

REPUBLIC OF KENYA



MINISTRY OF COOPERATIVE DEVELOPMENT
AND MARKETING

COOPERATIVE MARKETING STRATEGY

2009 - 2013

" Bridging the gap in the Value chain through Cooperatives "



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ACRONYMS

CBO's	Community Based Organizations
CDF	Constituency Development Fund
CIS	Cooperative Insurance Services
CMIS	Cooperative Marketing Information Systems
COMESA	Common Market for East and Southern Africa
CPPs	Cooperative Private Partnerships
EPZ	Export Processing Zones
EPZA	Export Processing Zones Authority
FBOs	Faith Based Organizations
FOSA	Front Office Services Activity
GDP	Gross Domestic Product
ICT	Information Communication Technology
KCC	Kenya Cooperative Creameries
KRAs	Key Result Areas
KUSCO	Kenya Union of Savings and Credit Cooperatives
MOCD&M	Ministry of Cooperative Development and Marketing
NGOs	Non-Governmental Organizations
PESTEL Legal	Political, Economic, Societal, Technical, Environmental & Legal
PPP	Private Public Partnership
R&D	Research and Development
SACCOs	Savings and Credit Cooperatives
SWOT	Strengths, Weaknesses, Opportunities and Threats
USAID	United States Agency for International Development

FOREWORD

Cooperatives in Kenya transcend all sectors of the economy, however, the largest concentration is found in agriculture and finance service sectors. All over the world, cooperatives as member owned and operated business organizations are expected to provide goods and services at cost to their members. Agricultural cooperatives as pioneers have for years played a crucial role in providing production inputs, credit and marketing services. Savings and credit cooperatives avail diverse financial products and services to their members.

The mandate of the Ministry of Cooperative Development and Marketing includes; Cooperative Marketing, promotion of Cooperative Ventures and Value addition/processing in Cooperatives. The Ministry's mission is, "to promote a commercially oriented Cooperative sector by providing an enabling environment in policy and legal framework". The Ministry's Vision is "to be a leading agent in the development of a globally competitive Cooperative Sector". To actualize this mandate, the Ministry has developed various intervention tools that include Cooperative Development Policy, the Ministry's Strategic Plan 2008 – 2012 and other specific strategies including this Cooperative Marketing Strategy. These supportive policy documents draw from the National Strategy, the Kenya Vision 2030. Under the economic pillar, cooperatives are expected to play a key role in the various flagship projects which include; increasing value addition in agriculture, wholesale and retail trade, manufacturing and financial services.

This Cooperative Marketing Strategy is one of the first outputs of our Ministry's Strategic Plan 2008 – 2012. It is the Ministry's tool for revitalising the marketing functions in the sector. It will assist the ministry to entrench the cooperative model of doing business as an alternative for marketing. The Strategy's theme is "to bridge the gap in the value chain management through cooperatives". The ministry recognizes that cooperative businesses operate in diverse value chains in the market. More often, cooperatives exist at the lower end of the chains, where values and returns are lowest.

The Ministry is aware of some value chains which are known to be too long and inefficient. This has led to information asymmetries and skewed chains in favour of competitors.

As competition in business intensifies due to increased liberalization and globalization, cooperatives face great challenges in trying to protect their members from exploitation, adding value to members produce and gaining access to markets. Through this strategy, the ministry envisages that, the gaps between the producer and the consumer will be narrowed in some chains and eliminated in others. Cooperative management should always endeavour to find solutions to their members marketing problems for this is the main reason for their existence.

In this strategy, cooperatives will be facilitated to upgrade their positions in the value chains, develop public private partnerships and increase value addition on their products, including branding.

It is envisaged that the marketing functions will be up scaled to increase the capacities of the Ministry and the cooperatives in order to positively increase productivity and add value in the sector. The focus will shift to address the challenges facing cooperative marketing, value addition and promotion of ventures as specified in the Ministry's mandate.

The strategy aims at stimulating the latent potential and comparative advantage existing in cooperatives. Up-scaling value addition and distribution channels will enhance competitiveness and viability in the relevant value chains for the benefit of the members. Promotion of viable Cooperative ventures and partnerships will lead to exposure of cooperative products and increase efficiency in production of goods and services. Through enhanced professionalism and increase resource mobilization, cooperatives can contribute immensely to the nation's vision of transforming Kenya into a newly industrialising, middle-income country.

This Cooperative Marketing Strategy is the Ministry's road map for implementing our Marketing mandate and the Strategic objectives spelt out in the Ministry's Strategic plan 2008/2012. The successful implementation of this cooperative Marketing Strategy will enable the Ministry and the sector to contribute to the achievement of Kenya Vision 2030 of becoming a globally competitive and prosperous nation. It is also a yard stick for mainstreaming and improving the marketing activities in the cooperative sector and the economy as a whole.

If Cooperatives can bridge the gaps in the Value chains in marketing and value addition, then more Kenyans can achieve prosperity through employment and wealth creation. The ministry views this strategy as an inspiration for the sector to turn around the fortunes and opportunities that exist in the economy through effective marketing. It is indeed a bridging tool to enable the sector cross barriers and focus to the future.

I wish therefore to invite all the stakeholders to actively join and support us along this journey of implementing this first Cooperative Marketing Strategy.

A handwritten signature in black ink, appearing to read 'J. Nyagah', with a horizontal line underneath.

Hon. Joseph W. N. Nyagah, EGH, MP

**MINISTER FOR COOPERATIVE DEVELOPMENT AND
MARKETING**

PREFACE

This Cooperative Marketing Strategy is a culmination of activities by the ministry to chart the direction and steer the cooperative marketing functions in the cooperative sector. Cooperatives in this country cut across all productive sectors of our economy and provide an important framework for mobilizing both human and capital resources. They play an integral role in production, processing and marketing of goods and services through their wide spread network both in the rural and urban areas. The role of the ministry remains that of facilitating an enabling environment for a commercially and globally oriented cooperative sector, which is the vision for the ministry.

The Cooperative model of development fits well in all the three pillars of the Kenya Vision 2030. Cooperatives are ideally are democratic institutions whose main focus is the economic and social welfare of the members. Key flagship areas where cooperatives are expected to play a role include; value addition to products and services, manufacturing, financial services, wholesale and retail trade. It is envisaged that cooperatives will be strengthened and assisted to brand and market Kenyan products for both local and international markets.

It is in recognition of the vital role played by cooperatives that the ministry has developed this marketing strategy. This strategy is expected to provide the necessary focus and direction to achieve the national goals. It is the road map to guide in decision making, planning and implementation of marketing activities in line with the ministry's mandate and Strategic Plan 2008-2012. These policy documents provide for development of Cooperative marketing and promotion of value addition/processing in the cooperatives.

The Cooperative Marketing Strategy running from 2009-2013 will focus on profiling and restructuring of the marketing functions in the sector, develop infrastructure for marketing information, up scale value addition and marketing activities, promote linkages and partnerships between

cooperatives and other private enterprises and maximize exposure of cooperative products and achievements.

Through the strategy, medium term marketing programmes will be developed as specified in the various strategic objectives in the plan. Adaptation of ICT for marketing, establishment of information resource centres, documenting certification processes, marketing information systems, development of marketing programmes based on Fair Trade, Organic Products, Incubation and One Village One Product concept (OVOP) in collaboration with other sector players are the objectives of this strategy.. This will enable the cooperative sector to take advantage of emerging markets and business opportunities in the local, regional and international markets. In addition, a programme to support farm input supply through cooperatives will be explored and supported.

The successful implementation of this strategy depends on the commitment of the ministry's staff who should provide guidance to the cooperatives. The cooperative leadership and management as our key stakeholders hold the key that will open the door for the successful implementation of this strategy. This strategy is also a networking tool to link the cooperative sector players, private sector enterprises and other partners in the spirit of co-operation, concern for community and achieving economies of scale.

I wish therefore to take this opportunity to urge all our stakeholders to support the implementation of this Strategy, by providing the requisite resources, collaboration and team work.



Seno Nyakenyanya, CBS

PERMANENT SECRETARY,

Executive Summary

The Ministry of Cooperative Development and Marketing mandate includes formulation and implementation of Cooperative policy and legal framework, Cooperative Education and Training, Cooperative Credit and Banking, Cooperative Marketing, promotion of Cooperative Ventures and Value addition among others. The Cooperative sector in this country is guided by the Cooperative Societies Act amended in 2004, the Cooperative Development Policy and in addition the Ministry prepares five (5) year Strategic Plans. This Cooperative Marketing Strategy draws from the Ministry's Strategic Plan 2008-2012, in which the Ministry's Mission is "to promote a vibrant Cooperative Sector through enabling policy and legal framework for sustainable social-economic development". The Vision of the Ministry is "to be a leading agent for a globally competitive Cooperative Sector". The Ministry has also revised the Cooperative Development Policy to make it relevant to the national policy direction and the Kenya Vision 2030.

In this Cooperative Marketing Strategy, it is envisaged that the marketing function will be up scaled the capacities of the Ministry and the Cooperatives will be improved and profiled in order to positively increase productivity and add value in the sector. The focus will shift to address the challenges facing the cooperative marketing, value addition and promotion of ventures as specified in the Ministry's mandate.

Marketing Challenges in the Cooperative Sector

The Cooperative sector has experienced rapid growth in numbers, rising from 1030 in 1963 to 9,443 in 2000 and to 11,850 by the end of 2008. This phenomenal growth accompanied with the changes in the policy environment has created many challenges to the cooperatives. In the initial stages, agricultural marketing cooperatives were aligned to the various Marketing Boards such as the National Cereals and Produce Board, Cotton Lint and Seed Marketing Board, Pyrethrum Board of Kenya, Coffee Board of Kenya. The reforms and divestiture of these bodies, left many cooperatives off guard as the marketing of most commodities such as cotton, cereals and dairy got liberalized. To a large extent, the change in policy led to eventual collapse in what could be classified as market failure for cooperatives during the transition period. Cooperatives did not prepare to

shoulder the marketing responsibilities as the economy was liberalised.

In agriculture for instance, it is estimated that over 90% of Kenya's exports are in semi-finished and raw form. It is also estimated that on average Kenya losses over 40% in post-harvest losses. Export data indicates that, over 90% of Kenya's cash crops are exported in raw form. In the local markets for instance, approximately 80% of the milk produced is marketed raw, the bulk of which is handled by primary cooperatives and small scale traders.

In the Ministry's strategy plan 2008—2012, three key strategic objectives that have a huge bearing on cooperative marketing are: (i) adequate capacity for both Ministry and Cooperative movement (ii) strengthen legal, policy and institutional framework and (iii) implement a comprehensive marketing strategy for the cooperative sector. The plan also identifies key success factors that include appropriate cooperative marketing strategy, innovation and creativity, appropriate use of ICT, capacity building, institutional reforms, policy and legal framework. The latter are cross-cutting factors that also affect cooperative marketing.

Generally, a large part of cooperative business is characterized by handling primary goods and services. Cooperatives through historical influence have concentrated in handling commodities which are raw and bulky in nature and which attract low values in terms of prices. This translates in poor returns to the members.

The overall marketing functions in the sector are weak and therefore need to be strengthened. The current set up of marketing department lacks the necessary structural support to actualise the marketing functions effectively. The cooperative sector equally lacks strategic direction on how to market cooperative generated products and services. Over the years, the Ministry has focused cooperative development by largely enforcing the Cooperative Societies Act.. Lack of appropriate marketing strategies, skills and knowledge in marketing, has complicated the situation.

Goal of the Strategy

The over all goal of the Cooperative Marketing Strategy is to provide an organizational as well as operational road map through which the cooperative sector shall create, communicate and deliver value to the stakeholders in the sector. This strategy aims to bridge the gaps that exist along the value chain and influence the marketing processes of products, through cooperatives.

These gaps include marketing information, technology, institutional and operational capacity. The successful implementation of these strategies will contribute to achieving a commercially and competitive cooperative sector.

This strategy aims at addressing the existing gaps as well as taking into account the potentials and opportunities in emerging markets.

Key Strategic Issues

The Marketing Strategy has identified the following key strategic issues, some of which are cross-cutting in the sector. These include; inadequate marketing capacity in the Ministry and Cooperatives, poor market and product development in the cooperative sector. There is low adoption of ICT for marketing uptake, poor market access and product development. Limited value addition on goods and services transacted in the sector has relegated cooperatives to stay at the lower end of the value chain. Other key strategic issues identified are weak partnerships and networks, inadequate communication and information dissemination among others.

Key Strategies

Based on the key strategic issues, strategic options have been developed. They include, restructuring the marketing function in the ministry and profiling the function in cooperatives. Others in the strategy include, enhancing the adoption and utilization of ICT, entrenching marketing information systems, promoting joint ventures, linkages and partnerships. In addition, the Ministry in collaboration with other stakeholders in agriculture, finance and service industry will enhance marketing Research and Development (R&D), rejuvenate and profile cooperatives as bulking and value addition centres in particular promote and support incubation development programmes through cooperatives and support programmes to enhance the supply of farm inputs, while at the same time maximizing exposure of cooperative products and achievements through proactive promotional events in the local, regional and international Markets.

Potential Challenges and Risks

Governance, organizational structure, coordination and resource mobilization are critical in the implementation of any Strategy. The Ministry is currently facing challenges of inadequate capacity in terms of staff, funds, vehicles and equipment. The department charged with the responsibility of cooperative marketing only exists at the headquarters with no field deployment. Specific strategies to address the above issues have been developed within the strategy. Continuous confidence building in the cooperative abilities is critical in order to minimize the negative effects on the overall implementation of the Strategy. Both short term and long term development programmes have been planned in the strategy. These have a private public partnership (PPPs) and are highly risky areas that need to be monitored and evaluated closely. The total cost over the five year period is estimated at Kshs.11.6 billions, translating to an average annual budget of Kshs. 2.3 billions. The strategy anticipates that, these budgetary resources will be partly raised through the normal GOK budget allocations, Cooperative Private Partnerships (CPPs, and PPPs and development partners. The strategy envisages that programmes will be development in ICT, Research and Development (R & D) Innovative product development in SACCOs and marketing cooperatives and funding programmes. Partial capacity building of both the Ministry and cooperatives should be undertaken in the short term and a long term programme to be developed. Programmes to support incubation, development and a fund for capitalization and establishment of fertilizer distribution through cooperatives have been prioritized over the plan period.

Monitoring and Evaluation

Monitoring and Evaluation will be based on the detailed annual implementation plans and budgets, while indicators to measure performance will also be derived from the strategic objectives, activities and targets. Periodical reviews to identify variances and re-plan should be undertaken on quarterly basis.

Introduction

The Ministry of Cooperative Development and Marketing current mission is to promote a commercially oriented cooperative sector through an enabling policy and legal framework. The vision of the Ministry is to be a leading agent for a globally competitive cooperative sector. This is stipulated clearly in the second Strategic Plan 2008-2012. In the first strategic plan 2003-2008, the Ministry pursued various strategic objectives amongst them promoting market access and marketing efficiency in cooperatives. To achieve this objective the strategy entailed developing a comprehensive cooperative Marketing Information System (CMIS) in collaboration with USAID. The other strategy employed was capacity building for the ministry, cooperative staff and leaders on value addition and marketing of selected commodities. During the same period the Ministry supported the policy development of model marketing strategies for dairy, livestock, rural SACCOs and Mango commodities.

This Cooperative Marketing Strategy is anchored on the Ministry's Strategic Plan 2008-2012 and the cooperative Development Policy, which are also guided by the Kenya Vision 2030. In successive documents, cooperatives have been recognized and envisaged to play an important role in the national development of the economy in particular wealth creation, mobilization of resources and creation of employment. According to the economic vision and strategy in Kenya Vision 2030, "the government will continue to strengthen producer cooperatives and assist in branding and marketing of Kenyan products in regional and international markets". This Marketing Strategy provides a focus on which the Ministry and the sector will steer the marketing functions in a more efficient and effective manner to the benefit of the cooperative members.

In the Ministry's Strategic Plan 2008/2012 various challenges facing cooperatives have been identified amongst them inappropriate marketing strategies, low levels of ICT utilization especially for farmer based

cooperatives, ineffective resource mobilization strategies, limited access to credit and poor investment decisions. The strategy does identify three key strategic objectives that have a huge bearing on cooperative marketing. These are: (i) Adequate capacity for both Ministry and cooperative movement (ii) Strengthened legal, policy and institutional framework and (iii) implement a comprehensive marketing strategy for the cooperative sector. The plan also identifies key success factors that include appropriate cooperative marketing strategy, innovation and creativity, appropriate use of ICT, capacity building, institutional reforms, policy and legal framework. The latter are cross-cutting factors that also affect cooperative marketing.

1.2 Background and Trends in the Cooperative Sector in Kenya.

The Cooperative sector comprises cooperative societies that are body corporate with perpetual succession and powers to hold movable and immovable property. A cooperative is an association of people who have come together to pursue a common economic goal. The law empowers cooperatives to enter into contracts and to do all things necessary in accordance with their by-laws which also bind their members.

Cooperatives in Kenya transcend all sectors of the economy. The concentration can be broadly clustered in three categories of agriculture, finance and others. Agricultural cooperatives account for about 37% of the total registered cooperatives. In recent years, agricultural marketing cooperatives have realised modest growth in numbers, from 4349 in 2000 to 4,471 in 2008. The focus has mainly been in coffee, dairy, pyrethrum, cotton and handicraft marketing. The cooperatives have been instrumental in bulking, processing and transporting produce on behalf of the members. Where cooperatives are well managed, they have played a key role in providing credit and supply of farm inputs to the members who are basically small scale producers.

In the financial sector, the savings and credit cooperatives (SACCOs) account for over 45% of the total registered Cooperatives, having grown from 3,627 in 2000 to 5,350 in 2008. SACCOs specialise in mobilizing savings and on lending the same to the members. Over the same period, SACCOs have been the fastest growing cooperatives. The SACCOs are currently administered under a new Act and managed by the Sacco

Societies Regulatory Authority (SASRA). The other 18% of the registered cooperatives cover housing, transport and other services.

Agricultural marketing cooperatives have been key in the marketing of the produce, since the founding of the first cooperative society in 1908 at Lumbwa by white settlers. The society which covered a large area was engaged in marketing of value added dairy products which were produced at farm level by the members. Through various statutes, some cooperatives have undergone transformation such as land buying cooperatives reverting to marketing cooperatives. As land has remained constant, the number of agricultural cooperatives has increased modestly, thus allowing new Cooperatives such as SACCOs to emerge.

Through Sessional paper No. 6 of 1997, on “Cooperatives in a Liberalized Economic Environment” the Government reviewed its involvement in the management of cooperatives. In addition, the Sessional Paper provided a framework under which cooperatives were to survive in a competitive economic environment. Under this new policy framework, cooperative societies were required to adopt innovative management strategies that would provide them with a competitive edge.

The policy also defined a new relationship between the Government and the movement, with the role of government becoming that of creating a conducive and enabling environment for growth and development of cooperatives through formulation of effective cooperative development policies, overseeing the development and administration of the cooperative legislation and regulation.

1.3. Cooperative Principles, Values, and Structure

A cooperative society is an association of persons who have voluntarily joined together to achieve common economic goals through formation of jointly-owned and democratically controlled business organizations. Eligible members make equitable contributions to the capital required and accept a fair share of the risks and benefits of the undertaking. cooperative societies operate within seven cooperative principles that are recognized worldwide recognised. These are voluntary and open membership, democratic member control, economic participation of members, autonomy and independence, education training, member information, co-operation among cooperatives and concern for community.

Cooperatives also promote the social welfare in addition to the economic

interests of its members. They pursue values of self-help, self responsibility, democracy, equality, equity, and solidarity. The members also believe in the ethical values of honesty, openness, social responsibility and caring for others. Due to their ability to harness group synergy, they have been acknowledged as viable and sustainable vehicles for improving living conditions of their members, especially those in the low income earning brackets of society.

The cooperative movement in Kenya is organized into a system comprising of primary and secondary societies. The structure coalesces into a four tier structure of primary cooperatives, Unions, National Cooperative Organizations (NACOs) and one Apex body the Cooperative Alliance of Kenya (CAC). At each level, different functions can be performed. While the structure is stable, the performance and linkages within the various levels is weak but there is room and potential for the cooperatives to work together much more through local, national, regional and international structures than the current prevailing situation.

1.4 MARKETING CHALLENGES IN THE COOPERATIVE SECTOR

1.4.1 Reforms and Restructuring

The cooperative sector has seen rapid growth in numbers, rising from 1030 in 1963 to 9,443 in 2000 and to 11,850 by 2008. This phenomenal growth accompanied with the changes in the policy environment has created many challenges to the cooperatives. In the initial stages, agricultural marketing cooperatives were aligned to the various Marketing Boards such as the National Cereals and Produce Board, Cotton Lint and Seed Marketing Board, Pyrethrum Board of Kenya, Coffee Board of Kenya. The reforms and divestiture of some of these bodies, left many cooperatives off guard as the marketing of most commodities such as cotton, cereals and dairy got liberalized. In some cases, this change in policy led to eventual collapse in what could be classified as market failure during the transition period. The death of monopolies of public enterprises found cooperatives ill prepared to undertake storage and cooling, AI facilities, effective and alternative marketing channels, value addition, marketing research and information among others.

1.4.2 Limited Value Addition on commodities and services

Generally, a large part of cooperative business is characterized by handling primary goods and services. Cooperatives through historical influence have concentrated in handling commodities which are raw and bulky in nature and have a tendency to attract low values in terms of prices. This translates in poor returns to the members. It is estimated that, over 90% of Kenya's cash crops are exported in raw form. In the local markets, approximately 80% of the milk produced is marketed raw, the bulk of which is handled by primary cooperatives.

There is however a paradigm shifts in a few dairy and SACCO Cooperatives. In the dairy industry, approximately 13% of the registered cooperatives have invested in processing and value addition processes that vary from small cottage processing, milk bars, mini, medium and dairy plants. Large scale plants such as New KCC, Meru Central Dairy plant among others are limited.

Unlike large scale producers, cooperative members are small scale producers, who by virtue of their coming together in a cooperative provide them with an opportunity to harness economies of scale. Coffee cooperatives are the preferred channel for marketing of coffee. All coffee cooperatives undertake primary pulping and processing in their factories. Almost all except Komothai in Kiambu and fourteen (14) other societies in Embu and Machakos Districts undertake limited milling of coffee before delivery to the marketers who are also millers. These cooperatives enjoy better prices and higher payment rates to their members as a result of cutting milling costs. Such cooperatives are able to pay the minimum rate of 80% to members.

Some coffee societies in Central and Eastern Provinces have commenced joint ventures with millers, roasters and private coffee Marketing Agents in an effort to upscale their position in the value and marketing chains. This is in response to the policy and legal framework changes in the marketing of coffee, which provides for opportunities for direct marketing through the second window. There are opportunities still exists in fair trade, marketing under certification system for Kenya's coffee which is well known for its premium quality. The marketing of coffee has continued in traditional destinations in Europe. There is great potential in the USA and Japan for speciality coffees that include organic coffee.

SACCOs, continue to make market entry with value added products

through the Front Office Savings Activity (FOSA). Approximately 4% of the registered SACCOs have established this activity and the trend is poised to increase during the strategy period, as there is still a large unbanked population in the country. Developing new products and services to enable SACCOs to retain and grow their market share still remains a challenge particularly for the rural and business based SACCOs. Insider competition between SACCOs on one hand and external competition from established and emerging banks is another challenge as competition increases, commercial banks are venturing back to tap into the rural and informal sector. Other issues include liquidity, inadequate capacity, weak networks, linkages and poor promotion.

1.4.3 Low Uptake Cooperative Marketing Functions in the

Sector.

The Ministry of Cooperative Development and Marketing on the other hand, has the mandate for Cooperative Marketing, promotion of value addition/processing and Cooperative ventures. The overall marketing functions of the Ministry are weak and there is need to strengthen this function to the satisfaction of the stakeholders. The current set up of marketing department lacks the necessary structural support to actualise the marketing functions effectively.

The Cooperative sector equally lacks strategic direction on how to market cooperative generated products and services. Over the years, it is acknowledged that the Ministry has pursued policies and interventions which mainly focused on administering cooperative development by largely enforcing the Cooperative Societies Act. There has been limited focus on the marketing functions. The Ministry has however provided piece meal policy targeting minimum payment rates pegged at 80%, without providing guidance on how this rate can be achieved by the society management. Lack of appropriate marketing strategies, skills and knowledge in marketing, has complicated the situation, leaving many societies struggling to fulfil this policy guideline. The cooperative sector makes an enormous contribution to the national development of the country, by mobilizing resources and providing channels for distribution of inputs. However, both the Ministry and the Cooperatives lack substantive data to back this up. The sector also suffers poor image and identity.

1.5 Opportunities and potentials

Through stakeholder analysis, there are indications that huge potential exists for Cooperatives to engage in marketing of value added products and services particularly for the local and regional markets. Supermarket chains and manufacturing/processing industries in the food sector can hardly access adequate volumes and qualities for processing. Emerging new market arrangements in Fair Trade, Organic products, orthodox and authentic herbs, teas, crafts and coffee offer new opportunities for cooperatives. There are windows of opportunity to improved market share, venture into joint ventures, sole value addition in order to reap better incomes and better prices to members. This will have a multiplying effect by creating employment for the members, saving on transport costs, reduce wastage and create further opportunities to increase income for the societies through use of by-products as inputs for other productive purposes.

1.6 Cooperative Marketing Strategy Perspective

Marketing is an organizational as well as a set of processes aimed at creating, communicating and delivering value to customers and for managing customer relations in ways that benefit both the organization, its customers as well as its numerous stakeholders. Coping with marketing exchange processes calls for a considerable amount of work and skills. Marketing is a Management function. It is an area that requires considerable efforts to develop in the cooperative sector. The capacities of the ministry and the cooperatives in marketing activities need to be built through training, restructuring and retooling for the sector to play its role effectively. Different markets require specific marketing strategy options such as;

1.6.1 Direct Consumer Marketing:

Under this category, much of the strength lies on a very strong brand, superior products, higher quality packaging, as well as ensuring continuous availability and very strong presence. This is relatively low key in cooperatives as the focus is mainly on bulking undifferentiated products which are bulky and raw. There is limited research and development, limited investment in value addition in the sector. On the other hand, there are vast potentials for market development and access. Under this strategy, the ministry in collaboration with cooperative societies should upscale and promote direct consumer marketing in the sector in order to increase the

market share of the cooperative produced products. Information on what is available and needed needs to be collected, packaged and disseminated at all levels.

1. 6. 2 Business Marketing:

Business to Business dealing usually involves well trained and well informed professional buyers on either side who seek to get either high value or lower costs for their respective organizations. This is weak in cooperatives as few cooperatives have embraced effective marketing in their organizations. Under this Strategy, the ministry and cooperatives need to engage the services of well trained marketing personnel and also embark on human resource development and provision of Business Development Services (BDS). There is great demand for high quality produce and commodities by manufacturers and processors in the food industry, which cooperatives can take advantage of through outsourcing, contracts, joint ventures and partnerships. The Ministry should provide policy guidelines, promote and support functional marketing departments in the Cooperatives, commencing with itself.

1. 6. 3 Global Markets:

Organizations selling in the global Marketplace face additional risks and challenges. They must decide which countries to enter, how to enter each country, either as exporters, licensors, joint venture partners, contract manufacturing or sole manufacturers. It also entails knowledge on pricing for products in different countries and how to communicate. The penetration of cooperatives in this market is currently minimal. There is limited information on global, emerging markets, certification and trade requirements. The Ministry should work very closely with other key government ministries particularly the Ministry of Trade, Ministry of Agriculture, Kenya Missions and Foreign Embassies represented in the country so as to establish the potential and develop linkages in niche markets for niche products. Few cooperatives have ventured into Fair Trade, Organic marketing and emerging new markets.

1. 6. 4 Marketplaces, Market-spaces and Meta-markets.

Marketplace is physical, such as a shop or a departmental store. When compared to other private business enterprises, apart from SACCOs with FOSAs and a few agricultural cooperatives with stores for resale of farm inputs, cooperative business facilities are not cut out for marketplaces and market spaces. The presence of cooperative products on the shelves in super and hyper markets is currently low. There is need to develop linkages with the marketing chain and industry players for space hire and franchising of products and services to enhance cooperative presence and ownership of cooperative brands

In market-spaces, the internet is a virtual shop. These are emerging innovative markets that are fast developing and driven by technological development. Online marketing is currently operating in very few cooperatives. In this Marketing Strategy, the focus should be responding to consumer needs, wants and demands through market positioning, market segmentation, target marketing, coupled with properly linked communication and distribution channels. E-Commerce is another opportunity which cooperatives need to explore. Development of ICT in the sector is therefore vital and needs to be fast tracked.

1.7. RATIONALE AND GOAL OF THE COOPERATIVE MARKETING STRATEGY

1.7.1 Rationale

- From short term surveys carried out, it was apparent that many cooperatives lack direction on how to effectively market their members produce and services. In the past, cooperatives completely relied on Marketing Boards and monopolistic marketing arrangements facilitated by the Cooperative Societies Act Cap 490 of 1969.
- Currently, SACCOs have mobilized over Kshs.200 billion, which

is approximately 31% of the total national savings. This is an indication of the great potential that exists for cooperatives

- There are benefits for the cooperatives to engage in marketing of value added products and services, which will in turn improve prices paid to members and hence increase incomes and returns in the sector
- Venturing in value addition, will contribute to savings on transport costs, wastage and opportunities for use of by-products as inputs for other productive purposes
- The Ministry's Mission and Vision supports the development of a globally competitive sector by providing an enabling environment for a vibrant and self-sustaining Cooperative sector.

1. 7. 2 Goal and Objectives of the Strategy

The main objective of the Cooperative Marketing Strategy is to provide direction, focus and guidance for the cooperative sector on marketing. The strategy will provide a national road map to focus the marketing aspects of the sector in the next five years. This is inline with the overall mission which is to promote a commercially oriented cooperative sector through an enabling policy and legal framework for a sustainable socio-economic development in Kenya.

In the Kenya Vision 2030 cooperatives have high stakes in all the pillars. Under the economic pillar, cooperatives have opportunities to participate in increasing values in agricultural production, manufacturing, wholesale and retail trade, business process outsourcing and financial service. The cooperative values of honesty, provision of information, member's economic participation and cooperation amongst cooperatives would greatly contribute towards the social and political pillars in the Vision 2030, thus contribute to improved livelihoods of all co-operators in a holistic and sustainable way.

1.7.3 Strategy Theme

The theme of this strategy is “bridging the gap in the value chain management through Cooperatives”. Cooperatives operate at the lowest end of all the value chains, whether in the supply, value addition or marketing chain. It has also been established that the value chains in which cooperatives operate are pretty long. It is also true that cooperatives have inherent comparative advantage in some areas which can be exploited for improved performance.

This theme is significant as cooperatives and the sector need to focus on bridging the gaps in the various chain links which range from primary producers, processors and final consumers. Through this strategy the Ministry will equally strive to bridge the gap by providing market information, support networking, innovation and communication in achieving the goal and objectives of this strategy. Through this strategy, the Ministry will bridge the gap between expected and available resources in budgetary, staffing and equipment by developing cooperative marketing development programme in collaboration with partners and relevant sector players.

SITUATIONAL ANALYSIS

A cooperative society is an association of persons who have voluntarily joined together to achieve a common economic and social goals. In Kenya, cooperatives can be classified as branches of private public sector business entities that are jointly owned and operated in a democratically controlled manner based on the universal cooperative principles. Cooperatives can therefore be considered business entities with an inherent social agenda.

The situation analysis takes into account the existing/current situation of the cooperative sector that is all inclusive. Both the internal and the external factors directly and indirectly impacting the cooperative movement as well as the Ministry were identified and dully analysed using participatory methods. Different analytical tools were applied, they included: the SWOT, PESTEL, Change Management Theory, Stakeholder Analysis, Risks analysis and the findings from primary and secondary data collected during the process. The application of the different tools yielded a convergence on common factors affecting the cooperative marketing and the Ministry.

2.1 SWOT Analysis

2.1.1 THE SWOT MATRIX

Strengths	Opportunities
<ul style="list-style-type: none">• Rich tradition of Cooperative movement entrenched in Harambee spirit• Political goodwill and highly supportive government• A resilient and hardworking membership• Widespread Ministry of Cooperative offices• Reviewed and up-to-date Cooperative Policy and legal framework• Established and functional mechanism for dispute resolution• Good will from the community• Diversity of Technical and professional staff• An established cooperative network and infrastructure• Vibrant SACCOs with high mobilized savings	<ul style="list-style-type: none">• Huge market potential in the local, regional as well as the global market• Existence of many processors, manufacturers currently importing raw materials;• Strategic geographical location, gateway to and from the East African region• World class quality tea, pyrethrum, flowers, vegetables and coffee• Huge potential for agri-businesses and value addition through partnerships and joint ventures with the private sector• An opportunity to influence policy and legislation in parliament which favour the cooperative movement• The revival of the Kenya National Federation of Cooperatives and New KCC• The Kenya Vision 2030• High percentage of Kenyans not yet banked• Bulk procurement of farm inputs• Emergence of new markets in Fair and Organic Trade• High ratio of waste due to poor post-harvest handling

Weaknesses

- Overlaps in departmental functions in the Ministry
- Low professional levels amongst cooperatives leaders and managers
- Low level of publicity of sector achievements
- Poor processing/packaging and branding within the sector
- Lack of credible data for marketing and management purposes in the sector
- Poor collaboration and networking within the ministry and amongst the cooperatives
- Poor organization of the Ministry
- Partisan politics and patronage, particularly amongst the cooperative societies
- Inadequate resources in the sector
- Lack of marketing strategies
- Weak communication and information dissemination
- Inadequate capacity especially in ICT
- Poor attitude in the entire sector including the ministry
- Inadequate marketing skills

Threats

- Uncertain political climate
- Consumer preference for imported products
- Divisions in cooperative societies
- Adverse climate change
- Unfair competition
- Resistance to change in the ministry and the cooperative movement
- High debts in some cooperatives
- Collapse of cooperative institutions
- Spiralling inflation and collapse of global markets
- Stringent global market requirements e.g. EURO-Gap Certification
- Negative attitude towards cooperatives
- Poor infrastructure
- Unfavourable tax regime
- Aging membership in the farming cooperative societies
- High poverty levels.

1.2.

2.2 PESTEL Analysis

(Where P - stands for Political, E - for Economic, S- for Social, T - for Technological, E - for Environmental and L - for Legal)

Political - The Cooperative sector has generally enjoyed political good will from the government. Current policies are supportive of a vibrant Cooperative sector through the re-establishment of the Ministry and budgetary support regardless of the levels of resources availed. The Ministry has an express mandate to formulate, implement and review Cooperative policies. A revised Cooperative Development Policy and SACCO regulation framework are being finalised to usher in a conducive environment for cooperative development.

Over the years, development partners' participation in cooperatives has drastically declined. There is need to explore and re-establish collaboration with development partners through networks, preparation of concepts and proposals and partnerships. On the local scene, there is a growing positive relationship between political organizations such as CDF and local cooperatives in the provision of funds and support to cooperative projects in constituencies. This is political good will that cooperatives need to nurture. It is also a positive shift from the original political patronage which earlier influenced cooperative societies' leadership in a negative way.

Economic- A country performing poorly at the economic front will always have its poor performance manifested in nearly all levels of the society. In the better part of the 1990s to early 2000, the Kenyan economy performed dismally, culminating in a minus 3% GDP growth in 2001. It was also during this period that many of the giant farmers organizations and State Corporations like the Kenya Farmers Association, Kenya Meat Commission, Cotton Lint and Seed Marketing Board, Kenya Sisal Board, the Pyrethrum Board of Kenya, Kenya Planters Cooperative Union, Kenya Cooperative Creameries either completely collapsed or are to date, still struggling. This has also affected secondary Cooperatives like District Cooperative Unions and the apex Cooperative Alliance of Kenya (CAC) Revival and restructuring of the state firms such as New KCC and Kenya Meat Commission has had profound positive effects in the livestock industry, resulting in stable prices and an extensive milk marketing channel for dairy

farmers. Similarly, the restructuring of key cooperative organisations that has born positive results include Meru Central Union, KUSCO, CIS, Kisii District Cooperative Union and Kiambu Unity Finance (Originally Kiambu Dairy and Pyrethrum Cooperative Union) among others. This process should be deepened to rescue viable and potential Unions and to save members' assets from being run down. Micro and Macro policies affect the operations of cooperatives. High and unfavourable taxes and inflation, increases in the price of inputs such as fuel, fertilizers and interest rates, increases the cost of production and lowers returns to members. The effect is that, cooperative members divert the business to competitors.

Social- A society is a group of persons with common beliefs and norms. Kenya is a conglomeration of 42 tribes, some of which have very strong attachments to their cultural heritage and norms. The level of education among many leaders of agricultural cooperative organizations is considerably low relative to the level of professionalism, management and good governance. This is reflected in the recruitment methods of different societies who prefer to recruit locally. There are issues of nepotism in the recruitment process. A critical area is the duplication and overlapping roles and responsibilities between the leadership and management. Separation of powers is thus compromised as governance and management become obscure. Recruitment and deployment of professional marketing personnel in the sector is paramount if the sector is to remain competitive.

The need for capacity building and human resource development is critical for continued survival of the cooperative societies. Apparently, education and training is one of the Cooperative principles which the cooperatives have to observe. Unfortunately, many cooperatives do not provide for the training and education due to limited financial capacity. The ministry has developed education and training guidelines to help streamline cooperative education and training. The implementation of the same is urgent.

Technological- Through technology, the world is increasingly becoming one big village. Technology absorption and response of the cooperative sector is lagging behind compared to other sectors. There is inadequate infrastructure as well as a very low ICT absorption rate both at the ministry level as well as in cooperatives. Low awareness, inadequate capital and lack of skills have led to low adaptation of ICT in the sector.

Environmental- The Environment is today one of the top development agendas. Extreme climate change due to global warming, have in turn given rise to new initiatives such as Carbon Farming, use of bio-fuels, and

clean production mechanisms. Organized groups are undertaking massive tree planting and stand to benefit, should they focus on selling their carbon credits to industries in the west who are generally the heaviest polluters of the environment. Similarly, the use of renewable energy like solar, wind and bio-gas are in the near future going to be extremely profitable areas which organized groups like agriculture based cooperatives and SACCOs can tap into.

The work environment is equally important for successful operations of any organization. A hostile work environment lacks personnel/people management policies, equipment, resources and incentives. These are evidently inadequate in the sector. Quite a number of cooperatives have no staff long after registration. The number of marketing managers in the sector is still negligible when compared to other enterprises with similar business operations and focus.

Legal- Because of the internal and external environs, the government cannot necessarily leave an industry as important as the cooperative movement to operate entirely on its own without some legislative framework. Over the last 10 years, a number of legislation have been enacted all aimed at stream lining operations of the Cooperative sector, with the latest piece of legislation to regulate the Sacco cooperatives already in place. Regular review of policies and legal framework is necessary to weed out inconsistencies such as those that encourage divisions of societies and to practice economies of scale.

2.3 Stakeholder Analysis

The Cooperative movement in Kenya has many stake holders who are affected by what the cooperative sector does and who intern have an interest in what the cooperatives do. Key amongst them are the cooperatives, members, suppliers of agricultural farm inputs, banks, Insurance companies, hospitals, national health Insurance Fund, National Social Security Fund, private processing and packaging companies, institutions of higher learning, Research Institutions, Import and export companies, clearing and forwarding companies, development partners, as well as other government line Ministries and in particular agricultural and rural development sector

players. These diverse stakeholders and their expectations need to be managed.

In this strategy, the ministry, will develop and strengthen partnerships with the private sector and development actors among others as one of the strategies to bridge the gaps.

The Table below shows a brief analysis of some of the key stakeholders

Key Stakeholder	Expectations
<ul style="list-style-type: none"> Cooperative societies at primary, secondary and national level 	<ul style="list-style-type: none"> Good return on their contributions for SACCOs and competitive price for produce
<ul style="list-style-type: none"> The private Sector. Processors, Packers, Exporters, Importers, stockists, Service providers, and final consumers of goods and services. 	<ul style="list-style-type: none"> Efficiency, reliability and high quality of goods and services delivered through the sector.
<ul style="list-style-type: none"> Banks, media, Insurance companies, as well other intermediaries of services needed by the cooperatives 	<ul style="list-style-type: none"> Efficiency, reliability and value for goods and services delivered through the sector.

<ul style="list-style-type: none"> • Primary producers, Researchers, Institutions of higher learning. 	<ul style="list-style-type: none"> • Transparent collaboration and networking for the common good of all the stakeholders involved as well as the greater good of the country.
<ul style="list-style-type: none"> • Other government departments and Ministries. 	<ul style="list-style-type: none"> • Collaboration, regular and up to date information and data sharing.
<ul style="list-style-type: none"> • Development partners. 	<ul style="list-style-type: none"> • Collaboration, regular and up to date information and data sharing

2.4. Risk Analysis

Risk Factor	Level of Risk Exposure	Risk Mitigation Strategy
Funding	H	<p>Prepare realistic annual plans and programmes based on the strategy</p> <p>Market the strategy to prospective development partners.</p> <p>Write specific funding proposals for specific support joint venture with the private sector.</p>
Attitude	H	<p>Re-training and retooling of the ministry and the movement.</p> <p>Staff rationalization. Introduce incentives for outstanding performance.</p>
Poor Governance and Management	H	<p>Provide policy direction, performance standards and guidelines.</p> <p>Capacity building</p>
Change in Government / Government Policies, which could in turn see the merging of the Ministry with others.	M	<p>Prepare sound programmes, projects for funding</p> <p>Scale up the profiling of activities and achievements of the ministry at all levels.</p>

KEY STRATEGIC ISSUES

The key strategic issues have been derived from challenges, gaps and opportunities identified and existing in the sector and related to the cooperative marketing function.

3.1 Inadequate Capacity in the Ministry and the Cooperative movement to effectively carry out marketing functions

The capacity of the Ministry is a cross-cutting factor that is critical for carrying out the given mandate of cooperative marketing. The ministry's capacity in terms of staff, financial resources, organizational structure and equipment is insufficient across the board. Building the capacity through restructuring, retraining and re-tooling of ministry staff particularly in key areas of marketing is vital. Restructuring the ministry to realign its functions has been done. The Ministry should move with speed to implement the job evaluation report on restructuring and staffing of the Ministry. This will entail the recruitment of sufficient staff with relevant professional skills and optimal deployment from the headquarters to the districts is core to the effective operations of the Ministry and implementation of this strategy. The optimal staffing level for marketing department stands at 22 for the various cadres at the headquarters and 516 in the field.

Equally important in the sector is the capacity of cooperatives to compete in a global marketing environment. Capacity building of members, officials and staff needs to be enhanced through training and provision of technical support, policy guidance, technology transfer and access to marketing information. Mainstreaming of the marketing activities in the sector is core to the business operations. Currently this function is peripheral in the sector. Policy direction on cooperative marketing should be spelt out to guide the cooperative sector.

Access to adequate financial and technical support from government and development partners is necessary and should be activated as a top priority through programme planning and project proposals. The Ministry continues to address motivation and team work aspects of staff to ensure successful implementation of its Strategic Plan as well as department specific strategies.

3.2. Weak Partnerships and Networks

In the current business environment, merging is the trend. While the trend in the private sector is towards mergers, the tendency in the Cooperative sector is more towards divisions, which has resulted in uneconomical small societies. This is partly facilitated by the Cooperative Societies Act which provides for amalgamation and division of cooperatives when necessary. Resource flow such as information and finance from one specialized category to the other is limited. There is duplication of functions and internal competition between cooperatives themselves.

Opportunities to develop networks and partnerships between cooperative societies themselves on one side to reduce internal competition amongst cooperatives exist. Working with stakeholders on the other hand to form joint ventures with the private sector, new initiatives such as Cooperative Private Partnerships (CPPs), getting direct investments in identified areas, working with the Export Processing Zone Authority to create Export processing Zones in areas with active Cooperative societies through out the country are some of the vast opportunities to be explored.

Partnering and networking with high profile global initiatives such as Fair Trade, Organic products, indigenous knowledge, Certification bodies etc can leverage and create synergy in all productive sectors where cooperatives are active

3.3 Low utilization of ICT in the Cooperative sector

The level of ICT in the Cooperative sector is fairly low. This has a negative effect on the way Cooperatives manage their business. Making choices between the best mix of communication, distribution, and services channels for goods and services produced by the Cooperative sector in the country were also not only found to be quite low but also uncoordinated and unfocused. The emerging marketing opportunities through the web and internet has transformed the marketing function in organizations through faster communication and cost reduction. Cooperatives need to develop the necessary skills and infrastructure to effectively participate in marketing using modern communication technology.

ICT can be used to fast-track both horizontal and vertical integration

in the market. Accurate, reliable and timely information flow for faster decision making on marketing is crucial. The Ministry will have to fast track the implementation of the already developed Cooperative Marketing Information System (CMIS) and establish information centres to ease the flow and access to market information. The Ministry needs to develop the prerequisite infrastructure and networks in the sector and in addition develop ICT skills of its staff, develop policy and standards for ICT in the sector and to set the pace for rapid ICT adoption in the sector.

3.4. Poor Market, Product Development and Value Addition

Most Cooperatives have poor market and product development strategies. Marketing departments are not properly established, Research and Development are non-existent in the entire sector leading to poor product development and market discovery. Rural SACCOs for instance have such limited products and at times out of tune for the clientele. High post harvest losses and limited technology transfer, packaging and branding of goods and services produced by the sector was found to be extremely low and non-existent in the sector as cooperatives concentrate their efforts in bulking raw commodities for processors.

Competition is fought in the arena of quality service delivery but also on new brands that hit the market. Through pooling of resources and business outsourcing, cooperatives can access services at cost effective prices. In this regard, the Ministry will promote initiatives such as incubations and resource centres to provide marketing information, accounting services, web-site design and hosting, secretarial services, marketing research etc. Other initiatives include support to development of joint ventures and strategic partnerships, revival of Cooperative -Cooperative collaborations and viable Unions.

KEY STRATEGIC RESULT AREAS (KRAS)

Key Result Areas are the areas the ministry needs to focus on, in close collaboration with all the key stakeholders for desired results. The key result areas have been identified from key strategic issues. In developing the result areas, the strategy takes into account both the long term goal and the short term objectives. For some strategic issues, strategic options and activities have been identified.

Strategic Issue I

Inadequate capacities in the Ministry and Cooperatives Marketing function in the sector

Goal: An efficient, vibrant and globally competitive Cooperative sector

Strategic Objective: To increase efficiency and effectiveness in service delivery

Strategy- 4.1.1 Restructuring and mainstreaming Marketing functions

Activities

- Design and implement a functional departmental structure for Cooperative marketing
- Redefine the role and duties of the Cooperative Marketing Department
- Establish the Cooperative Marketing Directorate complete with requisite staffing levels
- Rationalise and align departmental functions and activities to reduce duplication between departments
- Train officers in marketing Management, Communication,

Entrepreneurship and Negotiation skills

- Recruit/deploy officers with professional marketing bias in the entire sector.
- Organize team building activities in the sector
- Implement the marketing component in the report on job evaluation and restructuring of MOCD&M

Strategy 4.1.2 Mainstream and Profile Marketing functions in all active Cooperative societies

Activities

- Prepare an inventory of current marketing managers and their skills
- Identify and support capacity building of marketing managers in the sector
- Develop and profile a rewarding mechanism for the best performing Cooperative societies in the country

Strategic Objective - Fast track ICT development and adoption in the Cooperative Sector

Strategy 4.1.3: Enhance adoption and utilization of ICT for Marketing in the Sector

Activities:

- Train and refresh MOCD&M Officers on application of basic computer skills (Ms Word, Ms Excel, power point presentation and the use of internet by all technical staff.
- Train MOCD&M Officers and Cooperative managers on

e-commerce, online marketing, Systems development and administration

- Promote use and adoption of ICT Systems in cooperative business operations
- Develop ICT guidelines and standards for cooperative sector
- Develop a programme on ICT

Strategic Objective - Profile all active Cooperatives societies in all sectors.

Strategy 4.1.4: Implement Cooperative Marketing Information System

Activities:

- Train Cooperative officers on Cooperative Marketing Information System
- (CMIS)
- Provide user access to the central data base
- Develop data capture tools
- Test data collection tools
- Collect Baseline and marketing data
- Analyse and post information on CMIS website
- Update and maintain CMIS database
- Initiate and support establishment of Marketing Resource Centres in the field

Strategic Issue II: Weak Networks, Partnerships and Linkages

Goal: Sound collaboration amongst all partners.

Strategic Objective: Established strategic Alliances, partnerships and joint

ventures with Private sector, Development Partners and Cooperatives.

Strategy: 4.2.1. Promote the development of joint ventures, linkages and Partnerships

Activities:

- Develop guidelines on joint ventures
- Encourage, support and profile innovative investments by SACCOS
- Establish Marketing Intelligence for collection and dissemination of information
- Facilitate and support profiling of Cooperative Private Partnerships
- Initiate a process of linking Cooperatives with Institutions of higher Learning, NGOs, CBOs, and development partners
- Explore regional Cooperative networks for trade, technology and economic co- operation among the COMESA countries to initiate and expand trade
- Facilitate Cooperatives to participate in Trade missions, Trade Fairs and Exhibitions

Strategic Issue II1: Limited Market, Product Research, Development and Value- Addition

Goal: Increased Capacity of the cooperative sector to compete and enter new markets and develop new products

Strategic Objective - Increased market share and shelf life of cooperative produced products in the market

Strategy: 4.3.1. Enhance Marketing Research and Development (R&D) in the sector

Activities

- Conduct regular market surveys on cooperative products and services and support technology transfer on value addition
- Outsource R & D services when necessary from research institutions, institutions of higher learning and the Private sector service providers.
- Encourage and support pairing of common Institutional support services, like softwares, front office services, particularly in small SACCOS

Strategic Objective - Improved capacity for value Addition/processing

Strategy 4.3.2: Rejuvenate and profile Cooperatives as bulking and value-addition centres

Activities:

- Revitalize co-operation between Cooperatives with similar products to bulk and enjoy economies of scale
- Initiate, support and profile the development of cottage industries for processing, packaging and marketing through Cooperatives
- Initiate and support joint ventures and partnerships with the private sector, development partners, NGOs, CBOs and FBOs
- Initiate, support and profile large scale whole sale, retail, and value addition (including agro-processing units)

- Link Cooperatives to Export Processing Zones Authority (EPZA) to establish EPZ Centres

Strategic Issue IV: Marketing, Communication and Information dissemination

Goal: A vibrant, well known and respected sector playing its rightful role in nation building

Strategic Objective - Enhanced Cooperative sector image and identity

Strategy 4.4.1: Maximize exposure of Cooperative products and achievements

Activities

- Support and profile Cooperative societies to venture into new and emerging marketing initiatives Fair Trade, organic products, E-Commerce and Interactive Marketing
- Initiate, support, develop and profile business networks in the sector.
- Expose Cooperative products through high profile promotions. (Media, shows, radio and TV, solo events, local and international trade fairs, etc....)
- Initiate and support participation of Cooperative societies in community activities as part of their Corporate Social Responsibility.

IMPLEMENTATION STRATEGY

Implementation of the Cooperative Marketing Strategy 2009-2012 is in tandem with the Ministry's Strategic plan 2008/2012. For effective implementation, the department of Cooperative Marketing will be reorganized as per the recommendations of workload analysis report 2009. The structure of the department will flow from the headquarters through the provinces to the districts. The assumptions guiding the structured implementation are that both human and financial resources are prerequisite for the successful implementation.

The Cooperative Marketing department will actualize the strategic goals and objectives through the annual work-plans and target setting to be reflected in the performance contract of the Ministry and the department.

5.1 ORGANIZATIONAL STRUCTURE

An organization structure is a formal conglomeration of roles and relationships that facilitate the optimal performance of employees to achieve the mandate and set goals of an organization. It spells out jobs and tasks and how they relate in terms of functions, span of control, chain and unity of command, coupled with commensurate authority and responsibility, work assignment and finally employee participation.

The Ministry of Cooperative Development and Marketing is structured into four technical departments and Cooperative Marketing and Research (CMR) is designated as one of the departments.

5.1.1. Cooperative Marketing and Research Department

For the overall management and administration, the Cooperative Marketing and Research Department is headed by a Director of Cooperative Marketing and Research (DCM&R).

The departmental chart 5.1.6 is based on three functions. These are:-

- Marketing Information.
- Market Research and Development and
- Cooperative Ventures, Value Addition and Product Development.

These functions are further delineated in three divisions to be headed by Deputy Directors of Cooperative Marketing and Research DDCMR, Job Group ‘R’ at the same level as head of division at the provincial headquarters. At the district level, the overall marketing function will be headed by ADDCM Job Group ‘P’.

5.1.2. Staffing Levels

Cooperatives strand across all sectors of the economy in both private and public sector. Some of the Cooperatives in the sector have attracted highly qualified professionals who manage huge assets and financial capital held in trust for members. In order for the Ministry to interact effectively and efficiently with these clientele, it needs to engage highly qualified and motivated professionals. These personnel should be adequately deployed both at headquarters and in the field as indicated in table (1) and (2) below to bridge the gap and make the Ministry’s service at par or exceed that of the Cooperatives.

5.1.3. Staffing Levels for Headquarters

The Cooperative Marketing and Research Department will be headed by a Director of Cooperative Marketing and Research (DCM&R), “Job Group S” who will be answerable to the Cooperative Secretary for overall management and administration of the department. The Department will be divided into three (3) divisions each to be headed by Deputy Director of Cooperative Marketing and research (DDCM&R), “Job Group R” as indicated in table I below.

The optimal staffing for the headquarters (table 1) is twenty two and is distributed as per the table. To enable the department jump-start the operations and commence the implementation of the strategy in the short term, at least 50% of the intended staff should be in place both at the headquarters and field. Officers at this level should be professionals

with background in Marketing, Business Administration and related specialization such as Agri-business and entrepreneurship

Table 1 – Staffing Levels for Headquarters

NO.	DESIGNATION	JOB GROUP	OPTIMAL	PARTIAL
1.	Director of Cooperative Marketing and Research (9DCMR)	S	1	1
2	Deputy Director of Cooperative Marketing and Research (DDCMR)	R	3	3
3.	Senior Assistant Director of Cooperative Marketing and Research (SADCMR)	Q	3	2
4.	Assistant Deputy Director of Cooperative Marketing and Research (ADDCMR)	P	6	3
5.	Principal Cooperative Officer	N	3	3
6.	Chief Cooperative Officer	M	3	3
7.	Cooperative officers	J/K/L	3	-
		TOTAL HEADQUARTERS	22	15

The optimal staff establishment is desirable for the planned period. However, due to resource constraints, staffing levels can be phased and staggered over the planned period.

5.1.4. Staffing Plan for Provinces/Regions

The Provincial Cooperative Marketing Officer will co-ordinate and link marketing activities between headquarters’ and districts. In the strategy, each Region/Province should have one officer each at the rank of SADC MR Job Group ‘R’. An officer at this level will be equivalent to an officer heading a section at the headquarters. The officer should have co-ordination skills and be able to multi-task on Marketing, Research and Agribusiness.

5.1.5. Staffing Plan for Districts

The districts are the nerve centres for all cooperative activities in the country. For marketing functions to be effective, each district should have at least two officers fully deployed on marketing functions. In the structure, the head of Cooperative Marketing in the district should be at the level of Job Group ‘P’ and be assisted by at least one officer on either Job Group ‘N’ M, L,K OR J, as indicated in the table below.

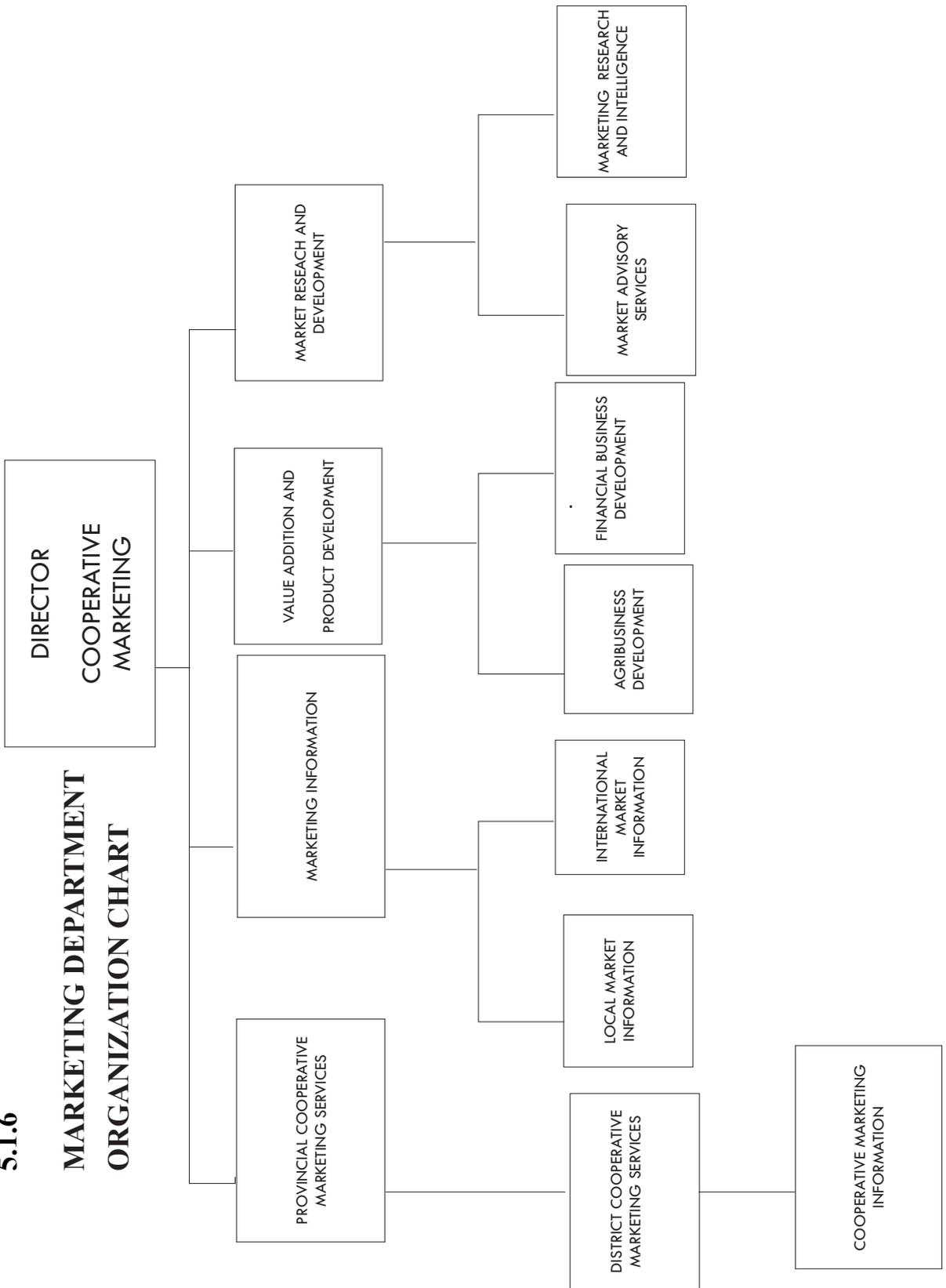
TABLE 2 – Staffing Levels For Provinces And Districts

NO.	DESIGNATION	JOB GROUP	OPTIMAL	PARTIAL
1.	Deputy Director for Cooperative Marketing & Research	R	8	8
2.	Assistant Deputy Director for Cooperative Marketing and Research	P	254	127
3.	Principal Chief and Cooperative officers	N,M,J/K/L	254	127
		TOTAL	516	254

The above presupposes that at least two officers will be deployed at the district to man the Cooperative marketing function. To start up the departmental activities in the field, at least each province and district should have an officer deployed or recruited to handle marketing activities and link up with the department at the headquarters. The officers detailed should have a background in marketing to effectively manage their responsibilities.

5.1.6

MARKETING DEPARTMENT ORGANIZATION CHART



5.2 IMPLEMENTATION MATRIX

Strategic Issue I	Inadequate Capacity building and mainstreaming of the Marketing functions in the sector.				
Goal	An efficient and vibrant Cooperative sector, which is in line with Vision 2030.				
Strategic Objective	To increase efficiency and effectiveness in service delivery in the sector.				
Strategy 1	Restructure and mainstream marketing activities in the Ministry and Cooperatives				
Activities	YR 1	YR2	YR3	YR4	YR5
1. Design and implement a functional departmental structure for the marketing function in the MOCD&M.	xxx	xxx	---	---	---
2. Redefine the role and duties of the Cooperative Marketing Department	xxx	xxx	---	---	---
3. Establish the Cooperative Marketing Directorate complete with requisite staffing levels.(Recruit/ deploy officers with professional marketing bias).	xxx	xxx	---	---	---
4. Rationalise and align departmental functions and activities to reduce duplication between departments.	xxx	xxx			

5. Train officers in Marketing Management, Communication, Entrepreneurship and Negotiation skills.	xxx	xxx	xxx	xxx	xxx
6. Organize team building activities for officers.	xxx	xxx	xxx	xxx	xxx
Strategy 2	Mainstream and profile marketing functions in all Cooperative Societies throughout the country				
Activities					
1. Prepare an inventory of current marketing functions, number of marketing managers and their skills.					
2. Identify and support capacity building of marketing managers in Cooperative societies.	xx	xxx	xxx	xxx	xxx
3. Develop, support and profile a rewarding mechanism for best performance in marketing in Cooperative societies in the country.			xxx	xxx	xxx
Strategic Objective	Fast track ICT development and adoption in the Ministry and the Cooperative sector.				
Strategy 3 Capacity Building in MOCDM/Cooperative movement	Enhance the adoption and utilization of ICT for marketing in the sector.				

Activities					
1. Train and refresh all MOCD&M Technical officers on application of basic computer skills (Ms Word, Ms Excel, power point presentation) and the use of internet.	xxx	xxx	xxx	xxx	xxx
2. Train MOCD&M Officers and Cooperative managers on e-commerce, online marketing, systems development and administration.	xxx	xxx	xxx	xxx	xxx
3. Promote use and adoption of ICT Systems in Cooperative business operations.	xxx	xxx	xxx	xxx	xxx
4. Develop ICT guidelines and standards for marketing in the Cooperative sector.	xxx	xxx	xxx	xxx	xxx
Strategic Objective :	Profile all active Cooperative societies				
Strategy 4:	Implement Cooperative Marketing Information System (CMIS)				
Activities					
1. Train field officers on Cooperative Marketing Information System.	xxx	xxx	xxx	xxx	xxx
2. Provide user access to the central data base.	xxx	xxx	xxx	xxx	xxx

3. Develop data capturing tools.	xxx				
4. Test data collection tools.	xxx				
5. Liaise with the field offices on data collection and capture.		xxx	xxx	xxx	xxx
6. Analyse and post information on CMIS database.		xxx	xxx	xxx	xxx
7. Update and maintain CMIS database.	xxx	xxx	xxx	xxx	xxx
8. Establish hubs Marketing Intelligence resource centres in the field.	xxx	xxx	xxx	xxx	xxx
Strategic Issue II	Weak/Lack of strong Networks, Partnerships and Linkages.				
Goal:	Sound collaboration amongst all partners				
Strategic Objective	Established strategic partnerships, Alliances between private sector, development partners and Cooperatives for joint ventures.				
Strategy 5	Promote the development of sound networks, joint ventures and partnerships				

Activities					
1. Develop guidelines on joint ventures	xxx	xxx		xxx	
2. Establish Marketing Intelligence for collection and dissemination of information			xxx		xxx
3. Facilitate and support profiling of CPP	xxx	xxx	xxx	xxx	xxx
4. Initiate a process to link Cooperatives with local Institutions of higher learning, (apprentice), NGOs, CBOs, and development partners to enhance technology transfer, agri-business development, Market research	xxx	xxx	xxx	xxx	xxx
5. Explore regional Cooperative networks for trade, technology and economic co-operation among the COMESA Countries to initiate and expand trade.	xxx	xxx	xxx	xxx	xxx
6. Facilitate Cooperatives to trade missions, trade fairs and exhibitions in and outside the country.	xxx	xxx	xxx	xxx	xxx
Strategic Issue III.	Market, Product development and value addition				

Activities					
1. Develop guidelines on joint ventures	xxx	xxx		xxx	
2. Establish Marketing Intelligence for collection and dissemination of information			xxx		xxx
3. Facilitate and support profiling of CPP	xxx	xxx	xxx	xxx	xxx
4. Initiate a process to link Cooperatives with local Institutions of higher learning, apprentice), NGOs, CBOs, and development partners to enhance technology transfer, agri-business development, Market research	xxx	xxx	xxx	xxx	xxx
5. Explore regional Cooperative networks for trade, technology and economic co-operation among the COMESA Countries to initiate and expand trade.	xxx	xxx	xxx	xxx	xxx
Strategic Issue III.	Market, Product development and value addition				
Goal:	To increase the Capacity of the Cooperative sector to compete and increase market share				
Strategic Objective	Increased market share and shelf life of Cooperative produced products				

Strategy: 6	Enhance Marketing Research and Development (R&D) in the Cooperative Sector				
Activities					
1. Conduct regular market surveys on Cooperative products and services	xxx	xxx	xxx	xxx	xxx
2. Initiate and support technology transfer on value addition	xxx	xxx	xxx	xxx	xxx
3. Outsource R & D services when necessary from research institutions, institutions of higher learning and the Private sector service providers	xxx	xxx	xxx	xxx	xxx
4. Initiate, support and profile product design and development in Cooperatives	xxx	xxx	xxx	xxx	xxx
Strategic Objective	Improved capacity for value Addition/ processing and outsourcing.				
Strategy 7	Rejuvenate and profile Cooperatives as Bulking and Value Addition centres				
Activities:					
1. Revitalize co-operation between Cooperatives with similar products and services to bulk and enjoy economies of scale	xxx	xxx	xxx	xxx	xxx

2. Initiate, support and profile the development of cottage industries for processing, packaging and marketing through Cooperatives	xxx	xxx	xxx	xxx	xxx
3. Initiate and support joint ventures and partnerships with the private sector, development partners, NGOs CBOs and FBOs	xxx	xxx	xxx	xxx	xxx
Initiate support and profile large scale, wholesale, retail, and value addition(including agro-processing units)	xxx	xxx	xxx	xxx	xxx
5. Link Cooperatives to Export Processing Zones Authority (EPZA) to establish EPZ centres.	xxx	xxx	xxx	xxx	xxx
Strategic Issue IV	Poor Marketing, Communication and Information dissemination.				
Goal	A vibrant, well known and respected sector playing its rightful role in nation building.				
Strategic Objective	Enhanced Cooperative sector image and identity.				
Strategy 8	Maximise exposure of Cooperative products and achievements				
Activities					

1. Support and profile Cooperatives to venture into new and emerging marketing initiatives (Fair Trade, Organic products One Village One Product OVOP, Incubations, e-commerce etc....)	xxx	xxx	xxx	xxx	xxx
2. Initiate, support and profile business networks in the sector.	xxx	xxx	xxx	xxx	xxx
3. Expose Cooperative products through high profile promotions. (Media, road shows, events, local and international trade fairs, etc....)	xxx	xxx	xxx	xxx	xxx
4. Support participation of Cooperative societies in community activities.	xxx	xxx	xxx	xxx	xxx
Sub total	xxx	xxx	xxx	xxx	xxx

STRATEGY BUDGET

6.1 Implementation Budget

Strategic Issue	Inadequate Capacity and low Marketing functions in the sector.				
Goal	A competitive and vibrant Cooperative marketing function in the sector.				
Strategic Objective	Increased efficiency and effectiveness in marketing services delivery in the sector.				
Strategy 1	Reorganise and mainstream marketing activities in the Ministry and Cooperatives				
Activities	YR1	YR 2	YR 3	YR4	YR5
1. Design and implement a functional departmental structure for the marketing function in MOCD&M	4.7m	23m	23m	24m	25m
2. Establish and rationalise the Cooperative Marketing Directorate complete with requisite staffing levels	---	532m	585m	643m	708m

3. Train officers in Marketing Management, Communication, Entrepreneurship, Team Building and Negotiation skills	---	12m	12m	12m	12m
Sub Total	4.7m	567m	620m	679m	745m =2,615.7b=
Strategy 2	Mainstream and profile marketing functions in all Cooperative Societies throughout the country				

.Activities					
1. Prepare an inventory of marketing managers and their skills.	1m	3m	2m	----
2. Identify and support capacity building of marketing managers in the Cooperative sector.	---	25m	25m	25m	25m
3. Develop an support a rewarding mechanism for best performing marketing managers and Cooperatives in the country.	---	50m	50m	50m	50m
Sub Total		76m	78m	77m	75m =306m=
Strategic Objective	Fast track ICT development and adoption for marketing in the Cooperative sector.				
Strategy 3	Enhance the adoption and utilization of ICT for marketing in the sector				
Activities					
1. Train MOCD&M Officers on application of basic computer skills and the use of internet	1m	5m	5m	5m	5m

2.Train MOCD&M Officers and Cooperative Managers on e-commerce, online Marketing, Systems development and Administration.	----	5m	5m	5m	5m
3.Promote use and adoption of ICT Systems in Cooperative business operations	----	5m	6m	7m	3m
4. Develop guidelines and standards for marketing in the Cooperative sector	5m	3m	2m	2m	-----
Sub total	6m	18m	18m	19m	13m =68m=
Strategic Objective :	Profile all active Cooperative societies in all sectors.				
Strategy 4	Implement Cooperative Marketing Information System (CMIS)				
Activities					

1. Train and Provide User Access to Cooperative Marketing Information System (CMIS)	---	5m	5m	5m	5m
2. Develop and test data capturing tools.	1m	2m	2m	2m	2m
3. Analyse, post and maintain information on CMIS website.	1m	3m	3m	3m	3m
3. 4. Establish Marketing and Intelligence Information Resource Centres in key District Unions and Regions	---	10m	20m	15m	15m
Sub Total	2m	20m	30m	25m	25m =201m=
4.3. Strategic Issue II	Weak/Lack of strong Networks, Partnerships and Linkages				
Goal:	Sound collaboration amongst all partners				

Strategic Objective	Established strategic partnerships, Alliances between private sector, development partners and Cooperatives for joint ventures				
Strategy 5	Promote the development of sound networks, joint ventures and partnerships				
Activities					
1. Develop guidelines on joint ventures.	----	5m	10m	10m	5m
2. Initiate a process to link Cooperatives with local Institutions of higher learning, NGOs, CBOs, and development partners	----	50m	75m	75m	75m
3. Facilitate Cooperatives to trade missions, trade fairs and exhibitions in and outside the country.	---	200m	200m	200m	200m
Sub Total	---	255m	285m	285m	280m =1,105b=
Strategic Issue III.	Limited Market and Product development and value addition				
Goal:	To increase the Capacity of the Cooperative sector to compete and increase market share				
Strategic Objective	Increased market share and shelf life of Cooperative produced products				

Strategy 6	Enhance Marketing Research and Development in Cooperatives				
Activities					
1. Conduct regular market surveys on Cooperative products and services	---	50m	50m	75m	75m
2. Initiate and support technology transfer on value addition.	---	100m	120m	120m	150m
3. Promote research & Development on Cooperative products, potential markets and value chains.	---	100m	150m	150m	150m
4. Initiate and support product design and development through incubation programmes and cottage industries in Cooperatives	----	250m	250m	500m	250m
5. Develop marketing programmes based on Fair Trade/Organic products and One Village One Product (OVOP) concepts	---	250m	500m	300m	200m

Sub Total		750m	1,070b		825m =3,790b=
Strategic Objective	Improved capacity for value Addition/processing and outsourcing.				
Strategy:7	Rejuvenate and profile Cooperatives as Bulking and Value Addition centres				
Activities:					
1. Support Cooperatives to become bulking and value addition centres	---	50m	80m	100m	100m
2. Initiate & support Kenya Farmers Agency and District Unions as strategic input supply Cooperatives	---	100m	200m	300m	50m
2. 3. Establishment of Cooperative Fertilizer Procurement Fund	---	200m	250m	300m	150m
Sub-Total		350m	530m	700m	300m =1,880b=
Strategic Issue IV	Poor Marketing, Communication and Information dissemination				
Goal	A vibrant, well known and respected sector playing its rightful role in nation building				

Strategic Objective	Enhanced Cooperative sector image and identity				
Strategy 8	Maximise Cooperative exposure by profiling its achievements and products				
Activities					
1. Expose Cooperative products through high profile promotions	----	50m	100m	90m	50m
2. Support participation of Cooperative societies in community activities	----	20m	20m	30m	30m
Sub total	-----	70m	120m	120m	80m =390m=
GRAND TOTAL	12.7m	2,106b	2,751b	3,050b	2,343b =10,263b=

6.2

SUMMARY OF THE FINANCIAL BUDGET

Key Strategies	Budget in Kshs. (Millions)					
	YR 1	YR 2	YR 3	YR 4	YR 5	Total
1. Restructure and mainstream marketing activities in the ministry and Cooperatives	4.7	567	620	679	745	2,615.7
1. 2. Mainstream and profile marketing functions in all Cooperatives		76	78	77	75	306
2. 3. Enhance the adoption and utilization of ICT for marketing in the sector	6	18	18	19	13	68
4. Implement Cooperative Marketing Information System (CMIS) in the ministry and Cooperatives	2	20	30	25	25	201
5. Promote the development of sound networks, joint ventures and partnerships		255	285	285	280	1,105

6. Enhance Marketing Research and Development in Cooperatives		750	1,070	1,145	825	3,790
7. Rejuvenate and profile Cooperatives as bulking and value addition centres		350	530	700	300	1,880
8. Maximize Cooperative exposure by profiling its achievements and products		70	120	120	80	390
Total Estimated Cost (Kshs.)	12.7	2,106	2,751	3,050	2,343	10,263
Contingencies (5%)	0.64	105	137.5	152.5	117	511.6
Rounded up to	13	2,211	2,888.5	3,202.5	2,460	10,675b.

6.3 BUDGET NOTES

The total cost of implementing this strategy is approximately Kshs.11 billion. The annual average estimate is Kshs.2.3 billion. These costs are based on activities and programmes spanning the five year period. The activities detailed in the strategy budget are both recurrent and developmental t and development in nature and are based on specific strategic objectives.

Development of medium term marketing programmes as specified in the various strategic objectives in the plan includes adaptation of ICT for marketing, establishment of information resource centres, documenting certification processes, Marketing Information Systems, Marketing programmes based on Fair Trade, Organic Products, Incubation and One Village One Product concept (OVOP) in collaborations with other sector players. In addition, a programme to support farm input supply through cooperatives will be explored and supported.