# The Influence of Market Penetration Strategies on Market Share in the Hospitality Industry in Arusha, Tanzania

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**Abstract**

Organizations must implement competitive product-market strategies to secure their survival and sustainability in the marketplace. They must surpass competitors that follow other generic strategy types or those who are trapped in the middle. Although several investigations have been carried out in the tourist sector, none have been conducted on the marketing methods employed by Tanzanian tour firms. The purpose of the research was to see if companies are still using Igor Ansoff's product-market strategies to grow their market share. The main purpose of this study was to determine the impact of market penetration strategies on Arusha-based travel companies' expansion of market share A survey research design was employed in the study, targeting marketing managers from tour companies in Arusha. To determine the sample size, the researchers utilized basic random sampling. The data was gathered from a sample of 44 people. The marketing managers were handed a questionnaire with 17 questions to complete. Quantitative techniques were used to analyze the information gathered. When the data was acquired, it was cleaned, coded, categorised, and sorted. Information was then computed both by computations of deductive and expressive nature. Results indicate that market penetration strategy ($\beta$ = .732, p = .000<.05) significantly influences market share at 95% confidence level. The study therefore concludes that market penetration strategy significantly influences market share among tour companies in Arusha, Tanzania. It is recommended in addition to sustaining and improving current practices under the strategy, tour companies in the country ought to continue to embrace the market penetration strategy.

**Key Words:** Product-Market Strategies, Market Penetration Strategy, Market Share

## 1.0 Introduction

Considering its ability to create foreign cash and jobs, tourism has developed as a new spur for growth in the economy in most developing countries gifted with considerable tourist attractions. A succinct examination of tourism's financial consequences on a developing country's economy is necessary to guide policy that aims to grow tourism and increase its economic benefits (Dwyer & Forsyth, 2016). Tourism has an economic influence since tourists spend money on various (mainly non-traded) services and goods (Calero & Turner, 2019). As a result, tourist expenditures may be viewed as an inflow of FDI exchange, which can result in a currency appreciation and, as a result, a drop in local international prices, which works as a deterrent to exports (Stainton, 2020). More broadly, the financial growth of tourism can be investigated by examining its impact on output growth, component use, and the country's payment balance.

In the last four years, the number of tourists visiting Tanzania has risen dramatically. Many tourists visit throughout the year, with the months of August, July, and June being the busiest. Many people get to watch the wildlife migration during these months. Due to the increased number of tourists, tour businesses are facing severe competition. They want to grow their market share as much as they want to satisfy their clients by giving the greatest services and establishing customer contentment. Leading companies in the hospitality business can expand their market shares even more. In several markets, a small increase in share of the market leads into huge sales growth. As per Kotler and Armstrong (2017), studies have demonstrated that increasing market share increases profitability on average. Many companies have attempted to increase the number of customers as a consequence of these findings in order to raise revenues.

An industry might use a variety of strategies to increase its market share. Being inventive and gaining a competitive advantage are two of them. Leopard Tours is one of Tanzania's most well-known travel companies. Since they have seasoned drivers that are well and informed, this organization has a competitive advantage over the competition. In terms of bookings, the company is marginally less expensive than the competition. They have high-quality vehicles on hand, as well as a backup vehicle in case one of them breaks down.

Various scholars have noted on various methods for growing market share. Endogenous Growth Hypothesis postulates that a system's business growth is a direct result of internal dynamics. Applying Igor Ansoff product-market strategies is another technique to increase market share, and that's what the investigation will concentrate on. Businesses utilize the Ansoff matrix, also referred as the market-product growth grid, to evaluate and organize their investment strategy. The matrix displays four methods for aiding a business's growth, and the hazards associated with each. The four approaches are; diversification, market penetration, market development and product development. Of particular interest in the hospitality context is market penetration. Increased sales of current products to an established market are the goal of market penetration. This could be accomplished by extensive promotions, one of which is advertisement. For those people or organizations that they service on a regular basis, the hotel business can also lower price costs. Improvements in service or product can also result in market penetration.

Firms' successful product approaches vary greatly based on the operating context. The current operating set-up in the Arusha hospitality business is vibrant and extremely competitive, particularly in the tourism sector, where many private tours and travel companies have emerged. Organizations must implement successful product approaches to secure their survival and sustainability in the marketplace. They must surpass competitors that follow other generic strategy types or those who are trapped in the middle. Marketing catalogues with enough resources, social good activities, product image, convenient retailing, marketing share positioning, and duration in the sector are among the competitiveness. Arusha boasts approximately 100 tour firms, all of whom are eager to expand their market share and compete.

Although several investigations have been carried in the tourist sector, none have been conducted on the advertising methods employed by Tanzanian tour firms. The research purpose was to see if companies are still using Igor Ansoff's product-market strategies to grow their market share. Different tactics are employed to expand market share in current marketplace. Companies can expand market share by innovating, improving client relationships, employing smart hiring methods, and purchasing rivals, as per Zemanek and Pride (2018). The share of the market of a single business is the proportion of that very market that it dominates.

COVID-19, a virus outbreak, will have an impact on Tanzania's and the world's economies in 2020. Many nations were put on lockdown as a result of this. Flights had ceased, and no visitors had arrived in Tanzania as a result. Local tourists were the only source of revenue for the tour firms. Small tour firms were also impacted, and several were forced to close their doors. Many individuals lost their jobs as a result of the procedure and had to find alternative ways to survive. Tanzania resumed normal operations in June 2020, with schools, as well as international and domestic aircraft, reopening. Tourists began to travel after borders and international flights were allowed, however they had to take all steps to stay safe. Few tour firms are currently operating, as many were shut down during the Coronavirus outbreak, which led in international travel restrictions (Aviation Authority of Tanzania, 2020). As a result, the purpose of this research was to determine the impact of market penetration tactics on market share expansion in the Arusha tourism sector and correspondingly test the null hypothesis that market penetration strategy does not have a significant influence on market share in Arusha's tourism industry ($H_{01}$)

## 2. Literature Review

The study was anchored on the Resource Advantage Theory described by Hunt and Madhavaram (2019) as important organizational strategies such as resource-based tactic, competence-based approach, industrial-based approach, market-oriented approach, brand equity tactic, effective segmentation approach, and relational promotional strategies. The assets that are used to allude to resource advantage are those that are available, whether real or intangible, and are created promptly and productively to be provided to specific

market groups (Haller & Lonela, 2020). This thesis is based on blunders in the pursuit of organizational advantage by focusing on organizational strategy. Historically, the organization's concentration has been on competitiveness. Organizational current leaders have just recently begun to focus on distinctive service and product development strategies that rivals will be unable to mimic as a result of Hunt and Morgan (2017) research. According to Ferdinand (2016), the ability to generate these three conditions will lead to a competitive advantage and organizational efficiency.

Hunt (2017) demonstrates that product attributes are extremely diversified, information is poor, and available resources are likewise heterogeneous in this theory. As a result, according to Hunt, innovation in a company is required to assist boost growth, sales, and profitability. Furthermore, growth can be achieved through the effectiveness and efficiency of innovation. Organizational growth is achieved by innovation, which entails increasing the attribute value provided by customers via value-added use. Customers should be offered more value by increasing the quality and quantity of resources available to them. By making greater use of organizational resources, a company should be able to reduce expenses while also increasing market development. An organization must be able to spot fresh market expansion prospects. This can be accomplished by differentiation strategy or the introduction of new products to the market. It could be done by expanding existing items into new markets. All of the preceding will assist a company in improving its performance and expanding its share of the market (Hunt, 2010). It will also increase an organization's performance in the following ways: The quest of financial success will lead to the creation of outcomes; production increase shows the firm's presence and can even lead to the formation of a new company.

In order to achieve corporate success and benefit, a company must be able to invent things that are hard to reproduce by future competitors (Gupta, 2015). Successful firms, according to Wang, Wong, and Liang (2014), have an advantage in spreading information and possessing high intellectual capital. The competitive advantage that a business has must be maintained over time in the form of unique, tough innovations that rivals will not be able to copy. According to authors like Zemanek & Pride (2018) and Barney (2017), a firm's market dominance can be increased by competitiveness, which can be achieved by employing internal resources to provide added value to customers that can't be copied by competitors. An institution's competitive advantage is determined by the amount to which it does not replicate other organizations, not by how long it keeps the edge.

Pricing, volume, line of products, marketing and advertising, services, inventory levels, customer credits, and presentation are all strengths that a business can use to direct its customers. In order to sustain the advantage, the company is anticipated to make the best use of its resources (Zemanek & Pride, 2018). The resource advantage theory is pertinent to the current study because it explains how travel companies in Arusha use product-market strategies such as market penetration, product development, market expansion, and diversifying to grow market share.

A marketer has numerous options for conquering current product marketplaces and increasing market share, as per Aaker (2017). The much more obvious method is to boost market growth. However, one firm's gain is another firm's loss. As a result, the share of the market struggle may only intensify competition pressure, and any gains in market share may be quickly nullified or, at the very least, difficult to maintain. Increased product utilization is an alternative method that may offer less of a threat from rivals and, as a result, contribute to a rise in market share. The final of the three methods for increasing product utilization, namely regularity of use, amount of use, and new apps, could be the most successful. This includes gathering information on the uses of competitive brands and products that are alternatives.

To measure the cost efficiency of such initiatives, the expenses of such investigations or studies, as well as later promotional strategies, should be considered. As per Kotler and Keller (2017), a company aims to expand its present product market by deeper penetrating it with its established products. This method of growth is referred to as intensive growth. The market penetration strategy is the least risky because it takes use of several of the company's present resources and capabilities. Sustaining share of the market will lead to an expansion in a rising market, and there may be chances to gain market share if rivals reach capacity constraints (Gillian, 2018).

## 3. Methodology

A descriptive survey was used in this investigation. Descriptive survey study aims to collect data that characterizes current phenomena (Jaideep, 2018). The tour firms in Arusha town were the study's target population. The major informants of the study were the advertisers make of tour firms, who were the primary audience. Because of their familiarity with the tourist firm's product-market strategies and how they aid expand market share, data was collected by mailing surveys to marketing executives from the 147 tour businesses. Simple random sampling was adopted in selecting the tour companies. Simple random sampling, as per Depersio (2018), is a strategy for taking a sample size from a bigger population and using it to investigate and generalization about the larger group. To obtain the sampling size, the study was guided by Mugenda and Mugenda (2003) who propose a sample of 10% from large population sizes and 30% from relatively smaller population sizes. As such, this research sampled 30% of the target population which is 44.1.

The "drop and pick" method was used to acquire the present study's information. The first week was spent delivering surveys to tour company marketing managers. The authors investigated the study's goal to the participant and assured them that the information gathered would only be used for academic purposes. The information gathered was primary, and the study included both computations of deductive and expressive nature. Questionnaires were utilized to collect data for the study. These questionnaires were given out by the investigator herself in order to explain the goal of the study to the respondents and to obtain adequate and trustworthy information from individuals. This technique was utilized by the researcher as a face-to-face talk with participants to obtain the information needed for the study.

The validity of this study's design was ensured by the thorough selection of indicators that guided the development of the interview and questionnaires schedules. The validity of the survey was further increased by conducting a trial survey before collecting the final data from the participants. The questionnaire protocols were put through a test-retest procedure, with data acquired with the tools from a few randomly chosen respondents of the community at first and then again one week afterwards.

Questionnaires were coded on a computer and then analyzed using Spreadsheet. The Statistical Package for Social Science was used to examine the hotel industry's product-market strategies for increasing market share. The information was illustrated in the form of figures and tables after quantitative and qualitative analysis. Quantitative analysis involved computation of both computations of deductive and expressive nature. Descriptive analysis was used to summarize data sets using mean scores, frequency distributions and standard deviations. Inferential statistics included both Pearson correlation and a multiple regression analysis. The regression model adopted is as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$
Where:
$Y$ = Market share
$\beta_0$ = Constant Term
$\beta_1, \beta_2, \beta_3$ and $\beta_4$ = Beta coefficients
$X_1$ = Market penetration strategy
$X_2$ = Product development strategy
$X_3$ = Market development strategy
$X_4$ = Diversification strategy
$\varepsilon$ = Standard Error

## 4.0 Results
The study sought to determine the impact of market penetration tactics on market share expansion in the Arusha tourism sector. The variables were then subjected to a descriptive analysis using a "five-point Likert scale". To this end, the respondents were required to assess the presented statements using a 1 to 5 scale, given: "1= Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree". 2.4 mean scores and below was taken to imply "low affirmation"; between "2.5 and 3.4" as "moderate affirmation" and between "3.5 and 5.0" imply "high affirmation". The descriptive analysis on the variables entailed the use of means and standard deviations, results of which are presented in Table 4.1.

**Table 4.1: Descriptive Statistics for Market Penetration Strategy**

| | Mean | Std. Dev |
|---|---|---|
| In our firm, we work towards increasing our market penetration levels | 4.000 | .542 |
| In our firm, we work towards enhancing market accessibility and expansion | 3.771 | .843 |
| In our firm, we work towards discouraging competitors from entering the market | 4.000 | .343 |
| In our firm, we work towards enhancing early market entry | 3.943 | .539 |
| In our firm, we work towards customer retention | 4.200 | .6774 |
| We devote sufficient resources towards increasing our customer acquisition | 3.743 | .505 |
| We adopt product promotions to convert potential customers | 3.771 | .547 |
| We adopt pricing strategies to convert potential customers | 3.857 | .430 |
| In our firm, we work towards enabling rapid market adoption and dispersion of the organization's goods | 3.857 | .648 |
| We achieve market access through strategic alliances or partnerships | 3.629 | .490 |
| **Composite** | **3.877** | **0.556** |

Source: Survey Data (2021)

The results presented in Table 4.1 indicate an overall mean of 3.877 (SD=0.556), suggesting that a majority of respondents reached highly affirm to statements pertinent to their application of market penetration strategy, their opinion on market penetration strategy, and whether or not in their experiences, market penetration strategy helps in increasing market share through market penetration. A majority of respondents particularly highly affirmed that their respective firms' work towards customer retention (4.200); they work towards increasing our market penetration levels (4.000); they work towards discouraging competitors from entering the market (4.000); they work towards enhancing early market entry (3.943); they adopt pricing strategies to convert potential customers (3.857); and that they work towards enabling rapid market adoption and dispersion of the organization's goods (3.857).

The study sought to investigate how market-product strategies used by Arusha travel firms influence their gain share of the market. The variables were then subjected to a descriptive analysis using a "five-point Likert scale". To this end, the respondents were required to assess the presented statements using a 1 to 5 scale, given: "1= Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree". 2.4 mean scores and below was taken to imply "low affirmation"; between "2.5 and 3.4" as "moderate affirmation" and between "3.5 and 5.0" imply "high affirmation". The descriptive analysis on the variables entailed the use of means and standard deviations, results of which are presented in Table 4.2.

**Table 4.2: Descriptive Statistics for Market Share**

| | Mean | Std. Dev |
|---|---|---|
| Our market share is greater than our main competitors in the industry as a result of our product-market strategies | 3.543 | .780 |
| Our market share in the industry has increased as a result of our product-market strategies | 3.743 | .561 |
| Our market share is greater than our main competitors in a market segment/region as a result of our product-market strategies | 3.943 | .684 |
| Our market share in a market segment/region has increased as a result of our product-market strategies | 4.000 | .728 |
| Composite | **3.807** | **0.688** |

Source: Survey Data (2021)

The results presented in Table 4.2 indicate an overall mean of 3.807 (SD=0.688), suggesting that a majority of respondents reached highly approve of statements pertinent to their respective market share. A majority of respondents particularly highly affirmed that in their respective firms' market share in a market segment/region has increased as a result of our product-market strategies (4.000); market share is greater than our main competitors in a market segment/region as a result of our product-market strategies (3.943); market share in the industry has increased as a result of our product-market strategies (3.743); and that their market share is greater than our main competitors in the industry as a result of our product-market strategies

(3.543). It can thus be deduced that the respective market share for a majority of the tour firms surveyed has increased over time, which can be attributed to their respective product-market strategies which include market penetration strategy, product development strategy, market development and diversification strategies.

The study advanced the null hypotheses that market penetration strategy is not substantially linked with share of the market in the tourism industry in Arusha ($H_{01}$). Both the Analysis of Variance (ANOVA) and determination coefficients were produced by regression studies. ANOVA was done to indicate whether there exists a significant mean difference between independent and dependent variables, at 95% confidence level. The hypothesis test findings were interpreted based on the statistical importance of the predicted values. Tables 4.3, 4.4 and 4.5 below present the findings.

**Table 4.3: Model Summary ($H_{01}$)**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .299[a] | .089 | .062 | 1.35133 |
| a. Predictors: (Constant), Market Penetration Strategy | | | | |

The results in Table 4.3 show a correlation value (R) of .299 which shows that there is a solid, linear relationship between the variables, diversification, market penetration, market development and strategy of product development and market share. An $R^2$ value of .089 was further established indicating that market penetration strategy accounts for 8.9% of the variations in market share, while other parameters not included in the current regression model account for the remaining 91.1 percent. The results of the ANOVA test were then plotted in Table 4.4.

**Table 4.4: ANOVA ($H_{01}$)**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 5.910 | 1 | 5.910 | 3.237 | .081[b] |
| | Residual | 60.261 | 33 | 1.826 | | |
| | Total | 66.171 | 34 | | | |
| a. Dependent Variable: Market Share | | | | | | |
| b. Predictors: (Constant), Market Penetration Strategy | | | | | | |

The model predicting the association between market penetration strategy and market share was substantial (F = 3.237, p-value > 0.05), according to the ANOVA test findings in Table 4.4. The findings shows that the regression sum of squares is 5.910 when compared to the total sum of squares (66.171) at a 95% confidence level. This means that the regression model only explains around 8.9% of the variance in the data set, while the remainder sum of squares is 60.261, meaning that 91.1 percent of the variance in the information is unaccounted for.

The results in Table 4.5 reveal that market penetration strategy ($\beta$ = .299, p = .081>.05), significantly influences market share at 95% confidence level. The foregoing outcomes uncover sufficient proof to reject the hypotheses that market penetration strategy was substantially linked with share of the market in the tourism industry in Arusha ($H_{01}$). It was thus inferred that a statistically substantial linkage exists between market penetration strategy was substantially linked with share of the market in the tourism industry in Arusha.

**Table 4.5: Coefficients ($H_{01}$)**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 4.943 | 5.722 | | .864 | .394 |
| | Market Penetration | .267 | .149 | .299 | 1.799 | .081 |

| Strategy | | | | | | |
|---|---|---|---|---|---|---|
| a. Dependent Variable: Market Share | | | | | | |

## 5. Conclusion

The finding implies that a majority of tour companies in Arusha Tanzania are market oriented and leverage their resources towards increasing their market penetration levels and enhancing an early market entry both locally and internationally with a view to grow their customer bases. A majority are also territorial, working towards discouraging competitors from entering the market. A majority further employs innovative strategies to enable rapid market adoption and dispersion of the organization's goods, including adopting pricing strategies and product promotions to convert potential customers; achieving market access through strategic alliances or partnerships, by for instance not only booking tour trips in Tanzania but also in Kenya but also collaborating with Kenyan tour companies.

The market penetration strategies adopted are expected, as tourists stream into the country yearly from different parts of the world while local tourism potential remains largely untapped. The finding also implies that to a majority of the tour companies reached; the market penetration strategy has to a large extent adequately realized its intended objectives over time. It ii also implied from the finding that to a notable extent, the market penetration strategy in a majority of the tour companies reached has had a significant and positive influence on market share among tour companies in Arusha Tanzania, resulting in increased market share.

It was thus inferred that a statistically substantial linkage exists between market penetration strategy was substantially linked with share of the market in the tourism industry in Arusha. A majority of tour companies in Arusha Tanzania are market oriented, and leverage their resources towards increasing their market penetration levels and enhancing an early market entry both locally and internationally with a view to grow their customer bases. A majority are also territorial, working towards discouraging competitors from entering the market.

The foregoing findings are in agreement with Kotler and Keller (2017) who argue that the market penetration approach is the least hazardous because it utilizes many of the company's existing resources and competencies. A company wants to grow in its present product market by further entering the existing industry with its existing products or services. Similarly, Aaker (2017) found that a marketer has a number of ways of expanding market share by entering into extant product markets, including by increasing market growth and by increasing the product usage.

## 6. Recommendations

Based on the foregoing findings, the study recommends that tour companies in the country continue to embrace market penetration strategies. In addition to sustaining and improving current practices under the strategy, the study recommends inter-related marketing activities which include customer loyalty programs, dialogue approach to marketing to integrate customers' perceptions and views, free preview or free-to-air strategy, discount pricing strategy, effective distribution channels and deployment of social media tools to tie customers to the existing products. It is expected that the tour companies will not only retain its market share through market penetration strategy but attract competitors' customers thereby improving its market share.

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