

Influence of Market Penetration Strategy on Growth of Restaurants in

Nairobi County

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Abstract

Failure of application of market penetration strategy is the lead cause of poor growth of restaurants across Nairobi County, specific adaptation of this marketing strategy can create advantage over the larger market; adjust the price levels; increase rate of consumption; take competitors customers; or convert nonusers of the product or service. Out of desperation, managers stuck to non-traditional methods of operation without adapting to the current changes in business environment to improve efficiency and effectiveness. However, there is minimal data in Kenya and Nairobi County to help managers penetrate new markets. The objective of this study was to determine the perceived influence and possible effect of market penetration strategy on restaurant growth in Nairobi County. Descriptive survey was utilized to enable reveal the underlying problem in restaurant growth. Purposive sampling technique was used to carry out the census. Data was obtained from 30 respondents (food and beverage managers) using questionnaires administered through drop-and-pick method. It was cleansed, coded and manually keyed in SPSS version 26, then summarized using frequency and percentages and presented using tables and charts. Results indicated a significant association between market penetration strategy and the restaurant growth in Nairobi County. Factors found to have strong influence on market penetration were; sales promotions 18(78.2%); free trial offers and give-a ways 18(78.222%); credit terms on products or services provided 19(82.6%); PR strategies of marketing 20(86.9%); mail or telemarketing strategies 21(91.3%); and bought a competitor company or restaurant 19(82.6%); decision generated from Boston Matrix to decide whether the product or service is worthy continued investment or must be disregarded 20(86.9%). Market penetration strategy was found to be statistically significant and positively related to restaurant growth Y($\beta_2 = 0.766$, P=.001). The study concludes that market penetration strategy is statistically significant in assessing the restaurants' growth.

Keywords: Marketing strategies, Market penetration, Strategic marketing, Competitive

advantage, classified restaurants, Restaurant growth

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1.0 Introduction

It is evident that in the today's business environment it's not feasible to run a restaurant as it was before bearing in mind the rapid changes in economic and marketing strategies. Growth is the measure of achievement of goals and objectives of which can be realized by a restaurant and ought to be monetary or non-monetary. Gibson et al. (2010) indicates that financial measure of growth includes profitability of an organization, return on investment indicators, return on assets, and return on shareholders, the economic value added to a product or service and the liquidity level of the restaurant.

Non-financial indicators can be viewed in the perspectives of rate of achievement of set targets, operations efficiency and effectiveness, market share and product quality (Richard et al., 2009). Strategy according to Thompson (2006) is a long term decision taken by an organization and which influences direction and scope of operation in terms of application of resources, thoughts and corporate actions. Statistics shows relative improved global economic growth over the past decade. The international travel has increased from 900 million to 1.3 billion worldwide (United Nations World Tourism Organization [UNWTO], 2020; World Travel and Tourism Council [WTTC], 2020). Report of WTTC shows that visitors to restaurants spent 8.8 trillion USD in 2018 to the global economy. This is an equivalent of 10.4% of the world's GDP.

This amounts to 319 million people who earned a living in this sector alone. Africa has

contributed largely to travel and tourism in 2018 creating 8.5% which is an equivalent of \$194.2bn of the GDP. This is from 8.1% in 2017 and 7.8% in 2016. This improved performance made Africa the second-fastest in growth of travel and eating out in the world after Asia and Pacific which recorded an average of 3.9% growth rate. Morocco and South Africa attracted 11 million and 10 million of visitors respectively making them the top tourism destinations in Africa. Ethiopia earned the position of the Africa's best preferred destination with growth of 48.6% worthy \$7.4bn after it relaxed its visa eased connectivity policies and and transportation (WTTC, 2020).

> "Restaurants can design products and services which motivates the buyer through satisfying needs, desires and attitudes"

According to Standard Media (2020), Kenya has continuously experienced growth of tourist arrivals. In 2019 visitors increased to 2.05 million representing 3.9% compared with year 2018 which recorded 2.02 million visitors. This is after 37.33% of 1.47 million restaurant visitors in 2017. However these gains stalled in the first quarter of the year 2020 after different countries imposed travel restrictions due to Covid-19 pandemic. However, from 2017 to date, the data that exist shows individual restaurants that are not



doing well in Nairobi County; some have since closed down, some are facing numerous operational difficulties, some does not cerebrate their first birthday and those that do are experiencing many problems and challenges.

High end restaurant managers are facing a singular problem, trying to sell the product

without knowing the right channel for the product. Many stakeholders are caught by surprise when giants sink without a clear knowledge of the protocols to be implemented to revitalize them. The conceptual framework utilizes market penetration strategy as independent variable and dependent variable being the restaurant growth indicators

Figure 1

Conceptual Framework



Source: Adopted from: H. Igor Ansoff (1957) and modified by Kotler (2009)

Mc Carthy (2017) on the article market penetration strategy insists that firms can push into the existing market by adjusting the price levels or by increasing rate of consumption or by taking competitors customers or by converting nonusers of the product or service. Market penetration can strategically be put on board during introduction and growth stages since competitors grow synonymously with the firm with levels of rivalry remaining low. However, during maturity and decline stages the only option left is to take share from the competitors.

Stonehouse et al. (2006) notes that restaurants can design products and services which motivates the buyer through satisfying needs, desires and attitudes. Porter (1980) adds that products and services must be



developed and marketed while aware of competitors brand, legal restrictions and economic standing of the consumer to create demand and become profitable throughout the product life cycle.

Boston Consulting Group (BCG 1973) developed a tool to assist an organization to measure its position in regard to the product or services offered. The matrix comprises of four quadrants; stars, question marks, cash cows and dogs. According to Thompson and Strickland (1995) stars are products or services of a restaurant with large market share in a rapidly growing market and considered leaders due to profit generation Mohajan (2015). Cash cows appear after growth stage of the product life cycle and possess a large market share (Thompson & Strickland, 1995) and have the capacity to generate more cash than they need. With question marks being products or services with limited market share in a market perceived to have a high growth rate, restaurants must make a decision on whether to build on them or do away with them. Hambrick et al. (1982) argues that dogs are products or services with weak market share and slow growth in mature restaurants.

The marketing mix strategy is a tool associated with business brand offering. The restaurant growth can be interlinked with marketing strategies according to the 4ps of marketing mix. Researchers claim in respect to restaurants to adopt a product strategy on diversified markets attains improved growth on the sales (Leonidon et al, 2002). Cavusgil and Zou (1994) conducted an empirical study on marketing mix strategies on market

and concluded growth that product adaptation influences both sales growth and also monetary growth of organizations which includes productivity and ROI. Other promotional mix strategies found to link positively with an organizational growth are marketing; advertisement, sales promotions, face to face selling and relationship marketing (Styles & Ambler, 1994). Given effective promotional and marketing measures, a restaurant can pass information and repeatedly remind and convince the market to purchase products or services.

Organizational model developed by Weber and Max (1958) and modified by Cummings et al., (2019), the objective was to define framework of the organization, help choose effective leaders, assist in decision making, speed dispute resolutions and create a cohesive team that can achieve corporate strategic goals. A survey conducted by Zott & Amit (2007) studied the relationship between the organization business models with their marketing strategies. It revealed that innovation oriented business models together with strategic marketing strategies concerned with product differentiation, market leadership and first entrants can influence any organizational largely performance. However this research failed to address evolution of business models and how they influence marketing strategies of restaurants products and services.

Statement of the Problem

From 2017 to date many classified restaurants in Nairobi County have recorded poor growth. Restaurants are experiencing many problems and challenges ranging from



reduced profitability, low market growth, high employee turnover and failure to achieve set targets. High end hotel and restaurant in Nairobi County have since closed down some citing operational reasons as the main cause; others citing management issues and the last bunch associating their problems with corona virus pandemic of 2020.

This is just to mention but a few of problems and challenges behind hotel and restaurant businesses in Kenya. In this regard, this study sought to find out how strategic marketing strategies would be a solution to these problems and challenges. The purpose of this study was to determine the influence of market penetration strategy on restaurant growth in Nairobi County. Specifically the research hypothesis was,

*H*_{01:} There is no significant relationship between Market penetration strategy and restaurant growth in Nairobi County

2.0 Materials and Methods

The research used descriptive survey on restaurants in Nairobi County. This design was the most appropriate to investigate relationships between variables in order to compare findings from a variety of restaurants and come out with non-biased and accurate findings. Purposive sampling technique was utilized in the study to select members of top management in the level of food and beverage manager who were the respondents. The survey involved one food and beverage manager each in every restaurant making a total of 30 respondents. The whole target population was sampled.

Data collection instruments

This research utilized primary data which using collected structured was questionnaires. Secondary data was obtained from the operational records analyzed for a period of 2018 to 2021. Likert scaling technique was used to measure the variables. Analysis was through descriptive statistics for each single categorical variance then inference was made through frequency and percentage. Chi-square test was adopted to examine categorical variables obtained from the random sample which assisted to judge goodness of fit; with the decision rule being that if the χ^2 statistic is not significant (p>0.05), then there is no association between the variables. The following regression analysis was adopted:

 $Y = \alpha + \beta_1 X_1 + \epsilon$

Where: Y= the measure of growth of restaurant; α = the regression constant; X1 = is the product of market penetration strategies; ε = Error term

3.0Results and Discussions *Response Rate*

The study targeted 30 respondents from classified restaurants in Nairobi County. Out of the questionnaires issued, 23 were filled and returned which amounted to 77% response rate. In regard to Mugenda and Mugenda (2008), a response rate of 50% is adequate to warrant analysis and reporting, while a response rate of 60% is good and that of 70% and above is excellent. Therefore, according to this rate of response it was deemed excellent.



Demographic Information

This study found that male respondents were more than female at (14, 60.9%) and (9, 39.1%) respectively. On highest level of education, majority of those respondents (12, 52.2%) were degree graduates; followed at a distance by diploma respondents at (4, 17.4%). Respondents with certificate as their highest level of education indicated (7, 30.4%). On classification of restaurants, the results of the findings indicated that (13, 56.5%) of the respondents worked in five star

Table 1

Data Reliability

hotels and 43.5% of the respondents worked in four star hotels classified restaurants.

Data reliability

The reliability analysis of the questionnaires was done by Cronbach's Alpha through SPSS version 26 in order to measure its internal consistency. Market Penetration Strategy had reliability of (α =0.831). Indication by Cooper & Schindler (2008) is that the acceptable reliability coefficient is 0.7.

Scale	Cronbach's Alpha	Number of items		
Market Penetration Strategy	0.831	15		

Source: Researcher, (2022)

Data validity

The findings were to determine the ANOVA for presentation of regression model. The results are illustrated on Table 2.

Table 2

The Model Validity

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.067	4	.267	7.935	.001 ^b
	Residual	.605	18	.034		
	Total	1.672	22			

a. Dependent variable: Restaurant growth

b. Predator: (Constant), Market penetration strategy

Source: Researcher, (2022)



The research was to find out if the multiple regression model was valid. The F statistics was used to determine the model validity. The results of the findings illustrate that the model is valid F $_{(4, 18)}$ = 7.935, P<0.001. This indicates that the predictor variable is fit to explain variations in growth of restaurants in Nairobi County.

Descriptive Analysis of Market Penetration Strategy

The study wanted to achieve the objective on

how market penetration strategy relates with restaurant growth in Nairobi Country. The respondents opinions were sought regarding the level of how they agree or disagree from statements provided using the Likert scale of 1-5. Where: 1 is strongly disagree, 2 disagree, 3 neutral, 4 agree and 5 strongly agree. The results of the findings were presented while merged; either strongly agree and agree, neutral or disagree and strongly disagree to facilitate ease in drawing inferences. The presentations of the results from the findings are illustrated in the Table 3.

Table 3

Relationship between Market Penetration Strategy and Restaurant Growth.

	А	Ν	D
Vigorous introductory sales promotions (e.g. happy hour offers, give-a ways, price discounts etc)	9(39.1%)	9(39.1%)	5(21.7%)
Extensive use of sales promotions	18(78.2%)	3(13.0%)	2(8.7%)
Launch of price or other special offer promotions	15(65.2%)	5(21.7%)	3(13.0%)
Social media and internet marketing	17(73.9%)	2(8.7%)	4(17.4%)
Personal selling techniques (face-to-face selling)	9(39.1%)	9(39.1%)	5(21.7%)
Direct marketing approach (implies passing information concerning the product or service or restaurant directly to the customer)	20(86.9%)	3(13.0%)	0(0.0%)
Vigorous sales team marketing	17(73.9%)	4(17.4%)	2(8.6%)
Use of free trial offers and give-a ways	18(78.2%)	3(13.0%)	2(8.7%)



Use of reduced pricing on products/services	15(65.2%)	5(21.7%)	3(13.0%)
Use of credit terms on products/services provided	19(82.6%)	3(13.0%)	1(4.3%)
PR strategies of marketing (for instance organizing events, sponsorships etc)	20(86.9%)	3(13.0%)	0(0.0%)
Use of mail or telemarketing strategies (marketing using personalized mails and telephone calls)	21(91.3%)	2(8.7%)	0(0.0%)
Development of new marketing strategies to encourage more people to choose the product/service, or to use more of it	15(65.2%)	5(21.7%)	3(13.0%)
Bought a competitor company/restaurant	19(82.6%)	3(13.0%)	1(4.3%)
Use of decision generated from Boston Matrix to decide whether the product or service is worthy continued investment or must be disregarded.	20(86.9%)	3(13.0%)	0(0.0%)

Key: A = Agreed; N= Neutral; D = Disagreed

Source: Researcher, (2022)

The results of the study where the respondents strongly agreed and agreed were; On whether there are extensive use of sales promotions at 18(78.2 %); On whether there is a launch of price or other special offer promotions at 15(65.2 %); On whether there are Direct marketing approach (implies passing information concerning the product or service or restaurant directly to the customer) at 20(86.9%); On whether there is Use of free trial offers and give-a ways at 18(78.222%); On whether there is Use of credit terms on products or services provided at 19(82.6%); On whether there are PR strategies of marketing (for instance organizing events, sponsorships etc) at 20(86.9%); On whether there is use of mail or

telemarketing strategies (marketing using personalized mails and telephone calls) at 21(91.3%); Data collected on whether they bought a competitor company or restaurant at 19(82.6%) and finally on Use of decision generated from Boston Matrix to decide whether the product or service is worthy continued investment or must be disregarded at 20(86.9%).

Descriptive Results on Restaurant Growth

Non-parametric analysis of market penetration strategy and restaurant growth was examined with the use of crosstabulations with chi-square statistics upon coding the responses into dichotomous variables and counting frequencies.



Table 4

Market Penetration strategies versus Restaurant Growth

Chi	square	Tests
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	Value	Df	Asymp.sig.(2- sided)	Exact Sig. (2- Sided)	Exact Sig.(1- sided)
Pearson Chi-Square	.008 ^a	1	0.93		
Continuity Correction ^b	0	1	1		
Likelihood Ratio	0.008	1	0.93		
Fisher's Exact Test				1	0.725
Linear by linear Association	0.007	1	0.932		
N of Valid Cases	23				

N of Valid Cases 23 Source: Researcher, (2022)

- a. 3 cells (75.0%) have expected count less than 5. The minimum expected count is 1.07
- b. Computed only for a 2x2

Statistics from Chi Square for the association between market penetration strategy with restaurant growth (QOS) was significant (P= 0.93>0.05) the result implies that there is significant association between market penetration strategy and the restaurant growth.

Table 5

Degree of Association between Market Penetration Strategy and Restaurants Growth

	χ^2	p-value (sig.)	Remarks
er_bin * exsp	0.930	p>0.05	Significant association MPS and Rest. Growth

Source: Researcher, (2022)

The decision rule is that if the χ^2 statistic is significant (p>0.05) as is the case then there is association between the variables. Based on this interpretation, it is inferred that the relationship is significant between market penetration strategy and restaurant growth of Nairobi County.



Regression Analysis

Spicer (2004) posits that regression analysis includes many techniques of modeling where by analysis of variables focuses interrelationships among an independent variance with dependent variables. This helped the researcher to understand how the dependent variable changes with variation of independent variable while other variables remaining constant. The study applied the following regression model:

$Y = \alpha + \beta_1 X_1 + \epsilon$

Where by: α = Constant; Y = Growth of Restaurants; X₁ = Market Penetration Strategy; ϵ = Error term

The Multiple Regression Model Validity

The findings were to determine the ANOVA for presentation of regression model. The results are illustrated on Table 6.

Table 6

The Model Validity

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.067	4	.267	7.935	.001 ^b
	Residual	.605	18	.034		
	Total	1.672	22			

Source: Researcher, (2022)

- c. Dependent variable: Restaurant growth
- d. Predator: (Constant), Market penetration strategy

The research was to find out if the multiple regression model was valid. The F statistics was used to determine the model validity. The results of the findings illustrate that the model is valid F $_{(4, 18)}$ = 7.935, P<0.001. This indicates that the predictor variable is fit to **Table 7**

explain variations in growth of restaurants in Nairobi County.

Multiple Regression Model Summary

The research findings sought to establish the goodness of fit of the model's statistics. Findings are illustrated on Table 7.

Statistics of Model's Goodness of Fit

				Std.	Error	of	the
Model	R	R Square	Adjusted R Square	Estim	nate		
1	.799 ^a	.638	.558	.1833	2		

Source: Researcher, (2022)

a. Predictor: (Constant), Market Penetration Strategy



The coefficient of determination as measured by the R-square (\mathbb{R}^2) (63.8%) shows that the predictor variable explains 63.8% of the total variation in the growth of restaurants in Nairobi County. This represents the stochastic disturbance error term (ϵ) is 36.2%.

Coefficient of Multiple Regression Variable This findings wanted to establish the multiple regession coficient. According to Jim Frost (2020), coefficients in regression analysis and P-values work together in statistics to show the signifance betweeen the independent variable and the dependent variable when (P>0.05) the model is statistically significant. This model is presented in in Table 8.

Table 8

			Unstandardiz Coefficients	zed	Standardized Coefficients		
Model			В	Std. Error	Beta	Т	Sig.
1	(Constant)		1.106	.579		1.911	.072
	Market	Penetration	.766	.163	.359	4.699	.001
	Strategy						

Coefficient of Multiple Regression Variables

Source: Researcher, (2022)

a. The dependent variable: Restaurant Growth

X1 was found to be statistically significant and positively related to Y ($\beta_2 = 0.766$, P=.001).

4.0 Conclusion

From the findings of the results obtained from this study, researcher concludes that the predictor variable (market penetration strategy) have an effect on the growth of classified restaurant in Nairobi County. From the regression model, the study established a strong relationship between market penetration strategies in relation to growth of restaurants in Nairobi County. This study wish to conclude that market penetration strategy has a strong and significant effect on the growth of classified restaurants in Nairobi County.

5.0 Recommendation

The study recommends that restaurants should utilize market penetration strategy in order to compete in their operations and not focus on price alone. By doing so, it will give room to focus on quality and create brand image hence customer satisfaction and loyalty and achieve a competitive advantage. Also restaurants should create brand loyalty for new products.

This will help restaurants to enhance customer perception in regard to products and services, increase profitability and create value. Therefore restaurants should invest on



market penetration strategy to ensure their growth. The study also recommends that owing to changes that are taking place in

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