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PRICING STRATEGIES AND MARKET SHARE IN THE TELECOMMUNICATIONS SECTOR IN KENYA: A CASE STUDY OF TELKOM KENYA

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ABSTRACT

Kenya is a highly competitive telecommunications market where Telkom Kenya has faced substantial strategic interventions. This study investigated the impact of penetration pricing, bundle pricing, flexible pricing, and value-based pricing on Telkom Kenya's market share. The study drew on Porter's Competitive Advantage Theory, Game Theory, and Customer Value, and used a mixed-methods cross-sectional survey design involving 267 respondents from 5 departments at Telkom Kenya in Nairobi. The study used multiple linear regression and narrative analysis to analyze the data. The market share results were all significant and positive ($r = .401$ to $.482$) for all four pricing strategies. All strategies tested had significant positive effects; penetration pricing ($\beta = .281$, $p < .001$), value-based pricing ($\beta = .225$, $p < .001$), flexible pricing ($\beta = .149$, $p = .018$), and bundle pricing ($\beta = .126$, $p = .050$) explained 28.1% of the variance in market share. The study concludes that pricing plays a significant role in market share. Still, it is not enough and recommends penetration and value-based pricing in addition to investing in network quality.

Keywords: Pricing strategies, market share, penetration pricing, bundle pricing, flexible pricing, value-based pricing, telecommunications, Telkom Kenya.

1.0 INTRODUCTION

1.1 Background of the Study

The telecoms sector has a key role to play in fostering social and economic development globally, innovation, communication, and digital inclusion. Pricing is important to market-share strategy in this industry and can impact consumer acquisition and retention as well as market position. In all telecommunications markets globally, these strategies have contributed to market share. These include penetration pricing, bundle pricing, value-based pricing, and flexible pricing. Various pricing models have been effective in enhancing the acquisition of mobile phone users and creating brand loyalty (Adera & Muturi, 2024; Chege & Mwangi, 2023).

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The Spanish telecom industry has been the subject of Marfil, Sanchez-Esguevillas and Carro (2022), who studied the impact of triple-play packages that proved to be very successful in boosting client loyalty and lowering customer attrition by 78%. They also discovered that, in this context, bundling proved to be problematic in the telecommunications industry for smaller firms that compete against larger firms' "all-in-one" products, suggesting that in telecommunications, bundling is essential but must be carefully managed to avoid adverse anti-competitive consequences.

In the context of mobile telecommunication services, Izadpanah and Vaezi (2023) designed and tested the bundle pricing concept and found out that the average revenue per user (ARPU) and customer retention were enhanced with bundle packages if the discount was perceived by the customers as worthwhile. Likewise, Ribeiro et al. (2024) analysed customer experience with bundled telecommunication services and concluded that bundle satisfaction was significantly negatively associated with switching intention; however, poorly matched bundles significantly increased customer frustration and risk of churn, suggesting that Marfil et al. (2022) caution that the use of bundles must be carefully managed.

Lhonor and Peter (2025) studied the effect of penetration pricing strategies on firms' market share in the competitive market in the United Kingdom. They carried out a quantitative cross-sectional survey of 200 technology-, retail- and consumer goods-based companies, and discovered that penetration pricing strategies had a significant impact on short-term market share acquisition. They found that penetration pricing is a viable strategy to get a first foothold in a market, but that it needs to be accompanied by actions that provide value for money for the customer in order to keep them in the market.

In Arif and Subrahmanyam (2022), the authors looked at the relationship between penetration pricing and customer retention of firms in Mumbai and Delhi, India, and found that penetration pricing had a significant impact on customer retention; however, when not accompanied by the improvement of service, this effect reduced over time, which aligns with the price-sensitive, first-time-user dynamics penetration pricing is designed to capture.

Al-Amri and Al-Hakimi (2021) examined the effect of pricing strategies on market share in the cement industry in Yemen and concluded that the pricing strategies positively and statistically significantly affected the market share. The research findings showed that aggressive pricing strategies resulted in a high market share at Amran Cement Factory, which substantiates that competitive pricing and strategic price adjustment are helpful for firms to build their competitive position and acquire market share.

Chidinma, Nkallu and George-Oparati (2025) examined the relationships between pricing strategies and market share of food and beverage firms in Rivers State, Nigeria. They used a correlational research design and found that pricing strategies have a statistical significance to increase market share and are quite effective in market penetration to capture the company's new customers and become competitive.

The pricing-performance relationship is reinforced by cross-industry evidence outside of telecoms. Dynamic pricing strategies in European hotels were found to have significantly enhanced the revenue performance of the companies by giving them the flexibility to adjust

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prices in response to the actual demand situation, according to Abrate, Fraquelli and Viglia (2020). Based on this literature review, the following findings were derived: Market Penetration Strategies had a significant influence on market share among hotels in Arusha, Tanzania, according to Shah, Maore, and Nzioki (2022); and Pricing Strategies had a significant positive relationship with the growth and sustainability of small and medium enterprises in South Africa (Ndwandwe and Khoza, 2026). The authors' research findings are consistent with the findings of these studies, in that the relation between pricing and performance is not specific to telecommunications, but also depends on the specifics of the industry context.

Yussuf and Kilei (2024) carried out a research study on the market share of Safaricom Limited in Kenya with the differential pricing, competitive pricing, and value-based pricing strategies. Their mixed-methods study of 219 management staff revealed pricing strategies as a factor in market share and customer loyalty, as well as the ability to implement differential pricing to meet the needs of various customer segments. The findings from the study showed that price strategy and customer value perception alignment are very important in terms of market share. Other evidence from the Kenyan telecommunications industry confirms this image. Market penetration strategies were highly significant in explaining competitive advantage among the Kenyan telecommunications companies (TCs) according to Gitonga, Kariuki and Kimani (2025), and Safaricom's fibre price wars with local and international mobile telecoms companies (MTCs), Airtel and Starlink, respectively, changed the competitive landscape of the telecoms sector as documented by Otieno and Mwale (2025). Nambanga (2021) demonstrated that, at the regional level, the use of price discrimination in the form of limit pricing by the East African telecom companies (ETC) theoretically appears to be a process of entry deterrence and market share defence, which fits the flexible segmented pricing strategies explored in this study.

Orangi and Moraa (2025) examined the effect of price-based market segmentation on the performance of fashion merchandising outlets in Kenya. They found that fashion merchandisers who priced at their customers' perceived value level in different market segments were more successful in acquiring customers and repeat shopping than fashion merchandisers who used the standard approach.

The literature has also been dedicated to value-based pricing. To help firms choose the right pricing method, Steinbrenner and Turcinkova (2021) created a value-based pricing determination matrix and found that firms with a high level of understanding of customer-perceived value drive higher value using value-based pricing than firms with low customer-perceived value understanding using cost-plus or competitor-based pricing. Tian, Liu and Jiang (2023) examined the effect of customer value pricing strategies on travel agencies in Hainan and revealed that the use of pricing that is in line with customer value significantly enhanced customer satisfaction and revenue performance. In a recent context, Mwito, Rintari and Muema (2024) investigated the relationship between value-based pricing and growth of SMEs in Imenti North Sub-County, Kenya, and the results indicated that value-based pricing had a positive and statistically significant relationship with the growth of SMEs in the study area.

Chege & Mwangi (2023) undertook a comparative study of pricing strategies implemented by Safaricom and Airtel Kenya, and their ability to create competitive advantage and market penetration. They found that while freemium models positively affect brand sentiment and stimulate existing subscribers' data usage, they do not lead to primary network switching or significant market share gains over competitors.

While these pricing strategies and market share have been studied across different markets and industries, the effects of penetration pricing, bundle pricing, flexible pricing, and value-based pricing on market share in the Kenyan telecommunication sector, in particular for Telkom Kenya as a fourth market player after the dominant players, are evident and have not been widely studied in the literature. This study was aimed at filling this gap by investigating the effect of the four pricing policies on the market share of Telkom Kenya.

1.2 Statement of the Problem

The Communications Authority of Kenya (CAK) data indicates that Telkom Kenya has been steadily and substantially losing its market share in the mobile telecommunications sector since 2005. Telkom enjoyed a relatively strong position around 2018 and 2019, having some 3.4 million subscribers (CAK, March 2020). However, from 2020, the market became more competitive, with Telkom steadily losing customers, mainly due to Safaricom and Airtel. Telkom's subscriber market share also dropped significantly by around 60 percent, to about 1.3 million subscribers, in 2022 compared to the previous year, 2019 (CAK, September 2022). The situation worsened in 2024, culminating in Telkom's market share falling to 1.7 per cent in July 2024, according to CAK data. As of June 2025, Telkom's mobile subscriptions were reportedly down to less than 1 million subscribers (CAK, December 2025).

Telkom’s market share trajectory reflects a consistent decline: 6% in 2021, less than 4% in 2022, approximately 2.4% in 2023, and 2% by 2024 (CAK 2025). This downward trend is especially worrying as, over the years, Telkom Kenya has adopted several strategic shifts, including restructuring, rebranding, modernization of its infrastructure, a change in ownership, and competitive pricing, yet has not seen any meaningful gains in market share.

The main issue is whether this downtrend is due to market structural factors or to less competitive positioning, bad pricing models, and/or perception issues. The purpose of this study was to examine the relationship between pricing and market share in Kenya's mobile telecommunications industry, with a particular focus on Telkom Kenya, and to assess whether pricing strategies have a significant impact on market share.

1.3 Objectives of the Study

General Objective: To determine the effect of pricing strategies on market share in the telecommunications sector in Kenya, a case study of Telkom Kenya.

Specific Objectives:

- To determine the effect of penetration pricing strategies on the market share of Telkom Kenya.
- To determine the effect of bundle pricing strategies on the market share of Telkom Kenya.

- To determine the effect of flexible pricing strategies on the market share of Telkom Kenya.
- To determine the effect of value-based pricing strategies on the market share of Telkom Kenya.

1.4 Research Hypotheses

H01: Penetration pricing strategies do not affect Telkom Kenya's market share.

H02: Bundle pricing strategies do not affect Telkom Kenya's market share.

H03: Flexible pricing strategies do not affect Telkom Kenya's market share.

H04: Value-based pricing strategies do not affect Telkom Kenya's market share.

1.5 Significance of the Study

The study results will be useful to policymakers, practitioners, and researchers interested in pricing strategies and market share dynamics. For telecommunications companies, specifically mobile operators in Kenya, the results can inform pricing strategies and implementation approaches, helping them position themselves competitively. The evidence generated can help build effective pricing models to acquire and retain more subscribers.

The study will also benefit regulatory authorities, such as the Communications Authority of Kenya, by providing empirical information to monitor pricing practices and formulate policies to ensure fair competition in the telecommunications sector.

In addition, the study contributes to the existing academic literature on pricing strategies and market share in emerging telecommunications markets. The results can serve as valuable references for subsequent research, and students and scholars can develop their research based on them to expand the body of knowledge in strategic management, marketing, and business administration.

2.0 LITERATURE REVIEW

2.1 Theoretical Framework

2.1.1 Porter's Competitive Advantage Theory

Porter (1985) suggests that competitive advantage can be gained by either a cost leadership or a differentiation strategy. Penetration pricing is putting the cost leadership strategy into practice by using low prices to gain market share and establish market position. Penetration pricing can enable a firm like Telkom Kenya to charge lower prices for voice and data services, thereby quickly gaining subscribers and market share in the telecom industry.

The second generic strategy is differentiation, which means delivering value that is unique and that customers see as better. Bundle pricing is a strategy that combines services such as voice, SMS, and data, packaged at a perceived discount, thereby providing additional customer value

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and convenience. A firm doesn't always win the competition on price; it can compete by making the value proposition higher through bundling.

2.1.2 Game Theory

Von Neumann and Morgenstern's (1944) Game Theory, developed in the 1940s, is a theory of decision-making for situations in which firms are interdependent and must predict rivals' actions. Within Kenya's telecoms industry, the market is highly concentrated, with companies like Safaricom, Airtel Kenya, and Telkom Kenya making few independent pricing decisions.

Flexible pricing strategies, such as promotional discounts, segmented tariffs, limited time offers, are consistent with strategic behavior, as per Game Theory. Rational firms consider possible payoffs under various competitive environments before choosing an optimal price to use, according to Osborne and Rubinstein (1994). Flexible pricing is supported by Game Theory, which shows how firms respond dynamically to maintain market share and protect their subscriber base in response to rivals' pricing actions.

2.1.3 Customer Value Theory

In the context of Customer Value Theory developed by Nagle, Hogan, and Zale (2016), it is important to consider that the price should be based on the value of the product or service. For mobile telecom, factors consumers consider when deciding include network reliability, data speed, call quality, and brand reputation. When pricing is tailored to customer value, it can positively impact customer satisfaction, customer retention, and new customer acquisition, which benefits the business's overall growth in market share.

It illustrates how a value-based pricing strategy can affect market share by fostering customer loyalty through service differentiation, as customers are willing to pay for better products and services. However, it is difficult to measure perceived value; it serves as a conceptual basis for value-based pricing in relation to perceived utility, satisfaction, and market share.

2.2 Conceptual Framework

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Conceptual Framework

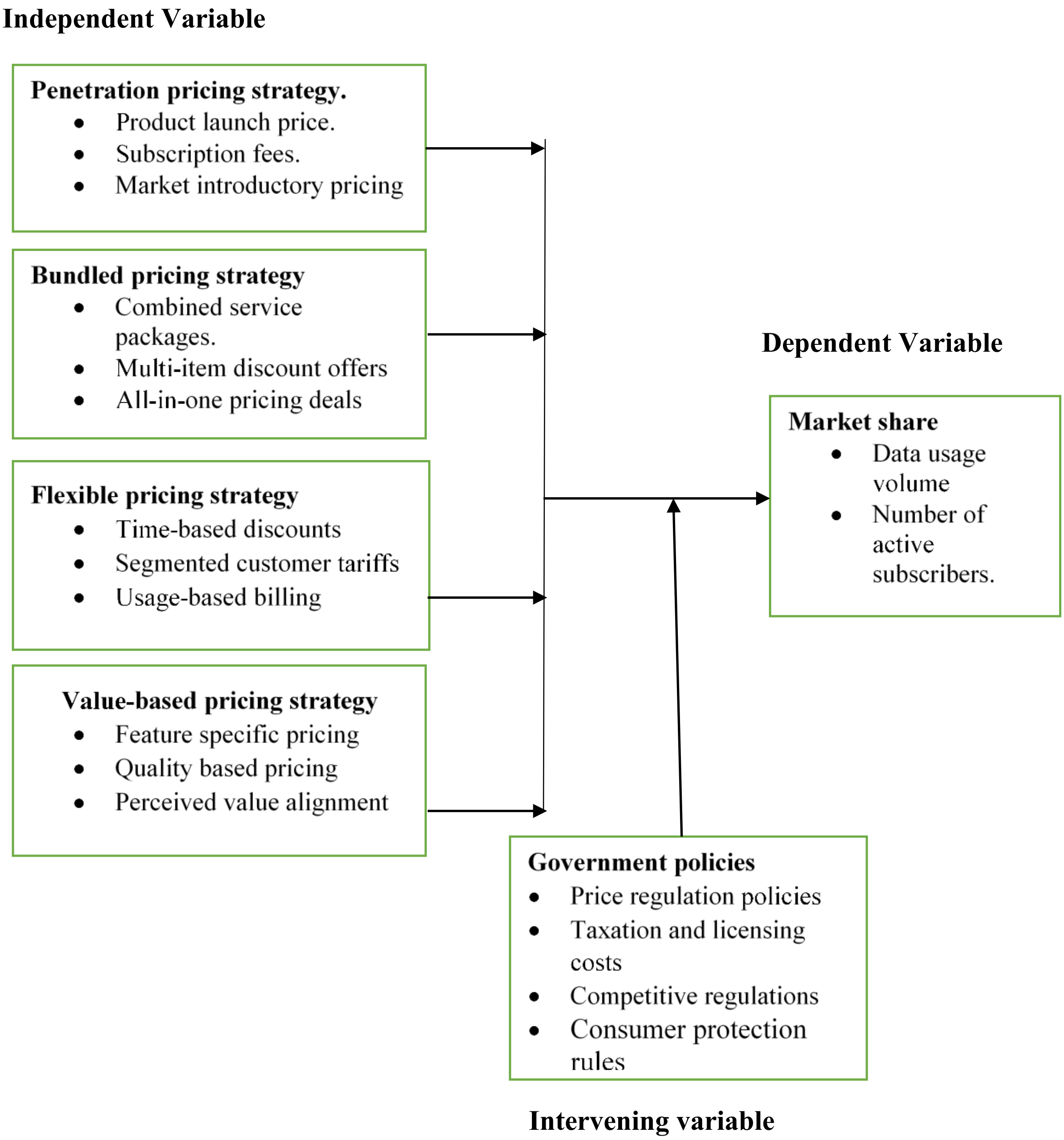

Figure 1: Conceptual framework

3.0 METHODOLOGY

3.1 Research Design

This study used a cross-sectional survey design with a mixed-methods approach. The idea was to be able to gather quantitative data to test out the hypotheses and add qualitative information

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from the open-ended questions to give a better understanding of the pricing strategies adopted at Telkom Kenya. A cross-sectional research design can aid in checking the significant relationship between the variables and generalizing about the population of interest, according to Saunders, Lewis, and Thornhill (2023).

3.2 Study Area

The study was carried out in one of the operational offices of Telkom Kenya in Nairobi County, Kenya. The study site was Nairobi, which had the largest subscriber base and the greatest competitive dynamics in Kenya's telecoms industry (CAK, 2025). The most relevant functional areas for this study were: marketing and sales department, product and pricing department, customer experience and management department, finance and strategy department, and corporate affairs.

3.3 Target Population

The target population consisted of 800 employees in 5 key departments of Telkom Kenya at the Nairobi branches: marketing and sales (200), product and pricing (160), customer experience (180), finance and strategy (140), and corporate affairs (120). These departments were chosen as they have first-hand experience in the formulation, implementation, and impact on market share of the company's pricing strategies.

3.4 Sample Size and Sampling Technique

The sample size was calculated using Yamane's formula (1967):

$$n = N/(1+N(e^2))$$

Where $N = 800$ and $e = 0.05$ (5% margin of error)

$$n = 800/(1+800(0.05)^2) = 800/(1+2) = 266.67 \approx 267 \text{ respondents}$$

Neyman's formula (1934) for proportional allocation of the sample across departments was used:

$$n_i = N_i/N \times n$$

The results were: Marketing and Sales (67), Product and Pricing (53), Customer Experience (60), Finance and Strategy (47), and Corporate Affairs (40).

3.5 Data Collection Instruments

Semi-structured questionnaires were used to collect the primary data from the respondents through email. The questionnaire was divided into six sections: Demographic Information, penetration pricing statements, bundle pricing statements, flexible pricing statements, value-based pricing statements, and market-share indicators. There were 6 Likert scale (24) and 2 Open-ended questions to collect qualitative data in each section. Secondary data were collected from the quarterly sector statistics reports from the Communications Authority of Kenya

(CAK) covering 2020-2025, and the data gathered included Telkom Kenya's subscriber market share.

3.6 Data Collection Procedure

Ethical clearance was first acquired from Kiriri Women's University of Science and Technology, and a research license was thereafter obtained from the National Commission for Science, Technology and Innovation (NACOSTI), which is required by Kenyan law before data collection took place. The researcher presented the purpose of the study to all respondents and asked for their consent before using the research instrument. Confidentiality was ensured, and the respondents were informed that their participation was voluntary and that information they provided would be kept confidential and used exclusively for academic purposes.

The questionnaires were given to the respondents online. Confidentiality, anonymity, voluntary participation, and respect for respondents' rights were observed throughout the data collection process.

3.7 Validity and Reliability

The instrument was checked for content validity through expert review of the instrument by the academic supervisors, and a pilot study was conducted by administering the instrument to 27 staff members of Telkom Kenya who were not in the study sample. Cronbach's Alpha coefficient was used to assess the reliability, and the value of $\alpha \geq 0.70$ was regarded as acceptable (Nunnally & Bernstein, 1994).

3.8 Data Analysis

Data collected were coded, edited, and then entered into the Statistical Package for the Social Sciences (SPSS) version 27 for analysis. Demographic characteristics and the opinions of respondents were summarized using descriptive statistics (frequency, percent, means, and standard deviation). The hypotheses of the study were tested with multiple linear regression analysis, as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where: Y = Market Share, X_1 = Penetration Pricing, X_2 = Bundle Pricing, X_3 = Flexible Pricing, X_4 = Value Based Pricing, β_0 = Constant term, β_1-β_4 = Regression coefficients, ε = Error term

A two-tailed test was used to test each regression coefficient at $\alpha = 0.05$. If the p-value is < 0.05, then the null hypothesis is rejected.

Responses to open-ended questions were analyzed qualitatively using thematic analysis, where the responses were sorted into themes and then interpreted and discussed with the quantitative results. The use of quantitative and qualitative evidence strengthened the credibility and comprehensiveness of the study results.

4.0 RESULTS AND DISCUSSION

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4.1 Response Rate and Demographic Profile

267 respondents took part in the study, giving the researchers a 90.5% (242 questionnaires returned) response rate. The majority of the respondents were undergraduate-qualified (57.0%), followed by diploma (28.9%), postgraduate (9.1%), and secondary (5.0%). Regarding length of service, 40.91% had served 6-10 years, 27.27% for 3-5 years, 24.79% for over 10 years, and 7.02% for less than 2 years. This means that the respondents had enough experience in their organizations to offer informed opinions regarding Telkom Kenya's pricing strategies.

4.2 Reliability Coefficients

The Cronbach's Alpha coefficients were: Market Share ($\alpha = .836$), Penetration Pricing ($\alpha = .805$), Value-Based Pricing ($\alpha = .772$), Bundle Pricing ($\alpha = .773$), and Flexible Pricing ($\alpha = .684$). The acceptable level of internal consistency was good (>.70) for all constructs.

4.3 Statistical Assumptions

Normality: Shapiro-Wilk test results indicated that all study variables had a p-value> 0.05, which means that the variables were normally distributed (Penetration Pricing: $p = .112$, Bundle Pricing: $p = .087$, Value-Based Pricing: $p = .094$, Flexible Pricing: $p = .182$, Market Share: $p = .320$).

Linearity: ANOVA test of linearity was significant ($F = 81.286$, $p = .000 < .05$) with non-significant deviation from linearity ($F = .630$, $p = .982 > .05$). No multicollinearity problems were found, as tolerance values ranged from .740 to .932, and VIF values ranged from 1.073 to 1.352, which are all below the critical values.

4.4 Descriptive Statistics

Penetration Pricing Strategies: The mean scores for penetration pricing positively influencing market share were 3.86 to 4.19, showing a high level of agreement. The statement that had the highest rating was “Telkom's market introductory pricing (e.g. Mzito bundles) has successfully captured new customers” ($M = 4.19$).

Bundle Pricing Strategies: The mean scores were between 3.77 and 4.28, which reflects high agreement on the effectiveness of the bundle pricing strategies. The top rating was given to "Telkom's bundle service packages (voice, data and SMS) have made our network more preferred by customers" ($M = 4.28$).

Flexible Pricing Strategies: Mean scores vary from 3.43 to 3.92 with moderate agreement. The most popular statement was that segmented tariffs for various customer segments help Telkom Kenya to attract a broader customer base ($M = 3.92$).

Value-Based Pricing Strategies: The mean scores were from 3.32 to 3.59, which means there is moderate agreement. The most successful statement was that "Pricing Telkom Kenya services according to specific services will increase customer base" ($M = 3.59$).

Market Share: The mean scores for all the items ranged from 3.42 to 4.28, which revealed overall agreement that the pricing strategies helped to achieve the market share. The most positive statement was "Telkom's low product launch prices have resulted in a higher number of active Telkom subscribers" ($M = 4.28$).

4.5 Correlation Analysis

All the Pearson correlation coefficients among pricing strategies and market share were positive and statistically significant ($p < .05$):

Penetration Pricing: $r = .482$

Flexible Pricing: $r = .429$

Value-Based Pricing: $r = .416$

Bundle Pricing: $r = .401$

This means that there are moderate to strong positive relationships, which means that any improvement in any of the pricing strategies would be reflected in the market share of Telkom Kenya.

4.6 Regression Analysis

Model Fit: The four pricing strategies together significantly predicted market share ($R = .530$, $R^2 = .281$, Adjusted $R^2 = .269$, $F(4, 237) = 23.135$, $p < .001$), explaining 28.1% of the variation in market share.

Table 1: Regression Analysis of Pricing strategies Market Share

Hypothesis	Variable	β	t	p-value	Decision
H_{01}	Penetration Pricing	.281	4.425	.000	Rejected
H_{02}	Bundle Pricing	.126	1.968	.050	Rejected
H_{03}	Flexible Pricing	.149	2.372	.018	Rejected
H_{04}	Value-Based Pricing	.225	3.939	.000	Rejected

5.0 CONCLUSION

All four null hypotheses were rejected since each of the penetration pricing, bundle pricing, flexible pricing, and value-based pricing strategies has a statistically significant positive effect on Telkom Kenya's market share. Penetration pricing had the most significant impact, and bundle pricing the least. Overall, the four strategies account for 28.1% of the variation in market share, showing that pricing is important, but not the only factor in determining a product's competitive position.

There were also perception-reality gaps identified: staff felt that bundle pricing was the most effective, but had the least statistical effect, and value-based pricing was the least recognised but had the second-highest statistical effect. In between, there are gaps, which indicate there is a need to improve internal communication regarding the strategic positioning of pricing decisions. The qualitative result of the staff value network improvement over pricing changes reaffirms that pricing policies should be supported by service quality investments, as 40.5% of the staff expressed this.

In conclusion, the study indicates that pricing strategies do have a great effect on market share; however, the solutions to Telkom Kenya's competitive challenge would involve integrated solutions including network quality enhancement, improving customer value perception, and strategic pricing.

6.0 RECOMMENDATIONS

6.1 Recommendations for Practice

Improve penetration pricing in price-sensitive market segments such as special low entry offers for first-time customers, and special offers for the youth and student segments. This strategy was most successful at statistically influencing market share and should be considered a core strategy in the company's pricing portfolio. Revisit and rethink current pricing models for product bundles, as the current mix might not be capturing the true value of the bundle. Try out variants and test each one for subscriber retention and market share, and perform the tests before widespread use.

Keep and develop flexible pricing products as they contributed regularly with substantial market share. Implement more flexible denominations and different validity periods on top-ups to meet different customer demands. Focus on better internal communication of the rationale behind the value-based pricing strategy, which was the second-highest contributor to market share, but least known by staff. Deliver internal presentations, performance reports, and training connecting value-based pricing with market share outcomes.

Invest in network quality in addition to pricing – remember, pricing is only 1/3 of market share variation. Staff saw "improving the network" as the most important element for beating Tier 1 providers.

6.2 Recommendations for Policy

The Communications Authority of Kenya should observe the pricing activities of the mobile network operators to ensure that pricing practices in the industry are competitive and done in a fair and transparent regulatory environment. The regulator should also consider policies that will encourage infrastructure sharing options to enhance network quality for smaller operators such as Telkom Kenya at lower costs.

6.3 Recommendations for Further Research

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Repeat the study with the other telecom companies (Safaricom/ Airtel) and compare their results and test if its results can be generalized to the rest of the telecom sector in Kenya.

Examine other factors affecting market share besides prices (only 28.1% of the variation in market share is due to price).

Track changes in market share over time with longitudinal designs, as Telkom changes its prices over time, which cross-sectional designs do not capture. Using mixed-methods approaches, such as market share and subscriber information, apart from staff perception data, would lower the perception-reality gap seen in the findings of bundle and value-based pricing approaches.

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