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APPLICATION OF ANSOFF'S GROWTH STRATEGIES BY INTERNET SERVICE PROVIDERS IN KENYA

BY

JACKLINE BITUTU WANYANDE

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DECLARATION

This research project paper is my original work and has not been submitted for a degree in this or any other university.

Signed: ____________________

JACKLINE BITUTU WANYANDE

D61/P/8508/99

Date: 09/11/06

This research project has been submitted for examination with my approval as University supervisor.

Signed: ____________________

MARGARET OMBOK

Lecturer, Department Of Business Administration, School Of Business, University of Nairobi

Date: 14-11-2006

DEDICATION

In memory of my late father Hezekiel Obino for his wisdom and love for knowledge that has always inspired me in my pursuit for education and knowledge

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ABBREVIATIONS

ADSL	Asymmetric Digital Subscriber Line
CCK	Communications Commission of Kenya
CDMA	Code Division Multiple Access
COMESA	Common Market for Eastern and South Africa
GOK	Government of Kenya
GPRS – EDGE	General Pocket Radio Service
I-BURST	Internet Burst (wide area broadband)
ICT	Information Communication Technology
ISDN	Integrated Services Digital Network
ISP	Internet Service Provider
IT	Information Technology
VOIP	Voice over Internet Protocol
VPN	Virtual Private Network
VSAT	Very Small Aperture Terminal

ABSTRACT

The purpose of this study was to establish the extent to which Ansoff's Growth Strategy has been applied by Internet Service Providers and the challenges they faced in its application. In this context the study examined the four Ansoff's growth Strategies namely: market penetration, market development, product development and diversification strategies.

The study was descriptive in nature. The population of interest consisted of all Internet Service providing firms in Kenya which according to a list obtained from Communications Commission of Kenya as at July 2006 numbered 28 firms. Given the small number of firms a census study was conducted. Primary data was collected using a semi-structured questionnaire. The questionnaire was administered to the respondents through drop and pick later method. However in most instances the researcher was available to clarify on issues, not well understood by respondents.

Primary data was collected using a semi-structured questionnaire and only 16 firms responded out of the 28 firms. Data was analyzed using frequencies, percentages, mean scores and standard deviation. Results showed that most firms applied Ansoff Growth Strategy with market penetration being the most widely used by Internet Service Providers. Respondent firms applied Ansoff's growth strategies of market penetration to a very large extent, market development to large extent, product development to a moderate extent and diversification to a small extent. The respondents stated challenges of its application to include IT piracy, perception of growth strategy, infrastructure and legal framework and lack of organizational IT policy.

It was recommended that internet service providing firms utilize Ansoff's growth strategy of diversification as a means of achieving growth within a rapidly growing and competitive sector. One limitation of the study was that the study included Internet service providers who were multi-nationally based but set up subsidiary firms in Kenya hence making the study not to be representative of Internet Service Providers in Kenya.

Another limitation is the continuous merging of the Internet Service Providers, whereby they appeared as independent Internet Service Providers on the list generated by the Communication Commission of Kenya and in essence they were merged entities. Only 57.1 response rate was achieved, had all the Internet service providers responded the findings would have been different.

It is recommended that a similar study be done on purely public sector Internet service providers because this study was based on current Internet Service Providers with 96% of the firms set up as private enterprises. This study recommends a further study of the application of other growth and success strategies such as operational efficiency and knowledge management on Internet Service Providers. Further more a study can be done purely on acquisition as a form of diversification within Internet Service Providers.

CHAPTER ONE

INTRODUCTION

1.1 Background

Strategic management is a managerial approach whose basic concern is the future of the firm and how the firm anticipates this future (Mbaya, 2001). It considers the future events against every business decision, and apparently, how skillfully business activities are carried out determines the eventual long – term success or failure of the firm (Campbell, Stonehouse and Houston, 2002). As a result of the turbulent and the competitive business environment, any firms' top management has no option but to engage strategy in their operations. Prahalad and Hammel (1990) stressed the need for any firm's top management to think beyond the current operations so as to develop a strategic intent which, they argued, shapes the organizations' future strategy and development, stretching it beyond its past and present achievements.

The benefits of strategic management to organizations are abounding in nature (David, 1991; Robinson, 1997). Nevertheless, in order to realize the benefits, a firm must undertake highly formalized planning processes and set clear objectives. Such objectives can be translated into targets against which performance can be measured and monitored. Lastly, resources can be allocated to specific objectives and efficiency judged thereafter.

The liberalization of the telecommunication sector has brought numerous challenges to firms whereby they are left with minimal options of either adopting new strategies or being pushed out of business as a result of stiff competition. Likewise, individual customers expect quality services, which meet their expectations and will always buy required services from those suppliers who offer the best products at premium rates.

However, the development and implementation of effective strategies is not the end in itself. There is need to undertake an evaluation since there are often major discrepancies between planned and realized strategy. Evaluation also enables the firm to develop the necessary response strategy. Rigid planning in a dynamic and turbulent business environment can be unproductive whereas rigid adherence to plans may translate into missed business opportunities (Thomson and Strickland, 2000).

1.1.1 Growth strategies

Growth strategies can be traced to a publication in the Harvard business review in 1957 by Igor Ansoff where they were represented in form of a strategic grid matrix. According to Kotler (2000) growth strategies are a game plan of determining the possible strategic directions that an organization can follow. Growth strategies focus resources on seizing opportunities for profitable growth (Johnson and Scholes, 2002). They alter a company's goals and business processes to challenge conventional wisdom, identify emerging trends, and build business. In some cases these strategies involve redefining the core competences (Charan et al, 1998). The strategies are therefore necessary in steering the organizations through the turbulent phases and to counter the numerous challenges.

The adaptation and application of growth strategies is of great essence to firms; they assist managers to redefine the future, success and growth of organizations. According to Mbaya (2001), top management decisions must focus on the future of the firm amidst competition and environmental turbulence. The benefits of growth strategies to organizations are abounding in the literature (Kotler, 2000; Johnson and Scholes, 2002). Ansoff's strategy matrix shows that growth strategies can help firms identify their future strategic direction, assist them in planning for growth, assist them in formulating a strategy and knowing which markets and respective products to serve in the market for success and growth.

According to Mbaya (2001), any organization needs a strategy because it defines the future success and sustained growth. Firms are threatened unless they adapt growth strategies to help them strengthen their competitive positions, furthermore they need to grow, expand into new market segments and introduce new products/services that meet customer needs more effectively.

1.1.2 Internet Service Providers

Internet service providers (Internet Service Providers) are business or organizations that offer users access to the Internet and related services. They offer a range of products and services that are tailored to always meet the ever-changing diversity of market demand. Products which Internet Service Providers offer to allow Internet accessibility include dial-up access, leased line and integrated services data network (ISDN). Other products include design service, hosting services, domain registration services and networking services. There are about 52 licensed Internet Service Providers operating in Kenya with 50 of them located in Nairobi.

According to the Communications Commission of Kenya (2005), the subscriber profile consists of an estimated one million Internet users with considerable monthly growth. This shows that access to the internet is no longer a luxury for many Kenyans but rather it is a necessity that serves as a foundation for education and life long learning initiatives access to knowledge, health care, government services, financial activity, entertainment and communication (Obuong', 2005).

The ISP industry is faced with a number of problems. Since the liberalization of the communication industry and subsequent formation of the Communication Commission of Kenya (CCK) as the industry's regulator, the policies pursued and the role of the state has continued to draw mixed concerns. The government has maintained a conservative stance when it comes to licensing more landline and mobile telephone companies. This has proved to be an impediment as Internet Service Providers are forced to get broadband connection from a limited number of companies at high cost.

Another key issue in the industry is unfair competition from unscrupulous dealers. There are many potential consumers who do not rely on legitimate carriers but on illegal service providers. Such providers are poised to offer calls (through VOIP) but at a considerably lower cost thus denying legitimate Internet Service Providers potential business thus forcing Internet Service Providers to create services with low profit margins but of high quality in order to attract and retain customers.

1.2 Statement of the Problem

The Internet is a powerful tool of communication whose vitality in any economy cannot be overlooked, mainly because it enables data to be transmitted worldwide through a publicly accessible system of interconnected computer networks. Internet Service Providers play an important role in the communication industry by facilitating Internet accessibility to both individual and corporate subscribers who can then interact, as they so desire with the outside world.

The liberalization of the telecommunication sector and subsequent shift of governments' role from that of provider of ICT services to a more regulatory one has seen tremendous growth of Internet Service Providers in Kenya (Opiyo, 2003). Due to the upsurge in numbers, Internet Service Providers have found themselves in a situation whereby they are confronted by a myriad of challenges such as fierce competition for clients and eroded market share for individual firms. Mbaya (2001) notes that in the Internet business, six months plans are obsolete, therefore future success and sustained growth for many of these firms is threatened unless their management adapts strategic management to help in formulation and implementation of strategies that strengthen their competitive positions.

Internet service providing firms in Kenya need to grow in terms of market share and this will require the adoption of growth strategies. . It is however not known whether they pursue any growth strategies (Ansoff,1990). A starting point was to conduct a study to determine the strategies they had adopted in pursuit of growth.

Similar studies have been done to determine the extent of application of Ansoff's growth strategy (Njoroge, 2003; Kiilu, 2004) these studies were mainly industry specific. On a study on the application of the diversification strategy on the Nation Media Group (Njoroge, 2003) the results indicated a related form of diversification as a widely applied strategy. Kiilu (2004) found out that the extent of application of Ansoff's growth strategy in the public sector was still too low and sited challenges of its application to include; lack of understanding, beauracratic systems, procedures and strategy implementation.

In recognizing the role of these studies, we noted that they might not be applicable in the telecommunication sector as the findings were industry-specific and no research had been conducted on the application of Ansoffs growth strategies by Internet service providers in Kenya. This study sought to determine the extent of the use of Ansoff's growth strategies and challenges of its application.

1.3 Objectives of the study

(i) To establish the extent to which Ansoff's Growth Strategy model had been employed by Internet Service Providers.

(ii) To establish the challenges the Internet service providers faced in the application of the Ansoff's Growth strategies if any.

1.4 Importance of the study

The result of this study may be of use to the following:-

(i) Internet service providers. Internet Service Providers management will get to know the crucial matters they need to work on, thereby providing a starting point to focus on areas of service and quality improvements.

(ii) Other scholars and researchers may use the outcome of the study as a reference point and basis for further research.

(iii) Ministry of Communication. The use of ICTs in Kenya has increased even though there is no comprehensive policy framework. In the 9^{th} National Development Plan (GOK, 2002) the government intends to develop a policy on ICTs. This study is timely as it would give insights on issues that can be adopted by the ministry.

(iv) The industry regulator CCK. Help in evaluating the quality of services offered by Internet Service Providers as well as enhance level of the playing field.

CHAPTER TWO

LITERATURE REVIEW

2.1 The Concept of Strategy

Ansoff (1990) asserts that the concept of strategy entered business vocabulary in the 1950s, when response to environmental discontinuities became important. Strategies are frequently not made explicit; they are either a private concept shared only by the key management, or diffusely understood but seldom-verbalized sense of common purpose throughout the firm (Buzell, 1987). According to Grundy (2003), strategy is a system concept, which gives coherence and direction to growth of a complex organization. McDonnel (1999) defines strategy as a set of decision-making rules for guidance of organizational behavior. The four distinct types of such rule include yardsticks (objectives) by which the present and future performance of the firm is measured; rules for developing the firm's relationship with its external environment; rules for establishing the internal relations and process within the organization and the firm's operational policies.

The process of strategy formulation results in no immediate action. rather, it sets the general directions in which the firm's position will grow and develop. Therefore, strategy must next be used to generate strategic projects through a search process (Page, 2001). The role of strategy in search is first to focus on areas defined by the strategy, and, second to filter out and uncover possibilities, which are inconsistent with the strategy. Thus strategy becomes unnecessary whenever the historical dynamics of an organization takes it where it wants to go. At the time of strategy formulation it is not possible to enumerate all projected possibilities, which will be uncovered. Therefore strategy formulation must be based on highly aggregated, incomplete and uncertain information about classes or alternatives (Campbell, 2002). When search uncovers specific alternative the more precise, less aggregated information, which becomes available may cast doubts on the wisdom of the original strategy. Thus, successful use of strategy requires feedback.

A strategy, which is varied under one set of objectives, may loose its validity when the objectives of the organization are changed. Strategy and objectives of a firm are interchangeable. Therefore some attributes of performance (such as market share) can be an objective of the firm at one time and its strategy at another. Further, as objectives and strategy are elaborated throughout an organization, a typical hierarchical relationship results: elements of strategy at a higher managerial level become objectives at a lower one. A strategy, therefore, is an elusive and somewhat abstract concept (Page 2001). Its formulation typically produces no immediate productive action in the firm. About all, it is an expensive process both in terms of money and managerial time.

Since management is a pragmatic results oriented activity, it remains important to ask whether an abstract concept, such as strategy, can usefully contribute to a firm's performances. Ansoff (1990) notes that the history of business abounds with clear examples of deliberate and successful use of strategy. A keen business observer can always discern a unique strategy in a majority of successful firms. Strategy is a potentially very powerful tool for coping with the conclusions of change which surround the firm today: but it is complex, costly to introduce, and costly to use. Nevertheless. there is evidence that it more than pays for itself. Strategy is a tool which offers significant help for coping with turbulence confronted by firms whether for profit (Njogu, 2004; Nyakiore. 2004; Kokwaro. 2004) and not for profit (Ratemo, 2004); as well as government organizations (Njoya. 2004) and a broad spectrum of social organizations (Ansoff, 1990). Therefore. strategy merits serious attention as a managerial that can help steer an organization during moments of turbulence.

It is important to know when recourse to an explicit strategy becomes important. Pearce (2001) and Robinson (2002) have argued that is necessary to formulate strategy when rapid and discontinuous changes occur in the environment of the firm. This may be caused by saturation of traditional markets, technological discoveries inside or outside the firm. and/or a sudden influx of new competitors. Under the conditions, established organizational traditions and experience no longer suffice for coping with the new opportunities and new threats.

Without the benefit of a unifying strategy, the chances are high that different profits of the organization will develop different, contradictory and ineffective responses. Marketing will continue struggling to receive historical demand; production will make investment in absolute lines, while Research & Development will innovate new products based on absolute technology. Conflicts will result, and reorientation of the firm will be prolonged turbulent and inefficient. In some cases the reorientation will may come too late to guarantee survival.

When a firm is confronted with discontinuities, strategy becomes an essential and badly needed managerial tool. An explicit new strategy also becomes necessary when the objectives of an organization change drastically as a result of new demands imposed on the organization by the society or market (Cole, 2005). This is precisely what is happening today in many businesses such as Internet Service Providers. There are a number of difficulties encountered in implanting strategy formulation. In most organizations, the pre-strategy decision making processes are heavily political in nature (David, 2001). Strategy introduces elements of rationality, which are disruptive to the historical culture of the firm. In this case, a natural organizational reaction is to fight against the disruption of the historical culture and power structure, rather than confront the challenges passed by the environment.

Also. introduction of strategic planning triggers conflicts between previous profit-making activities and new innovative activities (Pearce, 2002). Organizations typically do not have the capability, the capacity or the motivational system to think and act strategically thereby calling for the use of consultants (Obuong', 2005). Lastly, organizations lack information about themselves and their environment, which is needed for effective strategic planning; not do they have the managerial talents capable of formulating and implementing strategy (Ansoff, 1990).

2.2 Growth strategies

Growth strategies focus resources on seizing opportunities for profitable growth. According to Brian (1996), evidence suggests that their profits grow through increasing revenues, which can boost stock price between 25 to 100 percent higher than profit growth by reducing costs. Growth strategies assert that profitable growth is the result of more than good luck - it can be actively targeted and managed. Growth strategies alter a company's goals and business processes to challenge conventional wisdom, identify emerging trends, and build are business. In some cases these strategies involve redefining the core.

According to Charan et al (1998), growth can be achieved through different methods. Deciding how to develop the chosen strategy is the next step in strategic choice. Growth strategies include: internal development, acquisitions and joint development. Internal development means developing the strategy by the firm themselves for example, if the firm's strategic direction is market development into another region, this would mean raising finance, setting up another operation base, marketing and selling in the new region and building up the organizations reputation and market share from zero base. When the long-term strategy of a firm is based on growth through acquisition of one or more similar businesses operating at the same stage of the production for example, marketing chain, its grand strategy is called horizontal integration. When the grand strategy of a firm involves the acquisition of businesses that either supply the firm with inputs or serve as a customer for the firm's outputs, vertical integration is involved (Johnson and Scholes, 2002).

Acquisition is the most popular means of diversifying into another industry. Not only is it a quicker way to enter the target market than trying to launch a brand-new operation from the ground up. It also offers an effective way to handle such entry barriers as acquiring technological experiences, establishing supplies relationships, becoming big enough to make rival's efficiency (Thomson and Strickland 2002). There are lower risks since it is buying a successful business, one fewer competitor, can buy expertise, for example about products or markets, which may be difficult to generate internally, economies of scale in terms of marketing one brand and can overcome legal/regulatory barriers such as buying a company with patent rights. Joint development. Types of joint development include: Joint ventures, strategic alliances, franchising, and licensing (Charan et al, 1998).

2.3 Ansoff's growth strategies

The most common model for analyzing the possible strategic directions that an organization can follow is the Ansoff's Matrix (Kotler, 2000).

Figure 2.1 Ansoff Growth Strategy Matrix

		Product	
		Existing	**New**
MARKET	**Existing**	Market Penetration (increase market share)	Product development (new or (new or improved product)
	New	Market Development (new customers, new market segments or new countries for existing products)	Diversification (new products into new markets)

Source: Kotler (2000). Marketing Management, Millennium Edition, New Jersey; Prentice Hall, pp7

This strategy was first published in the Harvard Business Review in 1957 and has remained popular since then. Ansoff's Matrix is a strategic grid that can help firms identify their future strategic direction, and is often used when firms are planning for growth. The matrix itemizes four basic ways in which a firm can develop its portfolio of products and markets, but importantly also emphasizes the degree of risk of each approach. To portray alternative corporate growth strategies, Igor Ansoff presented a matrix that focused on the firm's present and potential products and markets (customers). In this model potential areas where competencies, and generic strategies can be deployed can be depicted in four broad alternatives: market penetration, market development, product development and diversification as shown above.

2.3.1 Market Penetration Strategy

Market penetration is a strategy of expanding sales based on existing products in existing markets (Lancaster, 1988) and it involves the same services being pushed into the same largest consumer group. Kotler (2000) explains this as a case where products remain unchanged and no new segments are pursued. Instead, the firm concentrates on enhancing its existing internal competencies as well as building new ones which would enable it to push further into the existing markets. McCarthy (2000) confers that market penetration means trying to increase sales of a firm's present products in its present markets through a more aggressive marketing mix. The firm may try to increase the customer's rate of use or attract competitor's customers or current nonusers. This strategy is easiest to pursue in the introduction and growth stages of an industry, as all competitors can grow together and the perceived level of rivalry is low. At the mature and decline stages however, continued growth comes through taking a share from competitors.

A market can be penetrated through adoption of a superior marketing mix (Salmon, 2001). To adapt to the opportunities and limitations imposed by the environment requires the use of certain variables which include price, place, promotion and product. The variables present the working tools needed to penetrate a market. The overall objective remains to unite these tools into an organized and integrated program (Engel 2002) and the goal is to maximize long run return on company investment. Each variable contributes in unique fashion to the overall objective of market penetration.

Firms should come up with product polices whose purposes are to adopt to the target market through design of products which successfully aims to satisfy the needs, desires, attitudes and other influences which will motivate the target buyers (Stonehouse et al, 2006). Moreover, the product must be created and marketed with full awareness of competing brands, legal restrictions and probability estimates that economic circumstances will facilitate and adequate level of demand to provide a profit over the product life cycle (Porter, 1980). Available production facilities and managerial talents also affect product pricing.

A price policy is necessary to ensure that the service is offered to the prospective buyer at a price, which will produce an acceptable return on investment (Grundy, 2003). The price chosen must be carefully tuned to buyer willingness to pay or the resulting revenues will be insufficient to provide the necessary return on investment. Competitor's actions also assume crucial importance, especially when a limited number of firms offer highly similar products (Sanchez and Heene, 1997). A price change by one is certain to be matched by others, and a price war can be an ever-present danger. Likewise, economic conditions frequently affect the buyer's willingness to pay a premium price for certain products.

Products must be made available when and where the buyer dictates (Salmon, 2001). Place is concerned will all the decisions involved in getting the right product closest to the willing buyer. Promotion involves telling the target market about the 'right' product. Promotion includes undertaking a situation analysis, establishment of objectives and determination of budget and management of program elements. (Engel, 2002). At this stage it became important to blend methods such personal selling, mass selling and sales promotion (McCathy, 2002). The variables in the marketing mix should all be tied together and aggressively implemented to ensure a successful market penetration (Kent, 1988).

Selection of a target market and developing a marketing mix are interrelated. The needs of a target market virtually determine the nature of the appropriate market mix. Firms should thus explore ways of identifying attractive market opportunities and developing appropriate strategies. Internet Service Providers can use the strategy by attempting to sell more of the same products or services in the current market and aim at trying to change incidental clients and regular clients into heavy clients. Internet Service Providers can do this by improving on their quality and service delivery.

Consumers are steadily becoming enlightened and hence expect value for the services they pay for (Opiyo, 2003). They require, for example, unlimited and uninterrupted access to the Internet at high speeds so that their communication requirements are not disrupted. In instances where consumers feel short-changed in terms of the services they are receiving, it may be difficult for the firm concerned to attract new clients, as they may be well aware of the reputation and disadvantages of subscribing to particular Internet Service Providers. Secondly in order for Internet Service Providers to penetrate the market, they need to improve on efficiency so as to reduce operation costs below those of competitors.

Campbell (2002) asserts that competence development may be centered on improving efficiency so as to ward competitors. Pursuance of efficiency can be done through streamlined designs and reduction in overheads. Stonehouse et al (2002) explained that declining markets are more difficult to penetrate than those still in the growth stage. Internet Service Providers in Kenya encounter a market that is in the growth stage and present an opportunity that is far from being fully tapped. Despite the low level of infrastructure development existing in the country, Internet Service Providers should strive to penetrate the market further through efforts like repositioning the brands, launch of new promotions and make impact through advertising.

The advertising objective should be set whereby the primary objective would be to inform, persuade or remind the target audience (Kotler, 2000). Building the market or taking share from the competitors requires larger advertising spending them does simply maintaining current share. Internet Service Providers should be eager to increase their budgets this will offer short term incentives to encourage purchase of their products.

Internet Service Providers are able to capitalize by using this strategy despite the increased advertising budget, the firms can leverage on their existing resources and capabilities. In order to pursue the strategy, the firms need to consider issues like growth of present market, strength of the competitors, ability to increase volume of sales, ability of customers to consume more frequently and the strength of brand awareness. However, in cases of a declining market, Internet Service Providers may also consider the possibility of withdrawal so that they can re-deploy resources to more lucrative markets. When Internet Service Providers face serious challenges in penetrating the market, especially when the current market show signs of saturating, it may be wise to consider alternative directions for development.

2.3.2 Market Development Strategy

McCarthy (2002) defines market development as a means of trying to increase sales by selling present products in new markets. Market development is based upon entry to new markets or to new segments of existing markets while employing existing products. It consists of marketing present products to customers in related areas. The customers could present untapped vehicles for growth, virgin geographies or other new opportunities. According to Doyle (1994), the strategy consists of marketing present products, often with cosmetic modification to customers in related markets areas by adding different channels of distribution, or by changing the content of advertising of promotional media.

A firm can develop a market through segmentation (Johnson, 2002). The proposition is that segmenting a market produces the beginnings of a sound penetration strategy (Yonkalevich, 1984). It is necessary to conduct a segmentation analysis, which is built upon certain request premises. In today's economy, each product or brand appears to sell effectively to only certain segments of any market and not to the whole market (Engel, 2002). Sound marketing objectives depend on knowledge of how segments, which produce the most customers for a company's brands, differ in requirements and susceptibilities from the segments, which produce the largest number of customer for competitive brands (Warshaw, 2002).

The segmentation analysis is the most pragmatically useful way of segmenting a market. It aids in appraising competitive strengths and vulnerabilities that will allow for determination of the advertising and selling strategy (Engel, 2002). Specifically, segmentation analysis helps to direct the appropriate amounts of promotional attention and money to the most potentially profitable segments (Yonkelovich, 1984). The analysis also helps to design a product line that truly parallels the demands of the market instead of one that bulks in some areas and ignores or scants other potentially quite profitable segments (Britt, 1988). It also enables choosing of an advertising media more wisely and determines the proportion of budget that should be allocated to each medium in light of the anticipated impact (Yankelovich, 1984).

Engel (2002) suggests three criteria that before segments become usable. The segment should be of sufficient size and market potential to warrant a firm's expenditure of marketing funds. Secondly it should be possible to reach the segment through the media and lastly the segment should show clearly the variations in market behavior in comparison to other segments. McCarthy (2000) comes up with a fourth criterion that segments should be operational and the segmenting dimensions should be useful for identifying customers and deciding on marketing mix variables.

In market development strategies, various dimensions may be used to segment markets. McCarthy (2000) clusters these dimensions as behavioral, geographic and demographic. Behavioral dimensions include needs such as economic and social, the benefits sought, the rate of use, the purchase frequency and information required. Geographic dimensions include regions of the world, regions in country and size of city. Demographic dimensions are income, sex, age, occupation, education and social class. Another way of developing a market is through a planning and undertaking a whole marketing program (Perreault, 2000). A marketing plan includes the time related details for a strategy while a marketing program combines the firm's marketing plans. Estimates of target market potential and how much a firm hopes to sell to a market are necessary for effective strategy planning. The market potential needs to be first judgment before estimates of what share of particular firm may be able to win with its particular marketing mix.

Firms may also try advertising in different media to reach new target customer (Biemans, 1992). Market development may also involve searching for new users for a product.

In order for Internet Service Providers to enter new markets, apart from leveraging existing competencies, which include resources, skills and technology, they also need to develop new competencies. Entering new segments of existing markets may require the development of new competences that serve the particular need of customers in these segments. By the Communication Commission of Kenya (CCK) granting the two cellular network operators (Safaricom and Celtel) international Internet gateway license, which had been a monopoly of Telkom Kenya, the mobile phone companies must have developed competence in the new segment of connecting Internet Service Providers. The major risk of market development is that it centers on entry to markets of which the business may have only limited experience (Campbell 2002). As result of the lack of knowledge and experience when entering new markets, firms may make judgmental errors that could damage their profitability (Kiilu, 2004.)

Internet Service Providers can adopt the strategy of market development in Kenya, as this market is not fully developed. The provision and development of infrastructure especially in rural areas present opportunities waiting to be exploited. A number of Internet Service Providers have taken up the initiative and captured markets in major towns like Mombasa, Kisumu, Nakuru, Kericho, Eldoret and Nyeri. However, a major deterrent facing Internet Service Providers is financial limitation. Though adopting this strategy is rewarding, the costs of moving into new geographical markets is highly prohibitive.

2.3.3 Product Development Strategy

Pearce and Robinson (2001) recognize that Product Developing Strategy involves marketing new products to existing customers. The company grows by innovating, gradually replacing old products with new ones. The firm develops potential new products based on customers wants and needs through new product technologies and develops different quality levels. This strategy may be appropriate if the firm's strengths are related to its specific customer rather than to the specific product itself. In this situation, it can leverage its strengths by developing a new product targeted to its existing customers. Similar to the case of a new market development, new product development carries more work than simply attempting to increase market share (Gultinan and Madden, 1997).

Egan and Thomas (1998) stated that loyal customers are return customers and therefore are very valuable to the business. The firm could investigate the ability to add new features to the product, possible creating a new version. New products giving extra benefits based on new features can be the motor for increased sales and market share. Thompson and Strickland (2001) state that when product life cycles are short as with software or consumer electronics, product development becomes an essential requirement of an organizations strategy. Product development involves substantial modification of existing products or creation of new but related items that can be marketed to current customers through established channels. The product development strategy is often adopted to either prolong the life cycle of current product or take advantage of favorable reputation and brand name. The idea is to attract satisfied customers to new products, as a result of their positive experience with the company's initial offering.

Doyle (1994) states that some of the many specific options available to firms undertaking product development are developing new product features, developing quality variations and developing additional models and sizes (product profile action). Product development involves selling additional product to current customers, examples include Dell computers, and Pelican Signs whereas market development requires marketing and selling skills. Kotler (2000) gives further examples such as Sears, Roebuck and Company, which expanded, into such areas as insurance and income tax services. Once consumers are purchasing merchandise from Sear's, the company's personnel can presumably sell to them other services. Restaurants in hotels and movie theatres concession stands are other examples.

Another type of direct market linkage is exploited when a company uses the distribution channel different products (Schulz, 1999). Similarly, Bic exploited synergies in distributing dispensable cigarette lighters and safety razors through the same outlets that it had developed to sell its highly successful dispensable ballpoint pens. Another type of product development is the use of brand identification to develop and market lately unrelated product, a vivid example in recent times is the brand line of product, tied to the immensely popular star wars films; toys, clothing, comic books, and so on. The success of the Head metal tennis request can be directly attributed to the successful, high-quality brand image gained by the original Head Skis. Similarly, Porsche Sunglasses and polo shirts capitalize on the Porsche image.

2.3.4 Diversification Strategy

Diversifying is a business growth strategy, which takes the organization away from its current market or product or competencies. McCarthy (2002) says that diversification is a strategy that involves moving into totally different lines of business - perhaps entirely unfamiliar products, markets or even levels in the production marketing system. Kleinschimidt (1986) describes diversification as a strategy that presents, the most challenging opportunities, as it involves both new products and new markets. The further the opportunity from what the firm is already doing, the more attractive it may look to the optimists and the harder it will be to evaluate. Opportunities vary different from a firm's current experiences involving higher risks.

Diversification is the most risky of the four growth strategies since it requires both product and market development and may be outside the core competencies of the firm (Doyle, 1994). Whether a firm pursues this strategy will depend on the situation of the market, the business cash reserves and the skills of staff to take on new product lines. It makes sense when good opportunities can be found outside the present (Kotler, 2000). The reasons given by firms for pursuing this strategy includes risk reduction earnings stability, synergy, growth, adapting to customer needs, and the use of spare resources (Whiteley, 1997; Schulz, 1999). Moreover, diversification becomes an attractive strategy when a company runs out of profitable growth opportunities in its present business (Thomson and Strickland, 2000).

In most cases whereby firms have diversified, many times these movements are the result of acquisitions rather than a new product program (Moore, 1993). According to Kay (1995), diversification can be applied by firms in mostly two forms: Related diversification and unrelated diversification. Related diversification is said to have occurred when the products and/or markets share some degree of common semblance with the existing ones. In this case, the closeness of products offered could reduce the risk of diversification, as this strategy is one that entails uncertainty. In practice, related diversification usually means growth into similar industries, a forward or backward in a business existing supply chain.

Under related diversification there is vertical integration that describes either backward or forward integration into adjacent activities, which are concerned with the inputs into the company's current business. For example raw materials, machinery and labor are an important inputs to a manufacturing company, so the acquisition by a car manufacture of a component would be related diversification of background integration. Forward integration refers to development into activities that are concerned with a company's outputs, such as transport, distribution, repairs and servicing (Johnson & Scholes, 2002). According to Kotler (2000), unrelated diversification also referred as conglomerate is diversifying into a completely different industry. Occasionally a firm, particularly a very large one, plans to acquire a business because it represents the most promising investment opportunity available. The principle and often-sole concern of the acquiring firm is mostly the profit pattern of the venture. There is little concern given to creating product/market synergy with existing business (Pearce and Robinson, 2001)

Studies of big business in many countries suggest that there was an increasing trend towards diversification by firms from the 1950's onwards. The typical large firms, nowadays, are therefore diversified, although the degree of diversification differs. During the 1980s Schulz (1999), the fashion for diversification slowed down somewhat and some diversified firms went into reverse and began to divert themselves of some of their activities. These trends, fit to greater diversity and later away from diversification were closely related to changes in acquisition activity in the US and the UK.

There are many reasons for a firm to diversify. Whiteley (1997) groups these reasons as risk reduction, earnings stability, synergy, growth, adapting to customer needs, and the use of "spare" resources. According to Rodrick (2003), another possibility is that some firms could use a brand name developed in one activity to charge more than an independent firm could in another activity but this also sounds dubious. It is probable of course that firms such as Sony or Glaxo benefit from their brand names as long as they concentrate on their core business.

Johnson and Scholes (2002) argue that diversities do not make sense in economic terms but not for all firms, or for the same firm all the times. This depends specifically on the availability of the capabilities developed by the firm and the potential for transferring or sharing these capabilities to exploit new opportunities for adding value. It depends essentially on the existence of economies of scale and the fact that because of transactional problems it is often difficult for firms to capture the sense or profits of any under-utilized skills and other organizational assets or capabilities by selling them to someone else. Gultinan and Madden (1997) state that the only way to capitalize fully or available resources and capabilities is then to diversify. However not all firms with strong skills and other assets built up in their current activities will necessarily be able to identify new opportunities for exploiting these in a value adding way. Some capabilities will be easier to exploit than others. Some firms may not even be aware of the potential value of their resources and capabilities and so fail to consider utilizing them more fully.

Firms in some industries diversify more successfully than other firms in other industries. This is probably because the nature of the skills, capabilities and competencies built up in some firms is easier to transfer and/or share then in other firms. In some firms, say steel processors, the skills and capabilities, developed may be substantial but too specific to steel processing to be transferred or shared. In other firms, say a chemicals processors, there may be better opportunities for exploiting capabilities.

According to Schulz (1999), firms should diversify but only for the right reasons. There is likelihood through the history of diversification, that diversification was not always pursued for the right reasons. For instance, there was probably an element of fashion in the risk of diversification in the 1960s because the of the attention given to certain business leaders who promoted aggressive diversification, consultants and business school gives who advocated diversification for all sorts of reasons. Many placed emphasis on synergy, and is precisely what they thought the ultimate purpose of productive enterprise was. Firm's therefore, need to be careful about the attractions of diversification and clear on the ultimate purpose in pursuing it.

The communications industry is extremely dynamic and new products are being innovated much too often. Usually firms find it attractive to fairly close to markets, they already know. This may allow them to capitalize on changes in their present markets or more basic changes in the external environment. Most firms prioritize market penetration to increase profits where they already have experience and strengths (Rothwell, 1990). Firms which understand their present markets well, may also see opportunities in product development because they already have a way to reach their present customers. Firms that already have a big market share can consider market development, as this will help them find new markets for its present products including expanding regionally and nationally (Goltz, 1986).

2.4 Summary of the literature review

The literature review covers the concept of strategy, growth strategies and Ansoff's growth strategies. The adaptation and application of growth strategies is of great essence to firms; they assist managers to redefine the future, success and growth of organizations. Ansoff's strategy matrix shows that growth strategies can help firms identify their future strategic direction, assist them in planning for growth, assist them in formulating a strategy and knowing which markets and respective products to serve in the market for success and growth. Internet service providing firms in Kenya need to grow in terms of market share and this will require the adoption of growth strategies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research design

Descriptive survey was used to establish the extent to which Internet Service Providing firms had adopted Ansoff's growth strategies. According to Donald and Pamela (1998), studies concerned with finding out who, what, which and how of a phenomenon are descriptive designs. Njoroge (2003) and Kiilu (2004) had successfully used descriptive design in related studies. Survey is the most appropriate research design in descriptive studies because the research findings are significant, non-biased and accurate (Creswell; 1994).

3.2 Population

The population of interest of this study consisted of all Internet service providing firms in Kenya. According to the Communication Commission of Kenya (CCK), there were a total of 28 Internet service providing firms in Kenya. Given this relatively small number of firms, a census study was conducted.

3.3 Data Collection Methods

Primary data was collected using a semi-structured questionnaire. The questionnaire was be dropped at respondents' place and picked later. Follow up was conducted by phone to confirm response. Respondents were managers responsible for strategic decisions or their equivalents. The data collection instrument was divided into two parts: Part one contained questions on general profile of the firm, part two contained questions on; different types of internet services, the extent of use of Ansoff's Growth Strategy and the challenges they faced in using each of the growth strategies.

3.3.1 Operationalization of Ansoff Growth Strategies

Ansoff growth strategies include market penetration, product development, market development and diversification. In order to determine the extent of application of these strategies they have been operationalized (Appendix iv). Likert scale has been used to determine the extent to which firms in industry apply the dimensions of Ansoff growth strategies.

3.4 Data Analysis Techniques

This was a descriptive study. Descriptive statistics were used to analyze data. On part (a) use of frequency and percentages was employed. Part (b) mean scores, standard deviation, frequencies and percentages were used. The analyzed data was presented in form of tables.

CHAPTER FOUR
DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter gives a detailed analysis of the data collected and presents the findings. The data has been analyzed and presented in form of frequency tables, percentages, means and standard deviations. The first section presents an analysis of the respondents profile in frequency tables and percentages. The second part presents an analysis of the firms extent of application of Ansoff's growth strategies.

Mean scores were used to determine the extent of Ansoff's growth strategies by internet service providers on a 5-point likert scale ranging from "very large extent" (5) to "no extent" (1) questions. Standard deviations were used to determine the varying degree of the expanded definitions of the dimensions of Ansoff's growth strategies.

4.2 Profile of firms

This section analyzes the firm's coverage. number of years of operation and staff size. The data has been analyzed using frequency tables and percentages. The findings are summarized in Table 4.1

Table 4.1 shows that of the surveyed firms, 25% were local. 18.75 regional. 25% national, 25% multinational and 6.20% were Pan-African. Majority of the respondent firms (63%) had been in existence for less than 10 years, 24% were between 11 and 20, none between 21 and 30, and 13% had been in existence for between 31 and 50 years. 43% of the respondent firms had staff between 21 and 50 with, 18.8% having staff of less than 20. 6.3% of internet service providers were having staff of between 100 and 200, and over. The findings show that internet service providers have not been in existence for 50 years and their staff sizes is less than 100.

Table 4.1: Profile of firms

Coverage	Number	Percentage
Multinational	4	25.0
Regional	3	15.8
National	4	25.0
Local	4	25.0
Others	1	6.2
Total	**16**	**100**
Age bracket		
Less than 20	11	75.0
11 – 20	3	18.7
21 – 30	0	0
31 – 50	2	12.3
More than 50	0	0
Total	**16**	**100**
Number of staff		
Less than 20	3	18.8
21 – 50	7	43.6
51 – 100	4	25.0
101 – 200	1	6.3
More than 200	1	6.3
Total	**16**	**100**

Source: Survey data

4.3 Types of internet services provided

In this section, data on the types of internet services provided were; messaging, content/applications and access as well as specific internet services is presented. Frequencies and percentages have been used to analyze the data. Findings are presented on Tables 4.2 and 4.3.

Table 4.2: Types of internet services offered

Types of internet services	Frequency	Percentage
Messaging services	9	56.25
Content/applications	9	56.25
Access	15	93.75
Others	6	37.5

Source: Survey data

From the above findings, it is clear that majority of internet service providers offer access services (93.75%). 56.25% of the firms offer messaging services as well as content/application services. 37.5% indicated offering other services such as VSAT, VOIP, VPN, which are modified versions of connectivity and applications. The respondents were further asked to indicate whether or not they offered the specific services from the broad categorization illustrated in Table 4.2. The findings of the specific services are shown in Table 4.3.

From table 4.3, domain service (87.5%), washed mail (56.25%), Microsoft hosted (50.0%) and exchange server services (56.25%) are widely offered messaging services. In content/applications; web hosting (93.8%) web design (68.75%) web development (56.25%) and anti virus package (62.50%) was shown to be widely offered. ISDN (56.25%), hot spot as well as ADSL (43.75%) were widely offered access services. The least specific internet services as per the responses included; my music.co.ke (6.25%), 951 service (6.25%) GPRS-EDGE (18.75) as well as I-BURST (18.75%). Linux mailserver, Broadband, Butterfly service and leased lines (18.75%) were identified as other specific services offered in regard to messaging and access.

Table 4.3: Specific internet services provided

Specific internet services	Frequency	Percentage
Messaging services		
Washed mail	9	56.25
Domain service	14	87.50
Microsoft hosted	8	56.25
Exchange server	9	56.25
Others	3	18.75
Content/applications		
Net fast	5	31.25
Web hosting	14	87.50
Web design	11	68.75
Web development	9	56.25
Web updates	8	50.00
Antivirus packages	10	62.50
Motorclub.biz	10	62.50
Mymusic.co.ke	1	62.5
Others	1	6.25
Access		
Free dial up access	3	18.75
951 service	1	6.25
CDMA	5	31.25
Hot spot	7	43.75
GPRS-EDGE	3	18.75
IBURST	3	18.75
ISDN	9	56.25
ADSL	7	43.75
Others	3	18.75

Source: Survey data

4.4 Extent of application of Ansoffs growth strategies

In order to determine the extent of application of Ansoffs' growth strategies by internet service providers the following dimension of the strategy were considered; market penetration, market development, product development and diversification. A 5-point likert scale was used to determine the extent of application of each dimensions of the strategies mentioned. Data was analyzed using mean scores and standard deviations.

The scores "Not at all" and "Fair extent" represented aspects of the strategies, regarded as "Not applied", (NA) equivalent to 1 to 2.5 on the continuous likert scale (1≤ NA≤ 2.5). The scores of 'moderate application' represented aspects of the strategies that were regarded as moderately applied. This was equivalent to 2.6 to 3.5 on the likert scale (2.6≤ MA≤3.5). The score of "very large extent" and "large extent" represented aspects of the strategies regarded as largely applied (LA). This was equivalent to 3.6 to 5.0 on the Likert Scale (3.6≤ LA≤5.0). A standard deviation of between 0≤ S.D≤0.9 indicated an insignificant variation of the response aspects of the strategies; a standard deviation of between (0.95≤S.D≤1.5) indicated indifference, whereas a standard deviation of greater than (1.6≥ S.D) indicated a significant variation.

4.4.1 Market Penetration Strategy

A firm can penetrate the market by selling more to existing customers, cross selling, persuading existing customers to increase frequency of purchase and winning competitors customers. Respondents indicated the extent of the application of the aspects of these methods. Results are given on Table 4.4

Using the results in Table 4.4, it is evident that respondent firms applied to a moderate extent cross selling to existing customers (3.20) and attracting customers from competitors (2.8). The frequency of usage was indicated as not applied with a mean score of 2.36. The research findings indicate indifference in variation among the respondents, in the application of frequency of usage, attracting customers from competitors as well as cross selling with standard deviations of between 0.95 and 1.5.

Table 4.4 Market Penetration Strategy

Strategy	Mean score	SD
Frequency of usage to existing customers		
Incentive to dealers	2.31	1.40
Bulk discounts	2.63	1.63
Incentives to sales force	2.13	1.63
Overall	**2.36**	**1.55**
Attracting customers firm competitors		
Lowering prices below competitors prices	3.56	1.03
Fee value added services charged by competition	3.00	1.32
Other value added services that are not offered by competitors	2.06	1.53
Overall	**2.80**	**1.29**
Cross selling to existing customers		
Selling computer hardware	4.3.1	0.94
Selling software	3.75	1.48
Selling voice (VOIP) related services	2.25	1.73
Selling security related services	2.44	1.75
Selling phone gadgets	3.25	1.65
Overall	**3.20**	**1.51**

Source: Survey data

4.4.2 Market Development Strategy

Market development is a means of trying to increase sales by selling present products in new markets. This is achieved by converting non users to users, expanding to new towns, opening up new branches, opening up offices internationally and penetrating global markets. Table 4.5 indicates the extent of the application aspects of these methods.

Table 4.5: Market Development Strategy

Strategy	Mean	SD
Convert non users to users		
Special offers to existing users on new users they recommended	2.80	1.57
Lower prices for non users	3.56	1.54
Attach special benefits e.g. extra email address domain	3.00	1.59
Overall	**3.12**	**1.57**
Expand to new towns		
Penetrate other towns e.g. Kakamega, Kisii	4.50	8.03
Offers services to existing customers moving to new towns	2.38	1.59
Special discounts to new customers in new towns	2.88	1.50
Overall	**3.25**	**3.71**
Open up new branches		
New offices in other regions of Nairobi	2.93	1.91
Unique tailored services to chosen regions in Nairobi	3.25	1.65
Overall	**3.09**	**1.78**
Open Offices Internationally		
Offices in Uganda	4.07	1.49
Offices in Tanzania	3.50	1.79
Offices in Rwanda	4.63	0.720
Offer services to customers in Uganda, Tanzania and Rwanda	3.23	1.92
Overall	**3.86**	**1.48**
Penetrate Global Markets		
Offices in continental Europe, Asia and Latin America	4.14	1.51

Offer services to customers in Europe, Asia and Latin America	3.93	1.77
Virtual services to customers in Uganda, Tanzania and Rwanda	3.56	1.93
Overall	**3.88**	**1.74**

Source: Survey data

From the findings in Table 4.5, to a large extent, internet service providers are opening up new branches in other regions of Nairobi and offering unique tailored services to these chosen regions. The results show a significant variation in the responses with standard variation values of 1.91 and 1.65 equivalent to (1.6> S.D). The results indicate that to a moderate extent, internet service providers are expanding to new towns as well as converting non users to users, scoring means of 3.25 and 3.12 equivalent to 2.6 to 3.5 on the likert scale (2.6 < MA < 3.5). The findings show indifference in the responses by firms in the application of the aspects.

However, there is an insignificant variation in regard to opening offices internationally with a standard deviation of 1.48. Furthermore there's a significant variation in the responses in regard to penetrating global markets with a standard deviation of 1.74. Firm's application of selling computer hardware has an insignificant variation with a standard deviation of 0.94 (Std. Dev< 0.95).

4.4.3 Product Development Strategy

A firm achieve growth through product development by modifying existing products to appeal more, tailoring products specifically to customers needs, adding services to existing ranges and introducing new packages of the products. Respondents indicated the extent of the applications of the aspects of these methods. The findings are given on Table 4.6.

Table 4.6 Product Development Strategy

Strategy	Mean	SD
Modified versions of existing products		
Offer internet on personal digital assistants (PDA	3.63	1.86
Offer video conferencing over the internet	3.19	1.60
Overall	**3.28**	**1.73**
Tailored products specifically to needs of customers		
Repackaging of products	2.19	1.28
Offer services for short term expatriates and visitors	3.31	1.58
Offer wireless connectivity for home users	2.81	1.68
Overall	**2.77**	**1.51**
Introducing new packages of the product		
Offer bundled services i.e. email. website	2.56	1.67
Offer services to watch news online	3.56	1.50
Offer services for trading online	3.38	1.54
Overall	**3.65**	**1.59**

Source: Survey data

From the findings presented in Table 4.6, to a moderate extent, internet service providers are modifying existing products to a appeal more as well as tailoring the products more specifically for the needs of customers with mean values of 3.28 and 2.77 ($2.6 \leq MA \leq 3.5$). The result shows a significant variation in the responses in modifying existing products (Std. Deviation 1.73). The variation is indifferent in respect to tailoring products specifically to needs of customers (Std. Deviation 1.5). The internet service providers are expanding internationally as well establishing presence in international markets with mean scores of 3.86 and 3.88. The research findings indicates indifference in the variation of the responses in regard to opening offices internationally with a standard deviation of 1.48 (0.95≤ Std. Deviation ≤ 1.5). However there is a significant variation in the response in regard to penetrating global markets with a standard deviation of 1.74.

4.4.4 Diversification Strategy

Diversification is a business growth strategy, which takes the organization a way from its current market or product competencies (McCarthy, 2002). A firm can diversify by getting into businesses that are related and unrelated. Respondents identified the extent of application of these methods. Results are given in Table 4.7

Table 4.7 Diversification Strategy

Strategy	Mean	SD
Get into business that are related		
Offer Training Service on Internet Use	3.44	1.71
Offer hardware and software consultancy	2.94	1.81
Offer services to restore faulty communication	3.75	1.81
Offer storage and database services	3.19	1.72
Offer customer relationship payroll hosting	3.38	1.63
Offer hardware maintenance	3.88	1.67
Overall	**3.65**	**1.60**
Get into business that is not related		
Offer service on completely new business i.e. Banking, hotel	2.88	1.50
Offer services that can utilize the existing skills and synergies	2.38	1.45
Overall	**2.63**	**1.48**

Source: Survey data

In reference to diversification strategy aspects illustrated in Table 4.7, to a large extent internet service providers are engaging into business that are related with a mean score of 3.65 equivalent to 3.6 to 5.5 on the likert scale (3.6< LA < 5.0). These firms are diversifying to unrelated business to a moderate extent with a mean score of 2.63.

Furthermore, the findings indicated that there is a significant variation in the responses in the firms diversified aspects with a standard deviation of greater than 1.6 (std. Dev>1.6).

4.4.5 Summary of the Extent of Application of Ansoff's Growth Strategy

Form the analysis, the dimensions of strategy applied by internet services providers is summarized on Table 4.8

Table 4.8 Summary of the extent of the application of Ansoff's growth strategy

Strategy	Mean	SD
Market penetration	3.33	1.59
Market development	3.09	2.02
Product development	3.36	1.61
Diversification	3.14	1.54

Source: Survey data

Summarized findings on Table 4.8 shows that internet service providers to a moderate extent apply the dimensions of Ansoff's growth strategies of: market penetration, market development, product development and diversification. However there is a very significant variation in the responses in regard to market development and product development strategies with standard deviations values of 2.02 and 1.61 (1.6>S.D). Furthermore, there are indifferences in variation of the responses of market penetration and diversification strategies.

4.5 Challenges in the Application of Ansoff's Growth Strategies

The challenges in the internet service providers faced in the application of the Ansoff growth strategies in the dimensions of: market penetration product development, market development and diversification that were considered; including insufficient skills, lack of organization policy framework, growth strategy perception, IT piracy, top management commitment and lack of ICT infrastructures. Frequencies and percentages have been used to analyze the factors. Findings are presented in Table 4.9

Table 4.9 Challenges in the application of Ansoff's growth strategies

Strategy	Frequency	Percentage
Market Penetration		
Insufficient skills	6	40.0
Lack of organizations policy	9	56.3
Growth strategy perception	10	62.5
IT piracy 43.8	2	12.5
Top management commitment	4	25.0
Lack of ICT infrastructure	9	56.3
Inadequate policy and legal framework	11	68.8
Low access of IT services	8	50.0
Political goodwill	7	43.8
Market development		
Insufficient skills	6	37.5
Lack of organizations policy	9	56.3
Growth strategy perception	7	43.8
IT piracy	5	31.3
Top management commitment	5	31.3
Lack of ICT infrastructure	10	62.5
Inadequate policy and legal framework	9	56.3
Low access of IT services	8	50.0
Political goodwill	6	37.5
Product development		
Insufficient skills	9	56.3
Lack of organizations policy	8	50.0
Growth strategy perception	8	50.0
IT piracy	7	43.8
Top management commitment	4	25.0
Lack of ICT infrastructure	10	62.5
Inadequate policy and legal framework	6	37.5

Low access of IT services	5	31.3
Political goodwill	9	56.3
Diversification		
Insufficient skills	7	43.8
Lack of organizations policy	8	50.0
Growth strategy perception	7	43.8
IT piracy	4	25.0
Top management commitment	5	31.3
Lack of ICT infrastructure	9	56.3
Inadequate policy and legal framework	6	37.5
Low access of IT services	8	50.0
Political goodwill	4	25.0

Source: Survey data

Table 4.8.1 revealed that inadequate policy and legal framework with percentage score of 68.8% and 62.5% respectively were identified as major challenges that hinders market penetration strategy. IT piracy with percentage of 12.5% and top management commitment with a percentage of 25.5% were identified as factors of little hindrance to market penetration strategy. Political goodwill, low access to IT services, lack of ICT infrastructure and lack of organizational policy with percentage scores of 43.5%, 50.0%, 56.3% and 50% respectively were identified as moderate factors. Under market strategy, ICT infrastructure insufficiency, lack of organization policy and inadequate policy and legal framework with percentages scores of 62.5%, 56.5% and 56.3% were the major factors hindering market development strategy. IT piracy, political goodwill, top management commitment and insufficient skills with percentage score of 31.3%, 37.7%, 31.3% and 37.5% were identified as factors of insignificant influence.

Hindrances of product development strategy were identified as: lack of ICT infrastructure, lack of organizations policy, insufficient skills and growth strategy perception with scores of 6.25%, 56.3%, 50.0%, and 50% respectively. Other factors including political goodwill, low access of IT services, Top management commitment with scores of 31.3%, 31.3% and 25.0% were identified as factors with least hindrance on product development strategy.

Lack of ICT infrastructure, access to IT services, and lack of organizational policy with means scores of 56.5%, 50.0% and 50.0% were hindrances to the application of diversification strategy. Political goodwill, IT piracy, top management commitment, and inadequate policy and legal framework with score of 25%, 25%, 31.3% and 37.5% respectively were identified as least factors in the application of Ansoff's diversification strategy.

CHAPTER FIVE
DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussions, conclusions, recommendations, limitations and suggestions for further research of this study. The chapter summarizes the findings of the study in relation to the objectives of the study. The first objective was to establish the extent to which Internet Service Providers had employed Ansoff Growth Strategies. The second objective was to establish the challenges Internet Service Providers faced in the application of the Ansoff Growth Strategies.

5.2 Discussion

The discussions follow from the data analysis and conclude on the applications of Ansoff's growth strategies by Internet Service Providers. This study revealed that the categorization of Internet Service Providers into local, regional, national and multinational provides a framework for any investigation study to be made. Additionally majority of the Internet Service Providers have not been in existence for a long time. The industry yet at infancy presents numerous opportunities for expansion and growth.

Market penetration strategy practices related to acquisitions and offering incentives for existing customers were found to be widely used. Cross selling and attracting customers from competition were identified as practices employed by Internet Service Providers to achieve market penetration strategy. Internet Service Providers have achieved growth though market development strategy. This study found out that they are expanding locally, regionally as well as globally. McCarthy (2000) identifies cluster dimensions of segment markets along geographical dimensions including regions of the world, regions in the country and size of the city. This study found out that services related to international calls were identified as important practices to achieve growth through product development strategy. However the study did not reveal product developments of developing new product features or quality variations of models (Johnson and Scholes, 2002).

The study revealed that diversification, as a growth strategy has not been practiced widely by Internet Service Providers. However they offer call center services, database services and payroll hosting services little is revealed to show diversification in unrelated services e.g. banking, hotels and restaurants. Additionally they are engaged in consultancy service for a wide range of their products offered. This study identified the challenges in the application of the Ansoff's Growth Model to include: an adequate, policy and legal framework, IT piracy, insufficient employee skills, and growth strategy perception. The study concludes that Ansoff has been widely applied and recommends it as an appropriate strategy of achieving growth and success.

5.3 Conclusion

This study revealed that Ansoff's Growth Strategy is widely applied for the achievement of growth and success of Internet Service Providers. From a wide range of approximately 20 specific Internet Services majority of the respondents firms indicated providing this service. This study found out that respondent firms employed practices related to Ansoff's Growth Strategies of market penetration, market development, product development and diversification. From specific practices of market penetration strategy, 88% of the practices were mean rated as important and widely used practices, 80% to market development, 82% to product development and 75% were related to diversification strategy. Moreover the study concurred with (Engel, 2002; McCarthy, 2000, Pearce and Robinson, 2001) both who had argued on the achievements and growth of organization using the Ansoff's Growth Strategy is eminent and players in the industry define and focus on how to achieve growth.

5.4 Recommendations

Ansoff's matrix as a growth strategy matrix can help firms identify their future strategic direction and often a strong input in planning for growth. However with inherent challenges of its applications this study recommends: 1) Internet Service Providers should allocate more resources and focus skill in pursuing growth of the present market by increasing sales volume and customer related strategies 2) Adopt the strategy of market development in Kenya as this market is not fully developed mostly in rural set ups

3) Exploit opportunities of product development including Internet linked to mobiles, International calls and wireless connectivity services and lastly 4) with increasing competition there is need to open up unrelated business such as travel/tourism so as to broaden the business scope and risk.

5.5 Limitations of the study

The results of this study however need not be generalized as there were some limitations. Firstly, this study included Internet service providers who are multi-nationally based but set up subsidiary firms domestically. The survey here therefore may not be representative of Internet Service Providers in Kenya. Another limitation is the continuous merging of the Internet Service Providers whereby they appear as independent Internet Service Providers on the list generated by the Communication Commission of Kenya and in essence they are merged entities. Secondly, the 57.1 response rate, limits the general applicability of the findings of the study, which was designed as a descriptive survey.

5.4 Suggestion for further research

The current research was descriptive in nature to establish the extent to which Internet Service Providing firms had adopted Ansoff's Growth Strategies. This study was based on current Internet Service Providers with 96% of the firms set up as private enterprises. It is recommended that a similar study be done on public sector providers though few. Further. this study recommends an investigation o the application of other growth and success strategies such as operational efficiency and knowledge management on Internet Service Providers. Further more a study can be done purely on acquisition as a form of diversification within Internet Service Providers in Kenya.

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APPENDIX I

Introductory Letter

Jackline Bitutu Wanyande
University of Nairobi
School of Business
C/O MBA Office
P. O. Box 30197
NAIROBI

September 03, 2006

Dear Respondent,

RE: COLLECTION OF RESEARCH DATA

I am a postgraduate student at the University of Nairobi, in the School of Business. In order to fulfill the Master of Business Administration, MBA, degree requirement. I am undertaking a management research project on "**A Survey On the Applications of Ansoff's Growth Strategy By Internet Service Providers In Nairobi**".

Your organization has been selected from a list obtainable from CCK of all Internet Service Providers to form part of this study. This is to kindly request you to assist me collect the data by filing out the attached questionnaire. which I will collect from your premises.

The information you provide will be used exclusively for academic purposes. My supervisor and I assure you that the information you give will be treated with strict confidence. A copy of the final paper will be availed to you upon request.

Your co-operation will be highly appreciated.
Thank you in advance.

Yours faithfully,

JACKLINE BITUTU WANYANDE
MBA STUDENT
UNIVERSITY OF NAIROBI

M. OMBOK
LECTURER / SUPERVISOR
UNIVERSITY OF NAIROBI

APPENDIX II

RESEARCH QUESTIONNAIRE

A SURVEY OF THE EXTENT OF APPLICATION OF ANSOFF'S GROWTH STRATEGIES BY INTERNET SERVICE PROVIDERS IN NAIROBI

PART I

General information

1. Name of the organization ---

   ----

2. Please indicate by ticking (√) the category classification of the company.

   Multinational [ ]

   Regional [ ]

   National [ ]

   Local [ ]

   Others (please specify) --

   ----

3. Using the categories below, please indicate by ticking (√) the age bracket in which your organization falls

   Less than 10 years [ ] 11-20 years [ ]

   21-30 years [ ] 31-50 years [ ]

   More that 50 years [ ]

4. Using the categories below, please indicate by ticking (√) the number of staff in the organization.

   Less than 20 [ ] Between 21-50 [ ]

   Between 51-100 [ ] Between 101-200 [ ]

   More that 201 [ ]

PART II

5. Using the Internet services below indicate by ticking (√) those offered by your firm.

   Messaging services [ ]

   Content applications [ ]

   Access [ ]

   Others (please specify) ---

   ----

6. Using the range of Internet Service below, indicate by ticking (√) which ones are offered by your organization.

	Internet services	Offered	Not offered
	Messaging services		
6	Washed mail		
7	Domain service		
8	Microsoft Hosted		
9	Exchange server		
10	Others (please specify)		
	Content & Applications		
11	Net fast		
12	Web Hosting		
13	Database Hosting		
14	Web Design		
15	Web Development		
16	Web Updates		
17	Anti-virus Packages		
18	Motorclub.biz		
19	My music.co.ke		
20	Others (please specify)		

	Access		
21	Free Dial in Access		
22	951 service		
23	CDMA		
24	Hot Spot		
25	WOL GPRS-EDGE		
26	WOL BURST		
27	ISDN		
28	ADSL		
29	Others (please specify)		

Please indicate the importance of the following practices in contributing for the growth and success of your organization. on a scale of 1-5; where.

5 is - Very important
4 is - Important
3 is - Fairly important
4 is - Of little importance
1 is - Not important at all

	Strategy	**Very important (5)**	**Important (4)**	**Fairly important (3)**	**Of little importance (2)**	**Not important at all (1)**
	Market penetration strategy					
0	Company gives special offers to existing customers.					
1	Company lowers prices to existing customers.					

Company offers discounts to existing customers.					
Company gives incentives for dealers through increased commissions.					
Company offers bulk discounts to existing customers.					
Company offers incentives for current sales force by increasing commissions related to selling to existing customers.					
Company gives special offers to existing customer for any new user they bring on board					
Company lowers prices for a limited period for non existing users taking the services					
Company attaches special benefits e.g. extra email address, free domain registration, free web hosting to new customers.					
Company lowers prices (below competitors pricing) to potential customers.					
Company offers (added value added services that are being charged by competition					
Company offer added value added services that are not					

offered by competition					
Company offers a month free access for customers from competition					
Company offers flexible payment terms for customers from competition					
Company offers free equipment for customers from competitors					
Company sell computer hardware to existing customers					
Company sell software to existing customers					
Company sell voice (VOIP) related services to existing customers					
Company sell security related devices to customers					
Company sell phone gadgets to existing customers					
Market Development Strategy					
Company is penetrating other towns. e.g. Kakamega, Kisii, Garissa. Lokichogio					
Company offer services to existing customers who are moving to new towns					
Company offer special prices/discounts to new customers in new towns					

	Company open new offices in other regions of Nairobi					
	Company offer unique/tailored services to chosen regions in Nairobi i.e. offer a special Runda VL service, Karen special service, Nyari special service					
	Company has opened offices in Uganda					
	Company has opened offices in Tanzania					
	Company has opened offices in Rwanda					
	Company offers services to customers in Uganda, Tanzania and Rwanda					
	Company open offices in continental Europe, Asia and Latin America					
	Company offer services to customers in Europe, Asia and Latin America					
	Company offer Virtual Private Network services to Customer in Europe, Asia and Latin America					
	Product Development Strategy					
2	Company offer customers internet that gives them					

mobility on laptops at coffee shops and other places					
Company offer customers internet on their phones and/or Personal Digital Assistants (PDA)					
Company offer video conferencing over the internet service					
Company repackages product to suit customer requirement i.e. service for 5 users, service for 10 users, service for doctors, service for schools					
Company offer services for short term, expatriates and visitors					
Company offer wireless connectivity for home users (wireless local area networks in the house)					
Company offering international calls over the internet					
Company offer specially designed online transactions i.e. ecommerce, automated payments					
Company offer services on set up of call centers to existing and new customers					
Company offer bundled					

	services i.e. email, website and access					
	Offer services to watch news and movies online for existing and new customers					
	Company offer services for trading online and gaming to existing and new customers					
	Diversification strategy					
	Company offer training services on internet use to existing and new customers					
5	Company offer hardware and software consultancy on communication					
6	Company offer hardware maintenance					
7	Company offer services to repair or restore faulty communication gadgets					
8	Company offer storage/ database services					
79	Company offer customer relationship management, call center and payroll hosting services					
80	Company offer services on completely new businesses i.e. banking, hotel and agriculture					
81	Company offer services that can					

	utilize the existing employee skill set and resources i.e. use the boardroom training					
82	Company offer services together with other internet service providers e.g. African online (mobile office) and Safaricom (pushing content on short message sending)					

83. Indicate by ticking (√) which of the following factors are hindrances to the application of the market penetration strategy for your organization.

Insufficient employee skills [ ]

Lack of organizational policy on ICT [ ]

Growth strategy perception [ ]

Top management commitment [ ]

IT piracy [ ]

Inadequate policy and legal framework [ ]

Low/scanty access of IT services by customers [ ]

Political goodwill [ ]

Lack of ICT infrastructure [ ]

Others (please specify) --

----

84. Indicate by ticking (√) which of the following factors are hindrances to the application of the market development strategy for your organization.

Insufficient employee skills [ ]

Lack of organizational policy on ICT [ ]

Growth strategy perception [ ]

Top management commitment [ ]
IT piracy [ ]
Inadequate policy and legal framework [ ]
Low/scanty access of IT services by customers [ ]
Political goodwill [ ]
Lack of ICT infrastructure [ ]
Others (please specify) --

----

85. Indicate by ticking (√) which of the following factors are hindrances to the application of the product development for your organization.
Insufficient employee skills [ ]
Lack of organizational policy on ICT [ ]
Growth strategy perception [ ]
Top management commitment [ ]
IT piracy [ ]
Inadequate policy and legal framework [ ]
Low/scanty access of IT services by customers [ ]
Political goodwill [ ]
Lack of ICT infrastructure [ ]
Others (please specify) --

----

86. Indicate by ticking (√) which of the following factors are hindrances to the application of the diversification strategy for your organization.
Insufficient employee skills [ ]
Lack of organizational policy on ICT [ ]

Growth strategy perception [ ]

Top management commitment [ ]

IT piracy [ ]

Inadequate policy and legal framework [ ]

Low/scanty access of IT services by customers [ ]

Political goodwill [ ]

Lack of ICT infrastructure [ ]

Others (please specify) ---

APPENDIX III

LIST OF INTERNET SERVICE PROVIDERS

1. AFRICAN REGIONAL CENTER FOR COMPUTING
2. AFRICA ONLINE
3. COOPKENYA.COM LIMITED
4. COMMUNICATION SOLUTIONS /ACCESS KENYA LIMITED
5. CALL KEY COMMUNICATIONS
6. EDGENET LTD (GATEWAY)
7. EXTREME INTERNET
8. FINNET COMMUNICATIONS
9. GLOBAL BROADBAND SOLUTIONS
10. INTERNET SOLUTIONS / INTER – CONNECT LTD.
11. ISP KENYA LIMITED
12. JAMBO TELKOM
13. KARIBU NETWORKS LTD
14. LIAM TELECOMMUNICATION
15. KENYA POSTS AND TELECOMMUNICATION
16. KENYAWEB.COM LIMITED
17. MITSUMINET (K) LIMITED
18. NAIROBINET (K) LTD
19. NETFORCE TELECOMMUNICATIONS LTD
20. SAHANNET LIMITED
21. SIMBANET COM LTD
22. SKYWEB TECHNOLOGIES
23. SWIFT GLOBAL KENYA LIMITED
24. TELECOM SOLUTIONS LTD
25. TEXADA LIMITED
26. TODAYS ONLINE LIMITED
27. UUNET KENYA LIMITED
28. WANANCHI ONLINE LIMITED

Source: www.cck.go.ke as at July 2006.

APPENDIX IV

OPERATIONAL DIMENSIONS OF IDENTIFYING ISSUES OF STRATEGY

Table 3.1 Dimensions of identifying issues of strategy

Dimensions of strategy	Expanded definitions	Relevant issues	Relevant questions
Market Penetration Strategy	• Sell more to existing customers	- Special offers to existing Customers	30
		- Lower prices to existing customers	31
		- Offer discounts to existing customers	32
	• Persuade existing customers to increase frequency of purchase	- Incentives for dealers through increased commissions	33
		- Offer bulk discounts to existing customers	34
		- Offer incentives for current sales force by increasing commissions related to selling to existing customers	35
		- Attach special benefits e.g. extra email address, free domain registration, free web hosting to new customers	38
	• Attract customers from competitors	- Lower prices (below competitors pricing) to potential customers	39
		- Offer added value services that are being charged by competition	40

		- Offer added value added services that are not offered by competition	41
		- Offer a month free access for customers from competition	42
		- Offer flexible payment terms for customers from competition	43
		- Offer free equipment for customers from competitors	44
	• Cross sell	- Sell computer hardware to existing customers	45
		- Sell software to existing customers	46
		- Sell voice (VOIP) related services to existing customers	47
		- Sell security related devices to customers	48
		- Sell phone gadgets to existing customers	49
Market Development Strategy	• Expand to new towns	-Penetrate other towns e.g. Kakamega, Kisii, Garissa, Lockichogio	50
		- Offer services to existing customers who are moving to new towns	51
		- Offer special prices/discounts to new customers in new towns	52
	• Open up new branches	-Open new offices in other regions of Nairobi	53
		- Offer unique/tailored services	54

		to chosen regions in Nairobi i.e. offer a special Runda VL service, Karen special service, Nyari special service	
	• Convert non users to users	- Special offers to existing customer for any new user they bring on board - Offer lower price for a limited period for non existing users taking services	36 37
	• Open offices internationally	- Open offices Uganda - Open office in Tanzania - Open offices in Rwanda - Offer services to customers in Uganda, Tanzania and Rwanda	55 56 57 58
	• Penetrate global markets	-Open offices in continental Europe. Asia and Latin America -Offer services to customers in Europe. Asia and Latin America. -Offer Virtual Private Network services to Customer in Europe. Asia and Latin America	59 60 61
Product Development Strategy	• Modified versions of existing products	-Offer customers internet that gives them mobility on laptops at coffee shops and other places - Offer customers internet on their phones. Personal Digital Assistant's (PDA) - Offer video conferencing over the internet service	62 63 64
	• Tailored products more specifically to the needs of new and existing customers	- Repackage products to suit customer requirement i.e. service for 5 users, service for 10 users, service for doctors, service for schools	65

		- Offer services for short term, expatriates and visitors	66
	• Adding new services to existing ranges	- Offer wireless connectivity for home users (wireless local area networks in the house) - Offering international calls over the internet - Offer specially designed online transactions i.e. ecommerce, automated payments - Offer services on set up of call centers to existing and new customers	67 68 69 70
	• Introducing new packages of the products	- Offer bundled services i.e. email, website and access - Offer services to watch news and movies online for existing and new customers - Offer services for trading online and gaming to existing and new customers	71 72 73
Diversification strategy	• Get into businesses that are related	- Offer training services on internet use to existing and new customers - Offer hardware and software consultancy on communication - Offer hardware maintenance	74 75 76

		- Offer services to repair or restore faulty communication gadgets - Offer storage/database services - Offer customer relationship management, call center and payroll hosting services	77 78 79
	• Get into business that is not related in any way	- Offer services on completely new businesses i.e. banking. hotel and agriculture	80
	• Get into business that pools resources. skills and synergies	- Offer services that can utilize the existing employee skill set and resources i.e. use the boardroom training - Offer services together with other internet service providers e.g. Africa Online (mobile office) and Safaricom (pushing content on short message sending)	81 82
Market Penetration, Market development, Product Development	• Challenges	– Insufficient skills – Lack of organizational policy – Growth Strategy perception – IT piracy – Top Management commitment – Lack of ICT infrastructure	83.84.85.86