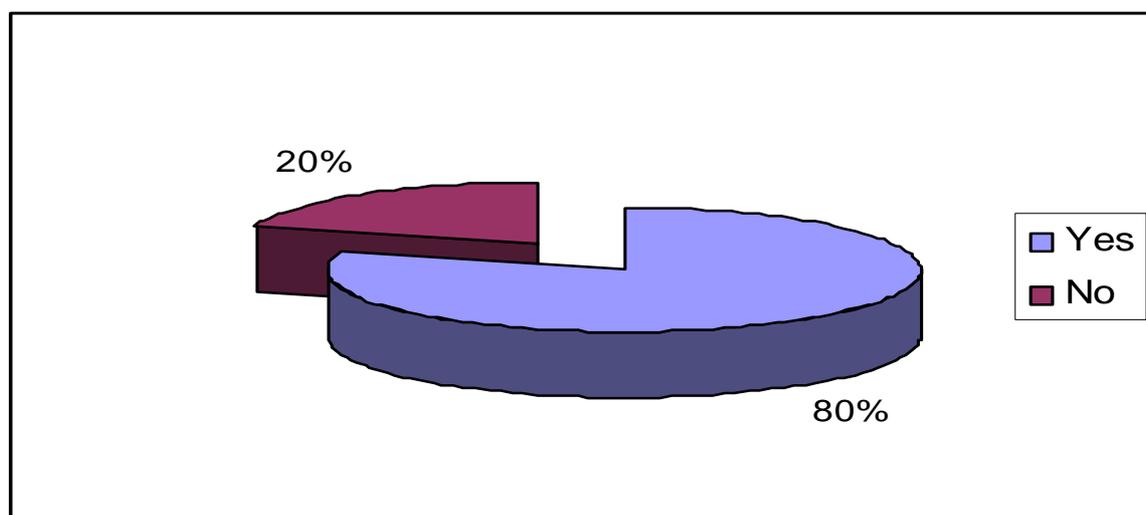


Figure 14: Effect of distribution

Figure 15 shows the respondents' opinions on the effect of distribution on marketing of communication services. The figure presents that 80% of the respondents expressed that distribution is a major effect that greatly affected marketing of communication services. The customer would like to receive the intended product or service at the right time, quantity, price and quality and therefore need for an effective distribution process.

Fig. 16 below shows how the respondents expressed their views on how the implementation of information technology facilitates effective distribution of a company's products. The figure presents that many of the respondents agreed that IT facilitates the distribution.

Response	Frequency	Percentage
Strongly agree	40	40
Agree	30	30
Slightly agree	10	10
Strongly disagree	15	15
Disagree	2	2
Undecided	3	3
Total	100	100

Table 6: To determine if the use of IT facilitates effective distribution.

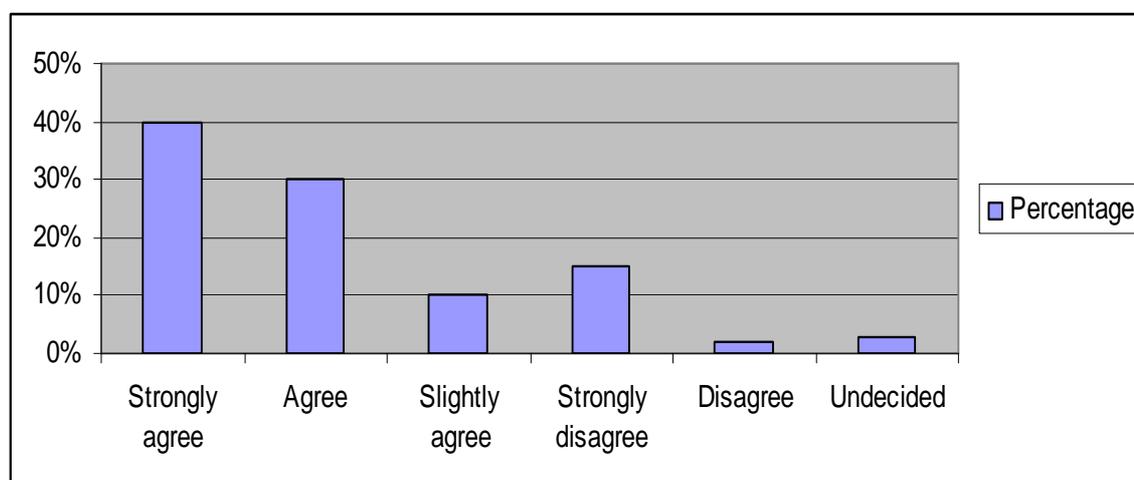


Figure 15: To determine whether the use of IT facilitates effective distribution of company's products

3.7.1.9 Effect of price

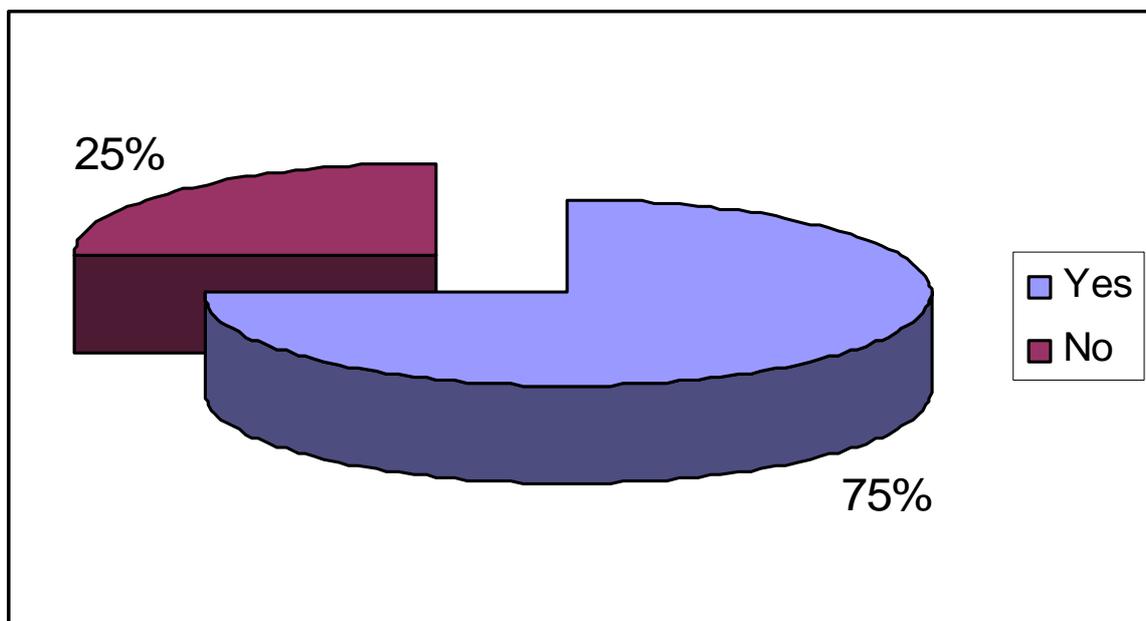


Figure 16: Effect of price

The study established that price is a major effect on information technology that affected marketing of communication services. This was expressed by 75% of the respondents who agreed as compared to 25% who had differed.

Response	Frequency	Percentage
Strongly agree	40	40
Agree	27	27
Slightly agree	11	11
Strongly disagree	17	17
Disagree	3	3
Undecided	2	2
Total	100	100

Table 7: To determine if the use of IT leads to application of various pricing methods

The information collected shows how the respondents expressed their views about how the use of information technology leads to application of various pricing methods. The figure represents that more than half of the respondents agreed on that and the other half either disagreed or did not know what to answer because of lack of knowledge on how companies price their products.

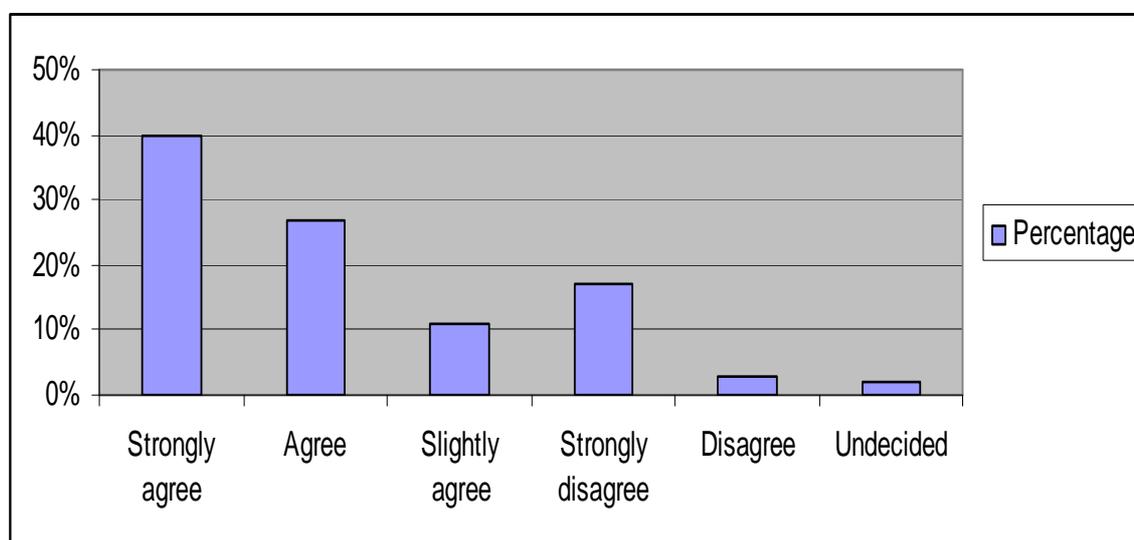


Figure 17: To determine whether the use of information technology leads to application of various pricing methods

3.7.1.10 Effect of competition

The study established that information technology influenced a high level of competition in the market. This was expressed by 80% of the respondents who indicated that the experienced competition negatively affected marketing of communication services. This is because there have been other competitors in the market using new technology to satisfy diverse needs of the consumers.

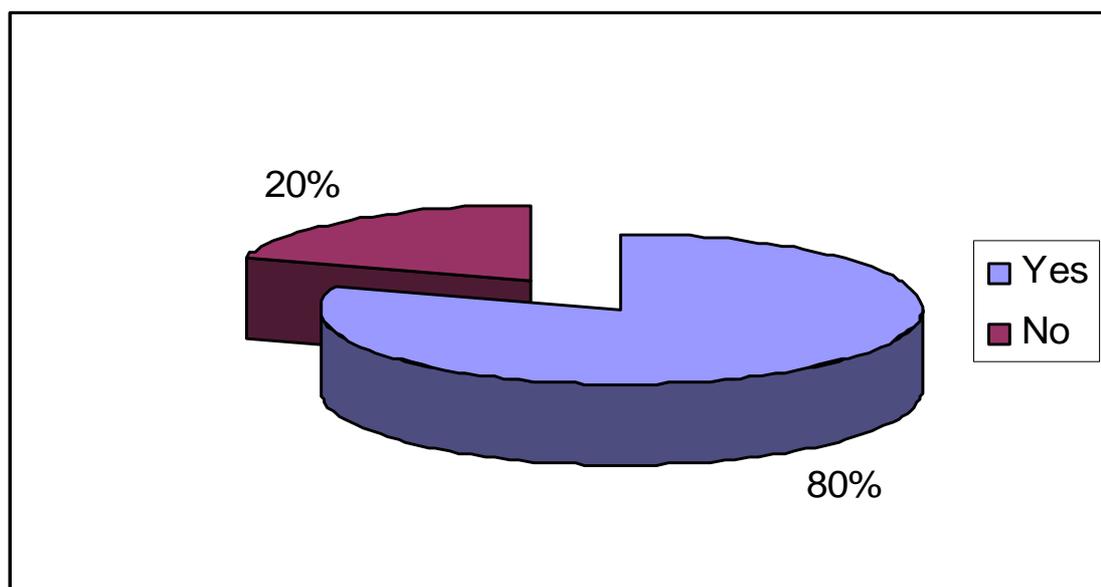


Figure 18: Effect of competition

Response	Frequency	Percentage
Strongly agree	38	38
Agree	24	24
Slightly agree	10	10
Strongly disagree	13	13
Disagree	3	3
Undecided	12	12
Total	100	100

Table 8: To determine if effective use of IT helps the company to achieve a competitive edge and gain a big market share

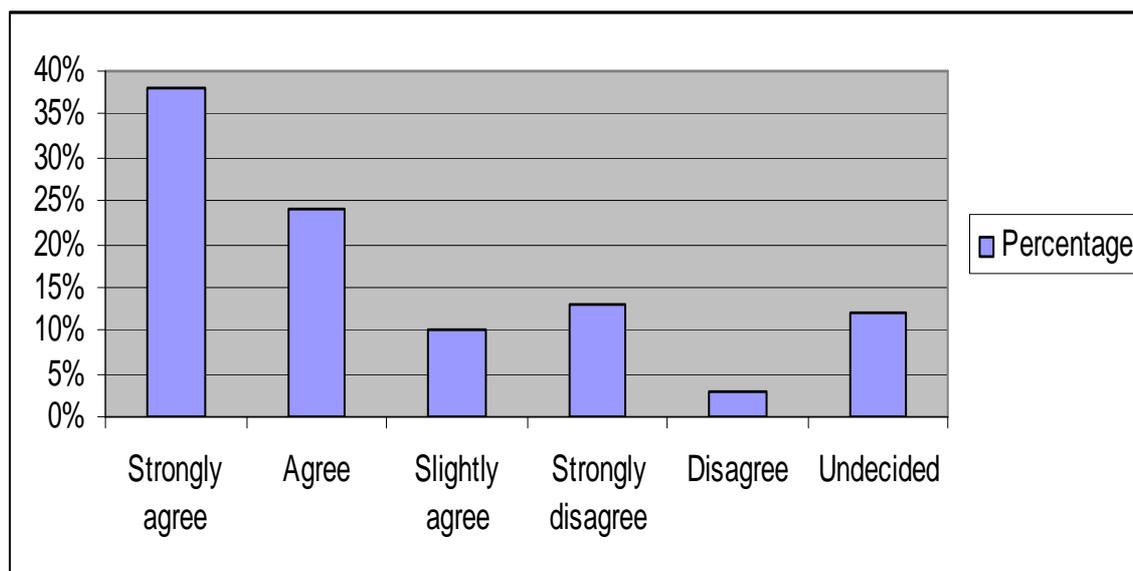


Figure 19: To determine if effective use of IT helps the company to achieve a competitive edge and gain a big market share.

The study established that more than half of the respondents agreed that effective use of information technology helps the company to achieve a competitive edge and gain a big market share, while the other half were undecided. Fig.20 shows how the respondents rated the effect of information technology on gaining competitive advantage. The figure presents that 73% of the respondents rated the effect of information technology to be effective while the remaining percentage represented average response and not effective response. This indicated effective use of information technology assisted the company to acquire a big market share in the target market.

Response	Frequency	Percentage
Very effective	42	42
Effective	31	31
Average	14	14
Not effective	13	13
Total	100	100

Table 9: Rating the effect of IT on gaining competitive advantage

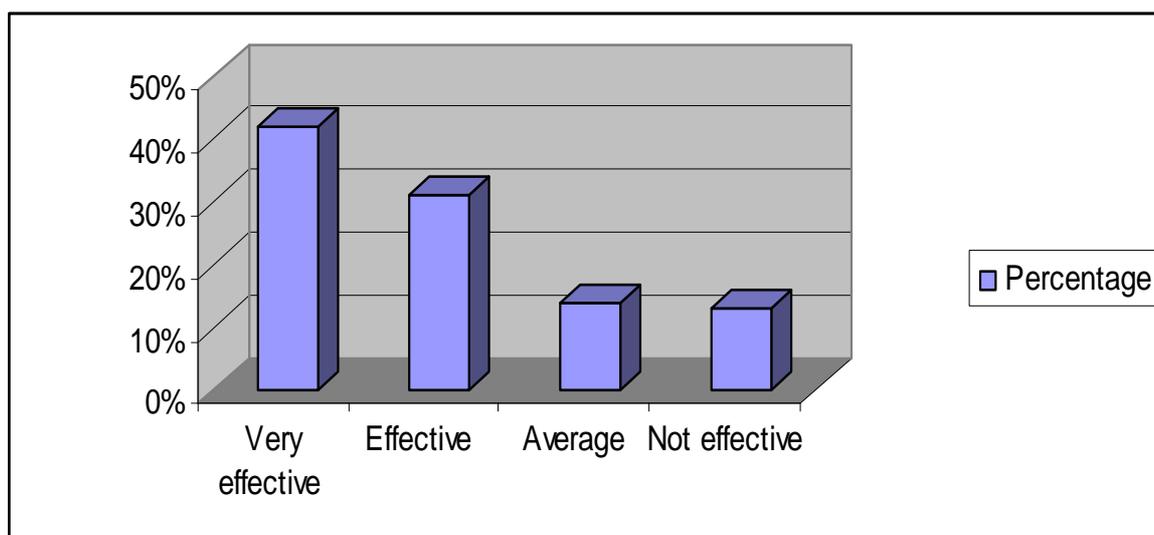


Figure 20: Rating the effect of IT on gaining competitive advantage

Questionnaires, which were the main data collection instruments, were obtained from the respondents and checked for completeness. Only questionnaires that were 80% complete were considered for data analysis and the overall response rate was checked if it was over 30% of the total sample size. The data obtained from the questionnaires was examined to detect errors and questions that were not answered properly, all the mistakes were analysed and poorly answered questionnaires exempted from the analysis process. This increased accuracy, consistency and reliability of the gathered facts. Data completeness and uniformity was maintained and this facilitated application of other data analysis techniques such as coding, data organization, data classification and tabulation.

Coding was the second process of qualitative analysis. It involved assigning the collected data in the questionnaires numerical values where the response rate of each respondent's category was determined, the respective response rates in each category were added together to present the total response rate, the percentage of each respective category response rate was calculated out of the total response rate which was 100 respondents. Coding ensured efficient analysis since it reduced the gathered data into a small number of classes that contained the most important information. The coded data provided systematic information that easily understood by the reader, creating greater understanding on how each independent variable affected the dependent variable. (Saunders 1994, 293)

Data collection templates were designed to classify different response rates amongst the respondents. The response rates on closed-end questions were assigned numerical values, which were entered into data collection templates. This involved the respondents who answered yes and respondents who answered no. The response from each respondent category

was classified in each. The relevant information was combined to help the researcher solve the research problems. Tables were used to present the analyzed data and charts to give a visual presentation of the study findings

Data organization was applied, where gathered findings were organized under respective respondents' categories, this involved organizing the obtained data into three categories to reflect the response rates of marketing staff, information technology staff and customers. Data reduction was applied to a smaller scale to ensure that all the gathered data was easily presented on the four categories. A large volume of raw data was reduced to a homogenous group to achieve a meaningful analysis.

Data was verified for errors and those identified and were corrected. The data was then interpreted and the findings summarized as shown in the conclusion section of the study. This assisted in establishing the study conclusion and recommendations.

4 Empirical section

This section of the study focused on the case company background, current operation, financial situation, Swot analysis and the researchers relate the effects of IT in marketing of services discussed in the theoretical section. The research also analyzes the case company's environment (country) to help the reader to visualize the situation and relate it to the findings of the research.

4.1.1 Case company-Safaricom

The case company, Safaricom, is the largest telecommunication service provider in Kenya and has been expanding its operation to many other regions in East Africa. There have been few competitors in the market and the number is still increasing. Therefore the study on the case company was of great interest to the researchers for their learning process and also to give some recommendations on the strategies to overcome the competitors. The field of technology is advancing and so the company needs to update its technology in order to meet the needs of the market.

4.1.2 Company background

Safaricom is Kenya's leading mobilephone operator having, 75% of total subscribers in the country. It was established in Kenya in 1997 as a fully owned subsidiary of telecom Kenya that was a government-owned entity. Safaricom has more than 1500 employees so as to satisfy fast growing market and has opened 10 major retail shops countrywide which include Nairobi(6),

Mombasa(2), Nakuru and Kisumu. It also has countrywide dealers network to manage distribution and selling of its services and products. To maintain and upgrade operations with advancing global mobile telecommunication, an inventiveness scenario has been created by having strategic business associations; association which add a value to global mobile communication initiative which helps in meeting the dynamic challenges of modern a mobile telecommunication. The strategic association with well established telecommunication companies such as Vodafone in a mobile telephony has created a niche in the Kenyan market. Safaricom has several roaming partners throughout the world. These roaming partners are countries' networks in mobilephone in order to achieve mobilephone communication. They sign roaming agreements so that a subscriber can use a mobile phone anywhere in the world if that particular company has signed a roaming agreement with a certain mobile telecommunication company in another country. when a Safaricom's subscriber is travelling, it has a traveler's department which provides information on using a mobile in a specific country since it has more than one roaming partners in some countries and hence advised on which one to use and is done automatically when the user arrives a country of destination. The roaming partners include, Vodafone in South Africa, UTL in Uganda, Wind in Italy, Orange in UK, Telefonica in Spain, Vodafone in Tanzania, Base in Belgium, Telenor in Norway, Swisscom in Switzerland, Sonera and Elisa in Finland (Ndegwa 2009)

4.1.3 Financial situation analysis

Balance sheet as at 31 March 2009

Kenya shillings(Millions)	31 st Mar 2009	31 st Mar 2008	% change
Non current assets	74,180	61478	20.7%
Current assets	17502	12887	35.8%
Total assets	91,682	74365	23.3%
Share capital	2000	2000	0.0%
Share premium	1850	1850	0.0%
Retained earnings	47403	36793	28.8%
Shareholder's funds	51147	42643	19.9%
Current & non current liab.	29224	22524	29.7%
Borrowings	11311	9199	23.0%
Total S/H funds & Liab.	91682	74365	23.3%
Gearing	12.0%	8.0%	4.0%

Table 9: The Company's balance sheet as at March 31 2009
(www.safaricom.co.ke)

A balance sheet is divided into three parts such as the liabilities, shareholder`s equity and the company assets. Therefore, a balance sheet is the financial summary of the company`s liabilities, shareholder`s equity and assets in a specific duration. It should follow the rule of law in which liabilities and shareholder`s equity equals the assets. The balance sheet also consists a gearing ratio, which reflects the company`s long-term capital structure, which is the company`s share capital.

Gearing is a tool used as a financial measure and compares the capital to the borrowings. It demonstrates how the owners compared to the creditors` funds are financing the company. Safaricom`s gearing is 12.0%, which is good; this shows that Safaricom is less risky due to its low gearing ratio. The implication of the low gearing shows the company`s ability to remain strong in business. The nature of the capital structure has an important implication for financial management purposes, and in this respect, the gearing is quite important. The importance of the gearing is that the fluctuations in net profit may have disproportionate effects upon the return accruing to ordinary shareholders in the case of high a geared company, and hence the pricing of ordinary shares on the stock exchange (Glautier & Underdown 2001, 182-183)

4.1.4 SWOT analysis

According to Kotler (2003, 76), SWOT analysis is an overall evaluation of a company`s strengths, weaknesses, opportunities and threats. Strengths and weaknesses are a company`s internal factors, over which a company can have some control or influence. Opportunities and threats are external factors. A SWOT analysis is a tool for auditing a company and its environment. Safaricom Company uses a SWOT analysis as the first stage of planning, controlling its operations and it helps them to assess their operations and the market in order to build a successful base in a market and win larger market share.

The global demand in mobile telephones have been increasing and global competition has been intensifying since Safaricom has been the only company in the market but currently it is facing several competitors that include Zain, Telkom Kenya, Econet and access Kenya. These are in the mobile telephone market and many other competitors are in the data market. Due to inflation which has which has lead to high a cost of food and weakening of Kenyan shilling- have become a greater threat to Safaricom. This has also led to a decline in the market share. Also the government increasing taxation in the service sector (16%) on mobile airtime is a major threat to the company`s output and profit. Safaricom has also been affected by the global slowdown, this in turn has lead many people not having money to spend, e.g. to call or buy the company`s products and services. This has resulted in declined demand on various Safaricom`s outputs.

Safaricom has a competent, stable and experienced management team which has brought success in the company. The company has qualified and well-trained staff. The main strength of Safaricom is the extensive network coverage of over 1900 base stations and a large distribution network. It has 350 dealers and 150000 points of presence making it available in many locations. Safaricom`s gearing is very low, making it stable financially and profitable.

There are numerous opportunities such as increased awareness of the company, company loyalty, and a large market share, uniqueness of Safaricom`s products to competitors, many base stations, and best quality of its products making it the best challenger. The differentiation of their products among the competitors has stabilised the company and their products are designed to meet the needs of people. Safaricom has the faster mobile internet services than the other service providers which have enabled the customers or subscribers to utilise fully affordable products from Safaricom. (Safaricom 2009)

4.1.5 Marketing mix analysis

This section links the theoretical part of the study that was of greater concern to the researchers. The 4ps discussed in the theoretical section are linked here to inform the reader how the case company operates.

4.1.5.1 Product

Information technology was noted to be a core factor that influenced the pace of the company product development. Since the company operates communication services as a major product, the use of modern information communication technology increased the quality of the company services and this generated high revenue since a big market share was acquired. Poor application of information technology impacted negatively towards development of various company product brands and this affected the demand of the organization services. The study established that some of the products offered by the organization failed to meet the demands of many customers in the target market. The product range affected delivery of a variety of services that matched with the needs of various customers. This was therefore established that it made it difficult for the company to obtain individuals in certain market segments and acquire a big market share in the communication industry. Most of the respondents rated the effect of product development on marketing of a communication service to be effective since the communication industry was very dynamic and customers were anticipating new products.

4.1.5.2 Distribution

The study established that the use of information technology facilitated application of effective distribution channels that enabled the company services to be available to many customers in markets located over long distances. However, it was established that the company experienced various distribution challenges such as network congestion and poor communication methods between distributors and retailers and this hindered many customers from accessing the company communication services. Most distributors lacked computerized distribution systems and this subjected much of the company distribution activities to manual procedures that were slow and ineffective. The geographic locations of some distributors were not convenient to many customers who have to travel over long distances to access communication services. Most of the marketing staff explained that low sales turnover was experienced in areas where distribution stations were not strategically located. Most respondents strongly agreed that the use of information technology facilitates effective distribution of the company's products.

Information technology has contributed to the introduction of computerized distribution channels, which has enabled customers located over long distances to access the communication services without physically presenting themselves to the airtime retail outlet. Use of a poor distribution channel inconveniences many customers and this creates a difficulty for a company to effectively distribute its communication services to many customers in the target market. It is difficult to obtain much higher levels of information regarding to consumers' taste and preference in a product.

4.1.5.3 Price

It was established that Information technology influence application of effective pricing methods that influenced positively on marketing of an organization's communication services. A majority of the respondents strongly agreed that pricing methods that were incorporated with information technology contributed to higher sales. The use of per-second billing methods and Jibambie, which is one of the flexible tariff methods, influenced most customers to purchase the company products since the prices were affordable. Application of ineffective communication methods made many customers to develop a negative perception about the company products and this discouraged most customers from using the company communication services. An increase or decrease in pricing policy was made more effective by the use of information technology since customers were always informed in time about new rates, which they voluntarily decided to change to. The study established that the use of ineffective pricing methods influenced many customers to seek their services from company rivals since the competitor's prices were low and easily affordable by many customers. Most of these respon-

dents explained that pricing methods that increased the cost of communication services made it difficult for Safaricom to market.

4.1.5.4 Promotion

The use of information technology influences application of effective promotion methods that increase sales revenue. However, promotion methods that fail to use a modern IT concept fail to contribute towards attracting and retaining many customers and this negatively affects marketing of communications services. Promotion methods such as advertising through SMS (short message services) and through internet facilitate the marketing of communication services to individuals located over long distances.

The study established that promotion was a major effect of information technology that greatly affected marketing of communication services. The use of information technology influenced the introduction and application of effective promotion methods that eased marketing of an organization's services in the target market. The study identified that the organization had effectively integrated internet technology in most of its promotion methods and this contributed towards attracting and retaining many customers in the target market. The use of dynamic web sites and electronic mail facilitated accessibility of much information about company products since online catalogues describing company products were posted on the company website and e-mailed to various customers. The study clearly revealed that, promotion methods that were not integrated with information technology tended to be ineffective as they failed to capture the attention of many individuals in the target market. Most customers explained that they were not persuaded to purchase company products when poor promotion methods were applied.

4.2 Kenya

This section of the study shows the environment of the company operation because it is important for the reader to understand some basic facts since working environments differ from one another based on economy, culture, population among others.

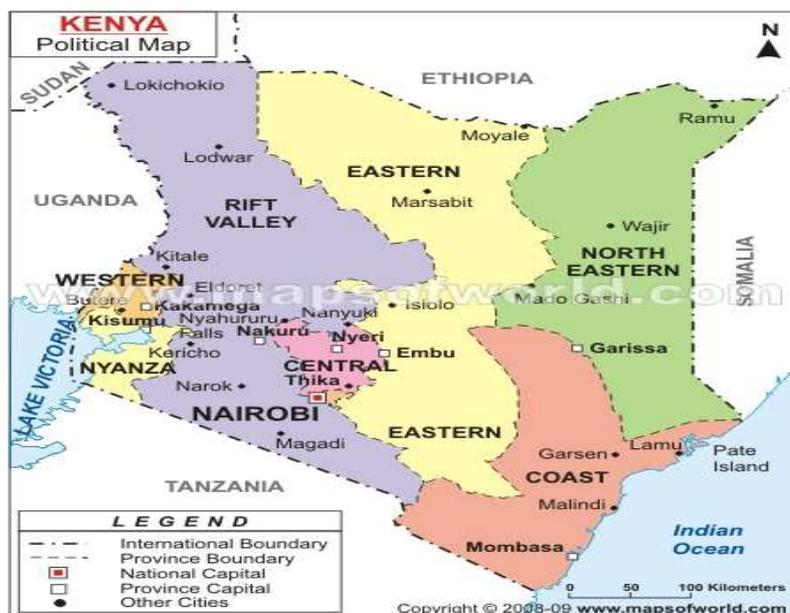


Figure 21: Map of Kenya.

Source www.mapsofworld.com

Kenya is located to the eastern side of Africa and is bordered to the north by Ethiopia, Somalia to the east, Tanzania to the south, Uganda to the west, and Sudan to the northwest.

4.2.1 Economy

The government of Kenya working in partnership with local and international organizations has promoted rapid economic growth through public investment, encouragement of small-holder agricultural production, and incentives for foreign industrial investment. Agriculture is the mainstay of Kenya's economy, contributing over one third of the Gross Domestic Product (GDP) (World fact book 2009)

The Kenyan government has taken measures to liberalize the economy through major reforms. The initiatives have included the removal of import licensing, price controls, foreign exchange controls, fiscal and monetary restraints and reduction of the public sector through privatizing publicly owned companies and downsizing the civil service. These reforms have resulted to improved economic performance. For example, in 2006, exports totaled 3.1 billion United States dollars with the main products being tea, coffee, horticultural products, petroleum products, cement, pyrethrum, soda ash, sisal and fluorspar. The major markets include Uganda, Tanzania, the United Kingdom, Germany, Netherlands, Ethiopia, Rwanda, Egypt, South Africa, and the United States. (Investmentkenya 2009)

Imports totalled 10.77 billion U.S dollars with the main products being machinery, vehicles, crude petroleum, iron and steel, resins and plastic materials, refined petroleum products, pharmaceuticals, paper and paper products, fertilizers and wheat. The major suppliers are the United Kingdom, Japan, South Africa, Germany, United Arab Emirates, Italy, India, France, the United States, and Saudi Arabia. (World fact book 2009)

Kenya's main industries are food and beverages processing, manufacture of petroleum products, textiles and fibers, garments, tobacco, processed fruits, cement, paper, pyrethrum products, engineering, wood products, pharmaceuticals, basic chemicals, sugar, rubber, and plastics products. Tourism is now Kenya's largest foreign exchange earning sector, followed by flowers, tea and coffee. In 2006, tourism generated \$803 million compared to \$699 million from the previous year. Consequently, there is a need to develop the country's infrastructure resulting in many opportunities in various sectors of the economy. African countries provide Kenya's largest export market followed by the European Union. The country benefits significantly from the Africa Growth and Opportunity Act (AGOA)-meaning that an investor in the country has access to a number of incentives that are offered in such markets. (Investment-kenya 2009)

4.2.2 Level of technology

Kenya being a developing nation has been advancing in technology at a fast pace. Communication is effective since there have been affordable means for different individual groups for instance in the past three years at least a greater population can afford a mobile-phone. Internet has been in use but not widely as it has been centered in the major towns and so accessibility has not been easy for everyone. However, fibre optics have been launched and the first one in Mombasa connects Europe, the Middle East and India to East Africa. The second one, which is in process in Nairobi, will establish a connection to the other towns in Kenya and finally to Rwanda through Uganda. In the past, Kenya was receiving the internet via satellite, which has been expensive, slow and unreliable, but fibre optics will contribute to a higher speed and affordability. This will help institutions, for instance banking to enhance their online services. (Bbcnews 2009)

4.2.3 Demography

Kenya has a diverse population that includes most major ethnic and linguistic groups of Africa. These range from traditional pastoralists, rural farmers, Muslims, Christians, and urban cities' residents contribute to the cosmopolitan culture, which is 22% of the total population. The standard of living in major cities, which was once relatively high compared to most of Sub-Saharan Africa, has been declining in recent years. (World fact book 2009)

The population of Kenya according to a July 2009 estimate is 39,002,772, taking into account the effects of excess mortality due to AIDS; this can result in lower life expectancy, higher infant mortality and death rates, lower population and growth rates, and changes in the distribution of population by age and sex than would otherwise be expected (World fact book 2009)

The age structure of Kenya's population is as follows: children from 0-14 years total to 42.3% (8,300,393 male and 8,181,898 female), from the age of 15-64 years comprise of 51.1% of the population (10,784,119 male and 10,702,999 female). 65 years and beyond represents 2.6% of the total population (470,218 male and 563,145 female).The population growth rate is 2.69%, with a birth rate of 36.64 births per 1,000 population while death rate is 10.3 deaths per 1000 population (World fact book 2009)

5 Conclusions

This section explains summary of the findings, conclusions and recommendations of the research study. These involved an in-depth explanation of the analyzed and presented findings in quantitative analysis. The research questions were analysed and the study conclusions were obtained from the findings. To ensure that the effects of IT impact positively on marketing of communication services the study presented several recommendations and a suggestion for further studies was encouraged to explore other effects of information technology that were not discussed in the study.

5.1 Purpose of the study

From the first section of this study, the researchers had one major objective, which was to establish the impact IT has on marketing of communication services of the case company. In order to achieve this, the study was further ctegorised in five major sections that the research questions were based. From the findings discussed in the earlier section, this can be summarized based on the said categories.

The study established that the use of information technology influences application of effective promotion methods that lead to realization of increased sales revenue. However, promotion methods that fail to use a modern IT concept fail to contribute towards attracting and retaining many customers and this negatively affects marketing of communications services. Promotion methods such as advertising through short message services and the internet facilitate marketing of communication services to individuals located over long distances.

The use of information technology accelerates the pace of product development and this facilitates effective marketing of communication services. The evolution and introduction of more effective communication services is greatly influenced by development of new information communication technology. New product development leads to a wide product range that influences attraction and retention of many customers. Lack of product development leads to loss of market share as the few products do not meet many customers' interests. This also negatively affects marketing of communication services in various market segments.

The study established that most respondents explained that distribution determined the place where an organization's communication services were delivered. From implementation of information technology, computerized distribution channels have been introduced and this has enabled customers located over long distances to easily access the communication services without physically presenting themselves to the airtime retail outlet. Application of inefficient distribution channel inconveniences many customers and this creates a difficulty in the organization's effectiveness to distribute its communication services to many customers in the target market.

The use of information technology influences application of effective pricing methods that lead towards generation of high revenue. Customers are easily informed about their airtime rates through short message services and other forms of pricing. The use of inappropriate pricing methods leads to offering of communication services at higher prices that are not affordable to many customers. Lack of computerized pricing methods creates a difficulty for the organization to effectively position its services in the target market and this negatively affects marketing of communication services.

The use of information technology has made it possible to many organizations to access a big market share in the communication industry and this has resulted to a difficulty for communication companies to acquire a big market share in the target market. For communication companies to manage in communication industry, the companies' management must incorporate IT in almost all organization operations since IT facilitates development of a competitive edge over the competitors. Lack of application of information technology creates a difficulty in the organization's effectiveness in managing competition and threats and these impact negatively on the marketing of communication services.

5.2 Summary of the study

The use of information technology has created many marketing opportunities that have enabled organizations to reach many customers in the target market. The effects of information technology have eased obtaining products' information, conducting

communications globally, such as through e-mail, voice mail, e-commerce and delivery of quality customer-care service. Application of effective promotion methods have been made effective by information technology and this has played a key role towards informing customers about new products and persuading customers to purchase the products.

Various advertising methods and other forms of promotional mix elements such as sale promotion, personal selling and public relations strategies have been developed and this has greatly affected marketing of communication services. Electronic promotion methods such as B2B marketing, online marketing and SMS promotions have become popular ways of marketing of communication services. Promotion is therefore a major effect of information technology that has transformed marketing in the communication industry.

Information technology accelerates the pace of product development. Communication and cooperation between the different departments such as marketing and R&D, have an essential role in the design process and improve the prospects of success for the product and product development project. Information communication technology has led to development of global system for mobile communications (GSM) technology that has enabled introduction of mobile phones in the local market, other communication technologies have also been developed and this has facilitated effective marketing of communication services. The pace of product development is therefore a major effect of information technology that affects marketing of communication services. The product range offered by the organization is a major factor that greatly affects marketing of communication services since development of a wide product range leads to delivery of many services that meet customers' demands. A narrow product range leads to delivery of few services that leads to loss of market share since only few customers' demands are achieved.

Marketing of communication services is greatly affected by the implemented distribution channel. Lack of effective distribution channel delays delivery of communication services to the target customers in various market segments. By information technology, computerized distribution systems have been developed and this has influenced delivery of quality communication services. Customers can easily load airtime in their cell phones and send money by SMS and customer-care services are effectively delivered to all customers in their respective locations. All these have been made effective by the use of information technology and this shows that distribution is a major effect of information technology that has impacted positively on marketing of communication services

Information technology has influenced introduction of new pricing methods such as billing rates for postpaid and prepaid services. This has eased penetration of communication services to various customers in different market segments. The pricing methods applied by the or-

organization determine the cost of communication services and this either attracts or discourages many customers. Most customers consider a price before making purchasing decision. Higher prices discourage customers and this makes the organization to lose market share in low-income market segments.

The use of information technology influences many organizations offering communication services to access the target market and this creates high competition rivalry. This greatly affects marketing of communication services by creating a difficulty in the organization's effectiveness in positioning its services in the target market. High competition is influenced by the availability of many other organizations that offer similar services in better terms. Competition can only be managed by employing strategic marketing tactics to counter other organizations' marketing strategies.

5.3 Recommendations

To ensure that the effects of IT influence positively on marketing of communication services the study provided the following recommendations.

The organization should incorporate information technology in all its operations and a latest and most effective information technology should be used. The organization should apply promotion methods that are integrated with information technology. This will contribute towards attracting and retaining of many customers in the target market. To achieve this, media advertising methods and sales promotion methods should be implemented. Promotion methods that do not persuade customers to purchase communication services should be avoided.

The organization should employ the latest information technology to speed the pace of product development. Research should be performed to determine the types of products that meet customers' demands and facilitate introduction of variety products to broaden the company's product range so that the demands of various customers in the target market are satisfactorily fulfilled. Communication services that are affordable should be introduced to target low-income individuals and this will contribute positively towards acquisition and retention of many customers in the target market.

Computerized distribution services should be implemented to enable all customers' access communication services all the time. The organization management should strategically locate the organization retail outlets in places that are easily accessible by many customers in the target market. The organization should develop a programme of having outlets in residen-

tial areas where many customers can easily access customer care services without traveling to town.

Effective pricing methods that are incorporated with information technology should be encouraged. The organization should introduce various prices for its services to suit the purchasing power of many individuals in the target market. Higher prices should be avoided in low-income market segments and the organization should design various services that are easily affordable by many customers.

Through effective use of information technology, the organization should employ strategic marketing techniques that counter the activities of competing communication companies. These should involve effective advertising and sales promotion methods. To achieve a competitive edge in the target market the company should first improve the quality of the services and design products that are easily affordable by many customers, especially in low-income market segments.

5.4 Suggestions for further studies

The research study focused its research activities on the major effects that were addressed by the specific objectives of the study. This contributed to the study not exploring other effects of information technology that affect marketing of communication services. Suggestions for further studies therefore encouraged to contribute towards identification of other factors that affect marketing of communication services and were not enclosed by this study. This will contribute towards establishment of more effective marketing strategies that eliminate the marketing problems experienced by Safaricom currently and in the future.

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Appendices

Appendix 1: Questionnaire

Background information

Instructions

Tick where appropriate

1. Gender :

Male

Female

2. Age:

20-30 yrs

31-40

41-50

Above 51

3. Education level

Secondary level

College level

University level

4. Working experience

Less than 5 yrs

5 yrs to 10 years

11 to 15 yrs

15 and over

SECTION 1

1. To determine the effect of promotion on marketing of communication services.

(I) Does promotion affect marketing of communication services?

Yes

No

(ii) How could you rate the effect of promotion on marketing of communication services?

Very effective

- Effective
- Average
- Not effective

(ii) Could you state some of promotion methods applied using information technology?

.....
.....
.....
.....

(iv) Could you briefly explain how promotion affects marketing of communication services?

.....
.....
.....

SECTION 2

1. To establish the effect of product development on marketing of communication services.

(i) Does product development affect marketing of communication services?

- Yes
- No

(ii) Is product development affected by information technology?

- Yes
- No

(iii) How could you rate the effect of product development on marketing of communication services?

- Very effective
- Effective
- Average
- Not effective

(iv) Could you state some of the factors that affect the use of information technology on development of company's products?

.....
.....

(v) What is the effect of product development on marketing of communication services?

Explain.....

.....

SECTION 3

3. To determine the effect of distribution on marketing of communication services

(i) Does distribution affect marketing of communication services?

- Yes
- No

(ii) The use of information technology facilitates effective distribution of company's products?

- Strongly agree
- Agree
- Slightly agree
- Strongly disagree
- Disagree
- Undecided

(iii) Could you state some of the applied product distribution methods?

.....
.....
.....

(iv) How does distribution affect marketing of communication services?

(Explain)

.....
.....
.....
.....

SECTION 4

4. To evaluate the effect of price on marketing of communication services.

(i) Does price affect marketing of communication services?

- Yes
- No

(ii) The use of information technology leads to application of various pricing methods?

- Strongly agree
- Agree
- Slightly agree
- Strongly disagree
- Disagree
- Undecided

(iii) Could you state some of the pricing methods that are facilitated by use of information technology?

.....

(iv) To what extent does price affect marketing of communication services?
 (Explain)

.....

SECTION 5

5. To assess the effect of competition on marketing of communication services.

(i) Does competition affect marketing of communication services?

- Yes
- No

(ii) Effective use of information technology helps the company to achieve a competitive edge and gain a big market share?

- Strongly agree
- Agree
- Slightly agree
- Strongly disagree
- Disagree
- Undecided

(iii) How could you rate the effect of information technology on gaining competitive advantage?

- Very effective
- Effective
- Average
- Not effective

(iv) How does competition affect marketing of communication services? (Explain briefly)

.....
.....