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The Influence of Marketing Strategies on the Level of Performance of Co-Operative Societies: A Survey of Farmers' Co-Operative Societies in Marakwet Sub-Counties, Kenya

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Abstract:

This research study investigated the influence of marketing strategies on the level of performance of selected Farmers' Co-operative Societies (FCS) in Marakwet Sub-Counties of Kenya. The marketing strategies were the sorting, grading and value addition activities done by the four selected FCSs whereas level of performance was exemplified in the annual turnover for the FCSs. The study was conceived to help stem the decline in earnings by the FCSs in Marakwet Sub-Counties. The study was conducted between June and July 2013 through a survey of four FCSs; Kaptich, Kapyego, Kapsait and Aror FCS with a total membership of 723 members. The study employed purposive sampling technique and stratified sampling technique (on the basis of staff, FCS management & FCS members) for sampling with a sample size of 77 drawn from the three strata. Questionnaires were the main tool for data collection. Data analysis was through inferential analysis, specifically utilizing the correlation technique to establish an influence of marketing strategies and their impacts on the FCS level of performance and data presented in tables, charts and graphs. The study established that the sorting, grading and value addition marketing strategies play a great role in determining the level of performance of FCSs. It is hence recommended that both the Department of Co-operative together with relevant stakeholders train the FCSs managements and its members on the various aspects of produce sorting and grading to ensure uniformity of the produce marketed. The results of this study indicate that there is no value addition currently taking place neither at the FCS nor farmer levels. This study recommends that studies be carried out on the impact of value addition in milk and horticulture on the level of performance of FCSs for a start since there exists many opportunities of value addition in these value chains.

Key words: Marketing, Marketing Strategies, Performance, Co-operative

1. Introduction

World-over the co-operative movement has played and continues to play a vital role in the development of national economies. According to the International Co-operative Alliance (ICA) co-operatives are a major economic force in developed countries and a powerful business model in developing ones. It is estimated that worldwide more than 1 billion people are members of co-operatives and co-operatives provide 100 million jobs worldwide, 20% more than multinational enterprises. It is also argued that the economic activity of the largest 300 co-operatives in the world equals the 10th largest national economy. In India and China combined, more than 400 million people are part of co-operatives, in Germany and the United States; one in four people is co-operative members while in Canada that number is four in 10! In Kenya, 250,000 people are employed by co-operatives and co-operatives are responsible for 45% of the GDP and 31% of national savings and deposits. They have 70% of the coffee market, 76% dairy, 90% pyrethrum, and 95% of cotton. In Kenya, co-operatives and in particular agricultural co-operatives play a major role in production, primary processing and marketing of agricultural and livestock commodities (Gamba & Komo, 2004) The performance of agricultural co-operatives is, hence critical in economic growth and poverty alleviation in the country, since processing and marketing is organized through farmers' organizations, co-operatives and statutory bodies. In Marakwet Sub-Counties there are over 50 registered FCSs trading in both animal and crop produce out of which only 34 are classified as being active by the Sub-County Co-operative office, the rest being classified as dormant. Annual turnover for the 34 active FCSs has exhibited a declining trend over the years, a trend attributable to the marketing

strategies adopted and implemented by the FCSs managements. There is thus need to determine how the marketing strategies employed by FCSs influence the level of performance of FCSs. Improved level of performance by FCSs means better earnings by farmers hence improved livelihoods. This study sought to establish the relationship between the marketing strategies of sorting, grading and value addition and the levels of performance of FCSs as measured through the quantities of produce sold, the quality of produce sold and the annual turnovers respectively.

2. Literature Review

Marketing is defined as a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others (Kotler & Armstrong, 2010). Marketing strategies refer to the marketing logic by which organizations/ companies hope to create the customer value and achieve profitable relationships. There are essentially four major marketing strategies (Kotler & Armstrong, 2010). These strategies are; market penetration-selling more and more of the existing products in the existing markets, market development- marketing of the existing products in new markets, product development and innovation- introduction of new products in existing markets resulting in product development and diversification – the strategy of introducing new products in new markets. Grading is the process of sorting individual units of a product into well-defined classes or grades of quality (<http://marketing-and-branding.knoji.com/standardization-and-grading/>). It involves the division of products into classes made up of units possessing similar characteristics of size and quality. Value addition refers to the additional value created at a particular stage of production or through image and marketing (Walia, 2008) whereas value added agriculture is a process of increasing the economic value and consumer appeal of an agricultural commodity. Globally the high income countries add US\$ 180 worth of value to one tonne of agricultural produce, whereas 98% of agricultural produce in high income countries undergoes industrial processing (Chandra, 2012). Chandra further states that about 30% of agricultural produce is processed in developing countries with an average value added per tonne in developing countries of US\$ 40. Globally the level of processing was estimated to be about 40%. For the purposes of this study, marketing strategies referred to those activities done both at the farm and co-operative society levels that are aimed at enhancing the production value. These activities include sorting, grading, value-addition/ agro-processing and post-harvest handling processes of storage and transportation. Properly carried out, the activities of sorting, grading and value-addition contribute towards FCSs gaining market penetration, market development, product development or even diversification. Sorting, grading and value-addition hence qualify to be regarded as marketing strategies. These marketing strategies are currently being carried out at different levels in FCSs in Marakwet Sub-Counties. Co-operative is defined as a business voluntarily owned and controlled by its member-patrons and operated for them on a nonprofit or cost basis (Kohls & Uhl, 2002). People come forward as a group, pool their individual resources, utilize them in the best possible manner, and derive some common benefit out of it. Performance refers to the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities under the contract (<http://www.businessdictionary.com>). In this study the level of performance of FCS will be assessed in terms of their annual turnovers, volumes of produce sold annually and the value-adding processes adopted and practiced by the FCSs.

3 Methodology

This study was conducted through a survey research design. A Survey is a presentoriented methodology used to investigate populations by selecting samples to analyze and discover occurrences (Oso, 2009). Survey designs are appropriate for describing, recording, analyzing and interpreting conditions that either exist or existed and are appropriate in cases of social and behavioural sciences (Kothari, 2004). This study was conducted in four selected Farmers' Co-operative Societies (FCS) of Marakwet East and Marakwet West Sub-Counties of Keiyo/Marakwet County. Purposive sampling was used to select Kaptich, Kapyego, Kapsait and Aror FCS with a total membership of 723. The four were selected for their relatively high turnover and robust marketing activities. Aror FCS was selected for their product uniqueness since they are the only active FCS in the Sub-Counties doing horticulture. Kaptich and Kapyego FCS are engaged in the marketing of wool and pyrethrum whereas Aror FCS does horticulture marketing of okra and green grams. Kapsait FCS is marketing milk and wool for its members. The four FCS represented various levels of adoption and practice of marketing strategies. This first stage of the study sample resulted in a fairly homogenous sample. Based on the facts of homogeneity, the number of classes, i.e. strata (FCS staff, FCS management and FCS members), time available for the study, and convenience a 10% sample size was used (Kothari, 2004). The sample strata were thus calculated accordingly and the actual respondents were as illustrated in the table 1.

Name of Sub- Group	Population in Stratum	Calculated Sample Size	Corrected Sample Size	Actual Respondents
FCS Staffs	4	0.4	1	0
FCS Management	48	4.8	5	4
FCS Members	671	67.1	68	73
Total	723	72.3	74	77

Table 1: Strata Sample Sizes

Questionnaires and document analysis were the main tools for data collection. The choice of questionnaire was guided by the nature of data to be collected, the time available as well as the objectives of the study whose overall aim was to establish the influence of marketing strategies on the level of performance of FCSs. The study also critically examined public and private recorded information related to FCSs marketing and performance to gain more insight in the area of co-operatives and co-operatives management. A pilot testing of the questionnaires was conducted through administering the questionnaire with Sangurur FCS, a coffee society in Kapsowar Division of Marakwet West Sub-County, Kenya during one of its management meetings. This was followed by a review session carried out between the researcher and the Sub-County Co-operatives Officers of Marakwet East and Marakwet West together with the District Co-operatives Union staff. The pre-testing was aimed at ensuring the questionnaires were in line with the operations of FCSs and was used to clarify any areas in the questionnaires to avoid ambiguity.

Data processing for this study followed typical research data analysis of editing, coding, classification and tabulation. Editing of data entailed examining the collected raw data to detect errors and omissions and to correct the errors where possible (Kothari, 2004). Coding was necessary for the researcher to reduce the replies into a small number of classes that contain the critical information required for analysis. For meaningful relationships to be obtained there was also need to reduce the raw data into homogeneous groups, hence data classification. The correlation analysis aimed at establishing the relationship between the independent variable of marketing strategies and the dependent variable of FCSs level of performance. The analysis utilized the Pearson's correlation coefficient thus:

$$Correl(X, Y) = \frac{\sum(x-x)(y-y)}{\sqrt{\sum(x-x)^2 \sum(y-y)^2}}$$

Where x represented the quantities of produce sold and y the respective turnovers.

4. Findings

The study established that both the FCSs and its members carried out a number of sorting activities on their produce that affected the quantities of produce marketed. Sorting activity in milk was preservation duration, in pyrethrum; it was the removal of flowers with high moisture content and immature flowers. Sorting in wool was done by colour separation, whereas that in horticulture was by the removal of damaged grains. The results of the analyses indicated that the sorting-marketing strategy affected the quantities of produce sold with a majority of both the FCSs and the sampled FCS members either strongly agreeing or partially agreeing.

There were a few grading activities carried out by the FCSs and its members. Grading in milk was done based on the water content, wool was graded by length. The FCS and its members did not do any grading of pyrethrum and horticulture. Despite the few grading activities carried out, a majority of the FCSs and sampled FCS members either strongly agreed or partially agreed that grading affected the quantities of the different grades marketed.

There were no value adding activities carried out by either the FCSs or the sampled FCS members. Overall the study established a positive correlation between the marketing strategies and the level of performance of the FCSs as measured by their annual turnovers. The study has shown that indeed the marketing strategies of sorting, grading and value addition influenced the level of performance of FCSs from the positive correlation coefficients both at the FCSs and sampled FCS members as shown in Table 2 and 3.. There is significant evidence from the study that the sorting-marketing strategy plays a great role in determining the ultimate quantities of produce marketed. It is hence recommended that both the Department of Co-operative in the Ministry of Industrialization and Enterprise Development together with relevant stakeholders train the FCSs managements and its members on the various aspects of produce sorting to ensure uniformity of the produce marketed. The study revealed that the FCSs and its members carried out grading on milk and wool produce but did not do any grading on pyrethrum and horticulture. This study recommends enhanced capacity building by the Department of Co-operative together with relevant stakeholders of a member or two from the FCSs who would help carry out the grading activities on behalf of the farmers. The results of this study indicate that there is no value addition currently taking place at neither the FCSs nor farmer levels. This study recommends that studies be carried out on the impact of value addition in milk and horticulture on the level of performance of FCSs for a start since there exists many opportunities of value addition in these value chains.

Year	Pyrethrum		Wool		Horticulture		Milk	
	T/Over (Kshs)	Quantities Sold (Kgs)	Turnover (Kshs)	Quantities Sold (Kgs)	Turnover (Kshs)	Quantities Sold (Kgs)	Turnover (Kshs)	Quantities Sold (Kgs)
2007	294420	2422	3482364	27289	568080	9468	12000	10000
2008	380200	2868	3685567	34842	392190	12697	151000	11122
2009	162746	1287	3752429	36184	334110	11137	843880	29561

	T/Over (Kshs)	Quantities Sold (Kgs)	Turnover (Kshs)	Quantities Sold (Kgs)	Turnover (Kshs)	Quantities Sold (Kgs)	Turnover (Kshs)	Quantities Sold (Kgs)
2010	103830	891	766949	23146	713160	17829	2627034	130555
2011	146640	570	5216747	19573	2391160	67136	5470241	213993
Correlation Coefficient	0.960		0.049		0.990		0.991	

Table 2: Correlation Coefficients at FCS Level

Year	Pyrethrum		Wool		Horticulture		Milk	
	Turnover (Kshs)	Quantities Sold (Kgs)	Turnover (Kshs)	Quantities Sold (Kgs)	Turnover (Kshs)	Quantities Sold (Kgs)	Turnover (Kshs)	Quantities Sold (Kgs)
2007	182550	1945	734736	6899	664480	8323	208120	6004
2008	138300	1378	713545	6703	603040	6606	323100	11170
2009	124230	1239	505205	5635	719640	10316	1331000	42750
2010	105060	1041	595487	4878	830980	17804	1794000	63700
2011	62750	540	538992	4669.5	1559560	34603	2279500	75650
Correlation Coefficient	0.999		0.818		0.985		0.998	

Table 3: Correlation Coefficients of Sampled FCS Members

5. Conclusion

This study investigated the influence of marketing strategies at the level of performance of FCSs in Marakwet Sub- counties, Kenya. This study was in view of the decline in earnings to both the FCSs and its members over the past years. The study specifically sought to establish the influence of sorting on the level of performance of FCSs, find out how the grading affected the level of performance of FCSs as well as established how value addition affected the level of performance of FCSs. The study established that both the FCSs and its members carried out a number of sorting activities on their produce. These included the removal of damaged grains in horticulture, colour separation in wool, removal of immature flowers in pyrethrum and preservation in milk. These activities affected the quantities of produce marketed. There were a few grading activities by the FCSs and its members. These included water content determination in milk and separation into different lengths in wool. These activities influenced the grades of quantities marketed. There were no value adding activities currently being undertaken by the FCSs and its members. Some of the produce that the FCSs dealt with however, offer good opportunities for value addition, especially for the FCSs dealing in milk and horticulture. Despite this, there is a positive correlation between the marketing strategies and the level of performance of the FCSs as measured by their annual turnovers. In view of these findings, the study concluded that the marketing strategies of produce sorting, grading and value addition greatly influenced the level of performance of FCSs.

6. References

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