Marketing Innovation Strategies for Improving Customer Satisfaction: Vodacom Tanzania

Richard Allen Senguo[1] Nasero Charles Kilango[2]

1. School of Management, Wuhan University of Technology, P.R.China, 430070

2. School of Education, Northeast Normal University，P.R.China, 130024

richardnt@yahoo.com, naserorichard@yahoo.com

Abstract: Many organizations have assumed that their products or services are so superior that customers would automatically keep coming back for more. However, in order to compete effectively in today's marketplace organizations must change their strategy to become more customer focused. Tanzania has four major telecommunications operators – Vodacom, CELTEL, TIGO and Zantel. There has been stiff competition and war on price among the companies including low priced services, loyalty programs and other seasonal promotions aimed strategically at gaining and dominating more market space in the mobile sector. This study examines the Marketing Innovation Strategies for Improving Customer Satisfaction which have a positive effect on an organization's profitability in the telephone company in Tanzania.

Keywords: Marketing Innovation Strategies (MIS), Customer Satisfaction, Vodacom Tanzania.

1 Introduction

Every organization needs clear marketing objectives, and the major route to achieving organizational goals will depend on strategy. Vodacom branding puts the customer first in the market, however good products, strong brand and customer satisfaction are the only way to have a competitive edge and to keep customers coming back all the time.

Vodacom Tanzania is the second telecom company to enter the market in Africa, thereafter Vodacom, availed its 3G High-Speed Downlink Packet Access (HSDPA) which was available only in Dar Es Salaam in early 2007. Vodacom won in this market and it is the one which is currently dominating the market in providing mobile telephone services. Therefore, this research seeks to examine the MIS plans used by Vodacom to acquire and maintain customer relationship management and compete successfully in a connected world.

This paper is aimed at understanding and being able to successfully anticipate the needs of an organization's current and potential customers by defining and explaining some concepts used in Marketing academia. PR Smith's SOSTAC ® Model shall be adopted to explain the MIS plans used by Vodacom. The uniqueness of these MIS is that they give the company better way to perform in the strategy. Through the findings and analysis we show the innovation services that were employed by Vodacom to succeed in the market. To achieve this we take a look at application of the model, innovative customer services strategy, innovative pricing strategy, innovative strong relationship strategy, and other innovative services.

This study is organized as follows. In Section 2 we have the Methodology of the study while Literature Review is presented in Section 3. In Section 4 we have a special selection of data showing market dominance of Vodacom Tanzania. Results are availed in Section 5, and finally the conclusions of our study are given as Section 6.

2 Methodology

This study is mainly concerned with exploring the facts behind the success of Vodacom Tanzania. Therefore, researcher considers it reasonable to have the main sources of information as collected by diverse studies (cf. Lommeruda et. al. 2003, Martin-Consuegra et. al. 2007, etc), and company websites, as well as the Tanzania Communications Regulatory Authority (TCRA).

The study review some theoretical marketing concepts based on telephone service operation in Tanzania, and analysis carried out through critically examining the marketing innovation strategies that Vodacom Company adopts in contrast with its competitors. PR Smith's SOSTAC ® Model applied in this study. The data presented in statements and in some few cases tables and figures to enable a quick grasping of the specifics. The comparative approach applied throughout the study in order to establish the reasons for Vodacom's success in the market.

3 Literature Review

3.1 Concepts and definitions

To understand marketing innovation, it would be useful first to establish the meaning of marketing. Marketing is everywhere. It is embedded in everything we do from the clothes we wear, to the websites we click on, to the ads we see. It profoundly affects our day-to-day lives. Hence Kotler and Armstrong define marketing "as the process by which companies create value for its customers and build strong customer relationships in order to

capture value from customers in return" (Kotler and Armstrong, 2004, p.5). "Marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing", (OECD, 2005).

3.2 Marketing Innovation based on Customer Satisfaction

As the context of this study is the overall performance of the firm, it is natural to focus on customer satisfaction as an overall evaluation of a firm's product, rather than a particular individual's evaluation of a specific transaction (Boulding et al. 1993; Johnson and Fornell 1991, Fornell et al 1996). Overall customer satisfaction should be a more fundamental indicator of the firm's performance due to its links to behavioral and economic consequences to the firm (Anderson et al. 1994). Therefore the service quality is necessary for the implementation of a new marketing method within the firm to win the possession of the highest profit. But in order to win the possession of the highest profit the company needs to create marketing plans.

3.3 Creating Marketing Innovation Strategies

Marketing innovative strategy model are models focused on strategic marketing problems. The main purpose of a marketing innovative strategy model is to develop tools and insights for the formulation of marketing strategies. The SOSTAC acronym which stands for Situation, Objectives, Strategy, Tactics, Actions, and Control is a framework used when creating marketing plans according to the competitor's forces, (see Figure 1).
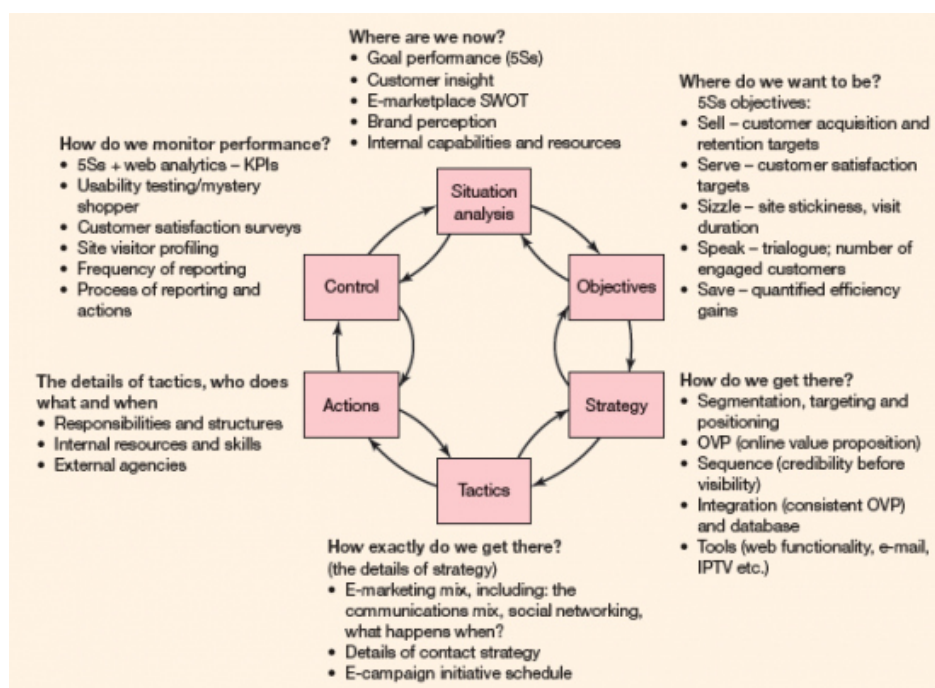

Figure 1. PR Smith's SOSTAC ® Model

4 Strongest Mobile Providers Leading in Tanzania

Vodacom Tanzania has been the Market Leader. According to Tanzania Communication Regulatory Authority the number of Tanzania phone subscribers has reached more than 28 million out of a population of 44 million in 2012. Apart from the four strongest mobile providers leading in Tanzania (Zantel, Tigo, Airtel and Vodacom), there are other three mobile companies namely TTCL, Beason and Sasatel, together they share less than 1% of all subscribers in Tanzania.

The Quarterly statistics report released by TCRA 2012, shows that the country has 28,024,611 phone subscribers in all five telephone operators and wired networks and that Vodacom Tanzania has been the market leader ever since its inception in Tanzania. This is an opportunity that needs to be retained at all cost by Vodacom Tanzania. The gap is huge that is to be covered by Vodacom's competitors in the short term basis. The competitive edge that the company is enjoying came about owing to good innovation strategies.

The April – June Report shows that Vodacom is at the top with 12,317,029 mobile subscribers than other telecommunications companies. The second company according to the report is Airtel Tanzania with 7,664,413 subscribers which has a gap of 4,652,616 compared to Vodacom. Tigo is the third company with 5,613,330 subscribers, Zantel 2,347,179 subscribers and the Government owned company Tanzania Telecommunication Company Ltd (TTCL) has only 1,048; Benson has 1,050 and Sasatel 1,221 subscribers.

This is the increase of 704,946 subscribers in a period of one Month, whereby in May 2012 the number of phones subscribers was 27,319,665. Since the report was for April to June 2012, the number of subscribers may have changed currently as shown in Table 1 and Figure 2 below.

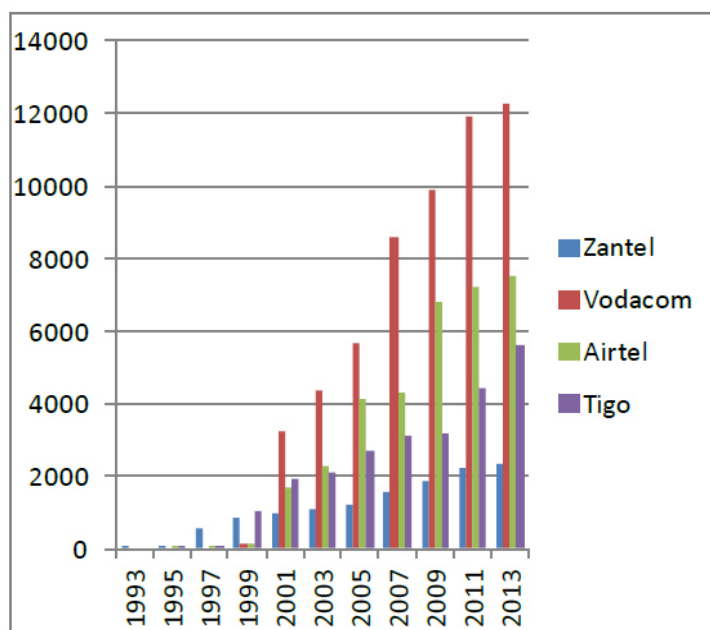|	Vodacom	Airtel	Tigo	Zantel	TTCL	Benson	Sasatel
Subscriber Base	12,317,029	7,664,413	5,613,330	2,347,179	1,048	1,050	1,221
Registered Subscribers	12,301,415	7,289,209	5,509,337	1,203,391	1,048	1,050	1,221
% registered by June 2012	99.87	95	98	51	100	100	100

Table 1. Source: TCRA June 2012

Figure 2. Tanzania mobile phone subscribers by '000 (TCRA 2012)

5 Findings and Analysis

5.1 Application of the model

Marketing Innovative Strategy is the art of working out how you will win in business and in life. The company implements its different strategies through well planned marketing strategies which help in creating value and retaining good reputation. The marketing plans set by Vodacom Tanzania are creating value to the company since company is still the leading in the market despite adapting different strategies which seem to have highest returns when adapted. The uniqueness of these marketing strategies is what gives the company better way to perform in its overall strategy.

5.2 Innovative Customer Services Strategy

Customer service is a system of activities that comprises customer support systems, complaint processing, speed of complaint processing, ease of reporting complaint and friendliness when reporting complaint (Kim, Park and Jeong, 2004). Customer services are great opportunities for telecom service providers that are added to mobile network services other than voice services in which contents are either self produced by service provider or provided through strategic compliance with service provider (Kuo, Wu and Deng, 2009).

The improved customer services are the focal point of the telecom service providers for social as well as for economic reasons. From a social point of view, services should be available to the customers on reasonable terms. As far as economic factor is concerned, services should satisfy the needs of the customers (Turel and Serenko, 2006; Melody, 1997). We are of the conviction that Vodacom learnt the weaknesses of the first market entrant (Mobitel), by coming up with a bigger capital investment. Vodacom invested more than USD.100 million in its network infrastructure and after completion of its GSM infrastructure it became the largest digital cellular network in the country. The big capital investment had also enabled the company to recruit the best human capital available, both within and outside the country.

5.3. Innovative Pricing Strategy

Vodacom showcases their innovative strategy through price they offer to the customer and the service they introduce. The company offers different prices to the customers and the pricing packages target both the low income earners and high income earners. The rate at which Vodacom charges its customer is what differs with other competitors who have gone for low service cost strategy. Recently Vodacom Tanzania has introduced a new service called "Cheka time", which lets low income customer to afford the service at very cheapest price. This strategy is being used by the other mobile operators also and it has proven successfully, but recently the pricing strategy has been falling in popularity, making way for Vodacom Tanzania to assert its authority and strategic position in the market.

  Price fairness is a very important issue that leads toward satisfaction. Charging fair price helps to develop customer satisfaction and loyalty. Research has shown that customer's decision to accept particular price has a direct bearing on satisfaction level and loyalty (Martin-Consuegra, Molina and Esteban, 2007). In another study of Herrmann et al., (2007), it was concluded that customer satisfaction is directly influenced by price perceptions and indirectly through the perception of price fairness. The price fairness itself and the way it is fixed and offered have a great impact on satisfaction. According to Lommeruda and Sørgard (2003), telecommunication services are like undifferentiated products therefore, customers are not price sensitive all the times and sometimes brand loyalty takes part in brand preferences. It is for this is reason that some consumers are retained by old monopolists. This is confirmed by figures in Table 2 below.

Company	To own network TSh.	To other local networks TSh.	AVERAGE TSh.
Vodacom	312.00	408.00	384.00
Celtel	318.00	408.00	378.00
Tigo	216.00	360.00	312.00
Zantel	237.60	273.60	261.60

Table 2 Telephone Tariffs, Source: TCRA September 2007

The Competitors tend to use price competition as shown in Table 2 but they are still far below as far as the market share is concerned. Vodacom invests in innovation and superior service quality, invests heavily on advertising and promotion. Today the Vodacom foundation has supported over 120 projects in the country in the areas of health, education and social welfare.

5.4. Innovative Strong Relationship Strategy

Overall majority of Vodacom Tanzania subscribers are satisfied but that is not a guarantee for loyalty. Customer Satisfaction is very important in today's business world and as noted by Deng et al., (2009) the ability of a service provider to create high degree of satisfaction is crucial for product differentiation and developing strong relationship with customers. Customer satisfaction makes the customers loyal to one telecommunication service provider. Previous researchers have found that satisfaction of the customers can help the brands to build long and profitable relationships with their customers (Eshghi, Haughton and Topi, 2007). Though it is costly to generate satisfied and loyal customers but that would prove profitable in a long run for a firm (Anderson, Fornell and Mazvancheryl, 2004). Therefore a firm should concentrate on the improvement of service quality and charge appropriate fair price in order to satisfy their customers who would ultimately help the firm to retain its customers (Gustafsson, Johnson and Roos, 2005).

5.5. Innovative Other Services

Vodacom Tanzania innovative critical advertising services to promote product, service or target audience. A target audience is the portion of the general public that products, services or events were created for to fill a desire or need in the marketplace. Advertising is written by advertising copywriters and finished with artwork by graphic designers. The channels advertising is run through to reach its target audience includes all types of media like television, radio, print, online advertising and any king of ad which is meant to stimulate visual or verbal senses of the target audience. Advertising has almost no geographical boundaries and therefore reaches the largest amount of customers while generating the lowest per head costs in the marketing view. But also other sources of advertising in public places like billboards, public transportation vehicles or even restrooms are used as advertising space. Even the most unlikely places are used as a space for placing ads in order to make the customers aware of the brand, company, or a certain product.

  Vodacom Company Tanzania invests heavily in innovative projects and encourages its departments to come up with new ideas and products so as to have an edge over its competitors, to provide better service to its customers and to increase its market share. Through continuous innovation Vodacom has been improving the

existing services as well as introducing new services. Vodacom was the first mobile telephone company to introduce phone to phone credit transfer named "Voda faster". This service allows one service user to send airtime credit to another through short message service (SMS). Recently Vodacom has advanced this service into money transfer, a service they call "M-PESA". However, Zantel was the pioneer of this service in the country, but Vodacom has improved the service so much that it has out competed Zantel. Vodacom's service has been more convenient, secure, and easy to use.

Tanzania Mobile phones have become a solution for everyday transactions such as paying water/electricity bills or sending and receiving money through the mobile phones. M-Pesa is used widely to save money, pay bills, buy goods and buy airtime.

6 Conclusions

Vodacom Tanzania is a leading provider of converged communication solutions that are customer-centric, technology-driven, cost-effective, and innovative but also able to generate sustainable value. Vodacom customers can now access all their desired telecommunication service packages, from mobile telephony through internet access to hosted applications, within a single service provider. Vodacom Tanzania has been a leader in the market for a myriad of reasons. Vodacom stands out for habitually introducing new products and services for the first time in the country.

Even though there are many things that Vodacom Tanzania can celebrate about its accomplishments still a lot of adjustment need to be made. The success that Vodacom has achieved should not blind company to see the future. The company by this time should focus on its pricing strategy and local expert involvement. Since its inception Vodacom Tanzania has been headed by a foreign managing director who has been making the strategic decisions. This concept should be looked at for company to have a balanced pool of ideas for decision making processes. This will help in targeting potential customers especially those who are currently not subscribed to any one telecommunications operator. In future research we will see how M-PESA works and the challenges it brought to the banks' operational activities.

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