DETERMINANTS OF MARKETING STRATEGIES OF CROP INSURANCE IN NAROK COUNTY, KENYA

BENEDICT SAIYIALEL OLE NKOYO

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DECLARATION

This research project is my original work and has not been submitted for examination or award of a degree in any other University or institution of leaning.

Sign ……………………….............   Date…………………………

Benedict Saiyialel Ole Nkoyo

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This research project has been submitted for the examination with my approval as university supervisor.

Signed ……………………………………. Date …………………………….

Mr. Seth Odongo

School Of Business, University of Nairobi

DEDICATION

I dedicate this project to my wife Naipante and my lovely children Koiyiaso, Sokoine, Siteyia, Sareton and Katatei.

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I thank the almighty God for seeing me through my entire Masters Degree Course. It is indeed God′s providence and unfailing mercy that has made this possible. I wish to acknowledge the University of Nairobi for the support accorded to me during the entire course. Most to my lecturers, my supervisor Seth Odongo, Moderator Dr. Joseph Aranga and Dr. Jackson Maalu, for their guidance in this project.

TABLE OF CONTENTS

LIST OF TABLES

ABBREVIATIONS AND ACRONYMS

AMA	**:**	American Marketing Association
ALICO	**:**	American Life Insurance Company
CBK	**:**	Central Bank of Kenya
G.O.K	**:**	Government of Kenya
ACCI	**:**	Adaptation to Climate Change Insurance
AKI	**:**	Association of Kenya Insurers
IPC	**:**	Increased Production of Crops
GMR	**:**	Guaranteed Minimum Return
US	**:**	United States of America

ABSTRACT

The research study was to establish the determinants of marketing strategies of crop insurance in Narok County, Kenya. The research looked at the various factors often cited by the insurance industry players. The study was guided by the following research objectives: to establish determinants of marketing strategies applied of crop insurance in Narok County, Kenya and to determine the relationship between the determinants of marketing strategies and the choice of marketing strategies applied on Crop Insurance in Narok, County. The research adopted descriptive survey design to collect quantitative and qualitative data. This was preferred as it could enable the researcher to obtain complete and possible accurate information. A sample of 25 crop insurance firms and agents were used to collect data by use of questionnaires. The data collected was then analysed by use of SPSS to show correlations. The presentation of data was by tables and mean. The findings were analysed using Pearson correlation statistic. The findings showed that there is a correlation between the determinants and marketing strategies of crop Insurance in Narok County, Kenya. The study findings show that the choice of crop insurance marketing strategy by insurance firms Narok County is influenced by a number of factors hereby referred to as determinants. These factors include size of the insurance firm, type of customer to insured, resources available to sustain the insurance scheme, the level of competition in the market, the nature of crop problems, the prevailing government legislations and the culture of the people in the County. The study further revealed that most crop insurance firms adopted marketing strategies that were cost based, product differentiation, market focused, competition based and reputation based. It is recommended that crop insurance firms should ensure the determinants of marketing strategies are fully implemented. The management of the firms will have to set up clear policies on crop insurance and communicate to all the stakeholders on what it entails, what is expected, and the potential benefits. The aim of this will be to embrace acceptance that indeed crop insurance is key to gain substantial farm inputs.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Marketing strategies are actions taken by business organizations to endear their products to their customers. It involves creating value in products or services using strategies such as appropriate pricing, adequate product information (promotion), product differentiation to meet varied needs and improved quality of services (Kotler, 2013). According to this group, marketing refers to a set of activities, institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients; partners and the society at large, (AMA, 2012). It involves selecting a specific target market and making decisions regarding the crucial elements of product, price, promotion and distribution so as to satisfy the needs of customers in that market. (Ferrell, 2002).

This study was anchored on market based theory, general insurance theory, knowledge based theory and resource based theory. Market based theory is on the view that, the sources of value for a firm are embedded in the competitive situation characterizing the firm’s end product and its strategic position. Such strategic positions may vary within business organizations and hence each firm will have a different leverage against each other (Vincent & Myles 2011).The principal goal of general insurance theory, as assessed by economists, is to transfer resources from low marginal utility of income states to those where the marginal utility of income is high. If insurance is actuarially fair, this process will continue until the marginal utility of money is constant across states (Schlesinger and Doherty1985).The knowledge based theory considers knowledge as the most strategically significant resource within the firm. Its proponents argue that because knowledge-based resources are usually difficult to imitate and socially complex, heterogeneous knowledge gives capabilities for the firm to gain sustained competitive advantage. On resource based view, it has been argued that knowledge, as one of the firm’s resources has the greatest ability of all resources to serve as a source of sustainable differentiation, because of its immobility (McEvily & Chakravarthy, 2002).

Crop insurance is a risks management concept that is used in protecting farmers against farm risks. It entails giving financial compensation to farmers whenever they experience a loss in their yield or loss in crop revenue earnings (Loghman, 2013). Crop insurance; especially in developing countries, is faced with numerous challenges especially those that affect performance and operational goals. According to Enjolras and Sentis (2008), these challenges include low product penetration among farmers, poor communication and information on the range of available insurance products, stiff competition and inadequate product design to meet the quality expectoration of crop farmers. It is often the goal of all insurance firms to forestall these challenges and command superior performance level than their competitors (World Bank, 2010).

1.1.1 Marketing Strategies

According to Drucker (2003) marketing comprise those activities which a manufacturer does in order to satisfy what customers want or require; being able to meet customers' needs and requests for the price that they are ready to pay. Other scholars such as (Etzel 2010) define marketing as consisting of activities designed to generate and facilitate exchanges that are intended to satisfy human or organizational needs or wants. Marketing strategies is best understood by first understanding what constitutes general marketing. Even though there are several definitions of marketing, such as conceived by Drucker (2003) in which marketing is seen as those activities which are used for satisfying customers wants at appropriate pricing, the most comprehensive definition has been put forth by the American Marketing Association (AMA). Based on this definition, marketing of crop insurance must therefore be seen in terms of what value it will bring to farmers in their production endeavours (Kotler & Armstrong, 2013).

Capon (2008) describes strategy as a long term plan, drawn up by organizational leaders in order to meet the organizations objective. In the game theory, strategy is defined as a plan which specifies what choices a player that is the organization, will make in certain situations. The different types of strategies helps organizations to focus on managing strategic direction and control to get things done. Strategies may be either specific or general, a strategy may be specific. According to Capon (2008) as cited from Mintzberg, strategy can be a plan, a ploy that is a way of removing competitors for example a grocery chain might threaten to expand a store, to avoid a competitor moving into the same area. Mintzberg further describes strategy as a position which involves how companies position itself in the marketplace. In this way strategy helps organizations explore the fit between the organization and the environment and develop a competitive advantage.

According to Kotler (2006) property, casualty and liability insurance marketing not only includes the traditional marketing sales function but incorporates services such as customer needs analysis, market segmentation, product development and distribution that must be incorporated into a successful marketing mix.Brodrechtova, (2008) explained that marketing strategy is a roadmap of how a firm assigns its resource and relates to its environment and achieves a corporate objective in order to generate economic value and keep the firm ahead of its competitors. The 4ps are the parameters that marketing managers can control, subject to internal and external constraints of the marketing environment. The objective is to make choices that rotate the 4ps on the customers in the target market so as to create perceived value and generate a positive response. Firms should therefore ensure that the actions taken are agreeable with the individuals or organizations needs at a particular time and should create value that is perceived to be far superior to the cost of the service being offered (Wearne and Morrison, 1996).

Businesses diversify into different areas, perhaps they develop a new type of product or move into a number of different geographical areas each of which may have need for a slightly different type of management. Firms may take into account adoption of the 3 categorization of strategies, which include functional, business and corporate strategies (Adrian & Alison, 2008). Functional strategies include the firm's individual function; business level strategy is handled by managers who are continuously looking for new ways to align the current potential strengths and weaknesses of the organization with the potential opportunities and threats in the environment. Corporate level strategy on the other hand is about selecting an optimal set of businesses and determining how they should be integrated into the corporate whole (Bob & Meyer,2004). Strategies are something that organizations need. Lack of strategy brings about several disadvantages such as lack of focus inside and outside the organization as well as the inability to spot good and new market opportunities which will have impact in the organization. Most organizations strive to expand through entering other new markets which requires careful planning to develop a beneficial market entry strategy (Capon, 2008).

Successful marketing depends upon addressing a number of key issues. These include: what a company is going to produce, how much it will charge, how it is going to deliver its products or services to the customer; and how it is going to tell its customers about its products and services. Traditionally, they were known as the 4ps. As marketing became more sophisticated discipline, a fifth ‘p’ was added, people. Recently two Ps were added, that is, process and physical evidence. The application of marketing strategies helps in stimulating positive consumption of insurance products thus resolving a number of market challenges the industry faces (Hill, 2008).

The 4Ps in marketing strategy emphasises on the application of appropriate price level, product mix, place and promotion in solving business operation challenges (Kotler, 2013). It is argued by (Foss, 2005) that firms will only be able to maximise on the effect of 4Ps, if they have requisite resources in sufficient quantities to meet the demand of an effective marketing plan. According to (Kotler, 2013) the 4Ps marketing strategies establish a fundamental interaction between the supplier and the consumers of products or services. In this interaction, the service or product offering is defined in two dimensions.(Barney, 1999) and (Peteraf, 2003) argue that in using the 4P through the buyer or consumer of the product or service benefits because of the utility it will bring, its availability, supplier relationship and value it is adding. On the other hand this same product is defined by the supplier as a function, a design which must be communicated effectively and distributed across a wide spectrum of consumers with reasonable pricing (Kotler, 2013).

The argument for the 4Ps in marketing theory draws its support from structural organizational theorists such as (Freeman 2007, Foss 2005) and Pearce (2012). These scholars advance the argument that a firm’s resource base can used to its advantage to effect aggressive marketing plan that enables it to have competitive advantage against its rivals. The scholars contend that a firm’s operational challenges may be solved using marketing strategies that emphasises on appropriates use of firm specific resources (Barney, 1991, Peteraf 2003). A firm’s resources may include:-financial capital, human capital, management team, management systems, innovation, knowledge and intangible assets, for instance reputation and brands (Williamson, 1991). It is the availability of such resources that provides a firm with advantages for its growth and development. Crop insurance firms with meagre resources may find it very difficult to sell their insurance premiums among farmers.

The promotion in the 4Ps is one of the major components in marketing mix. It deals with issues such as communication and knowledge of consumers about the existence of a service or a product. According to Kotler and Levy (1969) the supplier of any products needs to communicate effectively to its customers and among industrial players to address competition challenges (Lavie 2006).According to (Lavie, 2006 Kale, 2003) and (Dyer, 1998) effective communication and sharing of knowledge is a strategic collaboration that can be used to gain competitive advantage. There are four potential sources of inter-organizational competitive collaboration which include relation specific assets, knowledge-sharing routines, complementary resources, and effective governance. When firms exploit these potential areas, they are most likely to register good performance. Clearly therefore, crop insurance players need to collaborate among themselves to ensure effective delivery of products that is acceptable to a wider cross section of crop farmers (Lavie, 2006).

Porter (2008) seems to suggest a completely different theory in marketing to explain how competition challenges may be tackled by firms. He postulates that business organizations will always strive to create value chain and activity systems that enable them to compete effectively with their rivals. In his former analysis of marketing strategies, Porter (1980; 1985) suggests that the efficacy of the created competitive advantage will form the strategy that effectively places the firm in a favourable position within an industry structure. From such position, business organizations such as insurance firms will be able to enhance their profit earnings and other performances by creating value chains through strategic marketing.

Pricing strategy involves creation of affordable prices of products to targeted customers in a new market can be used as an entry strategy for a local market. Organizations will use this marketing strategy to reach the untapped market in the country. Joint Ventures can be used by firms to enter new markets in the region and foreign markets as well. Joint venture is where two or more investors share ownership and control over a business. This entry strategy helps where foreign governments restrict the rights of foreign companies to set up businesses (Palmer, 2008).This is quite important as it will enable the investors split and control over markets in which they are best known and accepted. Product development involves coming up with new products or new ways of packaging as well as increased features that come along with the product. This attracts new market and the company is able to dominate the same if the customers are well taken care of. Direct investment or ownership is an entry mode used mostly by companies deciding to go international. This gives a company ownership over its foreign operations. Palmer (2008) argues that company can either set up its own investment from scratch in a foreign country or it can acquire control of a company that is already trading. When there are entry barriers and the products are aimed at an essentially local market with a different culture to the domestic market, the acquisition of an established subsidiary may be the preferred course of action. Direct investment however may be made difficult by regulations restricting ownership of certain services by foreigners. Management contracting another entry mode may be used by companies instead of setting up its own organization in the foreign country or region. This type of arrangement is useful for an expanding organization where the required management and the technical skills are difficult to obtain locally (Palmer 2008).

1.1.2 Crop Insurance in Kenya

Crop insurance involves the payment of premium to a common pool of fund owned by the insurer in proportion to expected future risks and in return farmers are compensated once the yield falls below a certain defined threshold (Ludeling 2011). Farm risks are brought about by a host of factors including fluctuating world crop prices, spiralling cost of farm inputs, unpredictable weather circumstances resulting from the current climatic change, poor state policies on agriculture and stiff completion brought about globalization. Crop insurance is expected to ensure alternative risk intervention mechanism to help protect and develop agricultural performance for the national economic growth and food security. However, crop insurance is plagued with adverse adoption problems even in the extreme situations where the farmer is likely to suffer serious farm risks (Raju, 2008).

Crop insurance is based on the theory that the demand for risks products is a demand for certainty in farm production, crop yield prices and other market challenges. The principles goal of insurance is therefore to transfer resources from low marginal utility of income to states where the marginal utility of income is high. It has been explained that crop insurance is most effective where farmers feel that risks they stand to bear are common enough to be of concern but not frequent enough to be routine in their areas. If it is routine then framers will opt for other activities with lower risks. Crop insurance faces a number of challenges weak market structures that constrain traditional crop insurance products to deliver their expected benefits. According to scholars there are a number of challenges facing crop insurance industries. These include: - high premium costs to agricultural producers; poor penetration among farmers; inadequate management solution as a result of the correlations nature of farm risks, increasing demand by farmers for quality crop insurance premiums, how to promptly release insurance information and compensation, how to reduce incidences of moral hazards and how to effectively deal with completion.

According to Insurance Regulatory Authority (IRA), 2013 Kenya has forty nine (49) registered and licensed insurance companies. Insurance are governed by regulations which is important as it leads to sustainability and development of the industry for example by preventing abuse of consumers and regulation of competition in the industry. The companies are governed by Insurance Regulatory Authority. Licensed insurance companies are also required to register as a member in the association of Kenya insurers (AKI), as the later advocates for the interest of the members. Statistics as at June 2013 shows that Kenya has 49 registered insurance companies. The public procurement manual for insurance services (2009) presents the industry's composition which consists of insurance agents, brokers or the underwriters. A broker is an independent person who is registered under the Insurance Act who advises customers on insurance. The broker operates as the buyer's agent and not an agent of any insurance company. An agent on the other hand is a person or group of people selling insurance on behalf of an insurance company.

The insurance industry also comprises of the auxiliary service providers who are assessors for risk and damage or accident in order to determine the eligibility of the customer to receive their products when a loss is incurred. Insurance main objective of expansion through increase in market share is to accelerate growth and development of the industry, gaining a competitive advantage, for success and increased profitability. According to Kaboro, editor of Association of Kenya (AKI) insurer's journal (2012) there is a developed plan to accelerate growth so as to attain a gross premium of Kshs.200 billion by 2015. Further as illustrated by the journal the aim is to also make the insurance industry a major player in the financial service sector. According to Kaboro (2012) public awareness on insurance products is high however the penetration to the market is relatively low. He further states that there is massive opportunity for the industry and that the latter is looking at ways to increase the level of market penetration

1.1.3 Marketing Strategies and Crop Insurance

The first attempt to use marketing strategies to solve these challenges that face crop insurance was initiated in the mid 1930s in the USA (Fine 1992). The main purpose was to help stabilize and reduce risks that affected crop farming at that time. Since then, marketing strategies have been used in those countries and regions where crop insurance faces low uptake of its premiums and adverse-selection problem by farmers (Kotler 1999). In insurance, an adverse-selection problem arises when individuals know more about their own risk characteristics than do insurance companies and use that information to decide whether or not to insure.Crop insurance became more common and commercially available around 1960. Multi-peril crop insurance, the most popular type of crop insurance, usually insures farmers against yield losses from natural causes such as weather (drought, excessive moisture, wind, snow, and frost), insects, and disease.

Crop insurance in Kenya dates back to early 1980s when (ALICO) made bold attempt to pioneer underwriting of crop insurance. However, serious effort to introduce crop insurance in the country started in 2006 when Swiss Re instituted a study on crop insurance market in Kenya. The findings led to an institution of traditional indemnity based multi-peril crop insurance which targeted the medium to large scale commercial farming segment in 2008. By 2011 there were about 1100 farmers in 20 counties (districts) who were insured. Together they brought in a total of over USD 2 million in premium payments, (Central Bank of Kenya, 2012). The main crops which were insured were maize, barley, wheat, tobacco and sugarcane. Farmers who incurred losses, particularly in 2008 and 2010 (low rainfall and prolonged drought respectively) were compensated but did not benefit from subsidies as this would amount to double compensation. From 2008 compensation to farmers who incur farm losses has mainly been either in the form of cash equivalents, subsidies for the next planting season or farm preparation at reduced cost. The potential of crop insurance is huge given that majority of farmers are not covered and just about 0.6% of the total arable land has been accessed. Narok County has even lower statistics and forms a good ground for marketing crop insurance.

Marketing of crop insurance is generally looked at in two broad frameworks: - creating value and vibrancy in the agricultural sector through insurance against common risks in farm activities and reasons for the level of consumption by farmers. Farmers can access and consume insurance products if marketing is more aggressive. To invigorate marketing process, there must be adequate marketing strategy which encompasses marketing research, product placement, funding and expertise.

Crop insurance appear to be running below expectations as a result of several factors as is established. This is dependent on the cost of the policy and the sum assured should such risk occur. Although, the principles of insurances requires one to be indemnified in case of loss or suffering of risks, the farmers are not likely to gain commensurate indemnities because of the rapidly fluctuating agricultural prices. In these circumstances majority will be unwilling to take the cover. On the other hand, where farmers anticipate excess gains from such covers, they are likely to buy the cover even when there are all the obvious reasons that insurance policies are not for profits.

Wanja (2013) provides a profile of insurance companies in Kenya who have expanded their operations and those that have plans to expand to other regions. For instance, Jubilee insurance the oldest in the industry, is said to have plans to expand to 12 other countries in Africa in the coming three years. APA insurance holdings were a merger between Pan Africa general insurance limited and Apollo insurance company limited. Another interesting insurance company in Kenya is the heritage insurance company which provides short term insurance policy products such as travel insurance, motor insurance and medical insurance. It came about when Norwich union fire insurance came together with the legal and general insurance societies started business in Kenya, merging their ideas and interests to form Heritage. Over the years the industry has seen the increase of insurance companies in Kenya whose performance through market entry strategies has made possible expansion to local and regional markets possible.

However the legal framework for crop insurance in Kenya is still at its infancy. Majority of farmers are not privy to their provisions. As such, marketing of crop insurance is more difficult that established policies such as those of life and motor insurance. Most farmers in especially the African are not used to the concept of crop insurance. Marketing of such products amongst them may be quick difficult. Effecting marketing require a market environment which is open and where consumers have perfect knowledge of the market. The farmers may not realize the value associated with crop insurance. Such farmers often spread their crop risks by diversifying into alternative economic engagement for survival even when actual risks are born. Insurance marketers will have to be not only contended with stiff competition and high overhead cost occasioned by rivals, but also through competing policy priorities in health, accident and life. The nature of existing environment has a huge influence on marketing of crop insurance.

Most of the risks that farmers face may be influenced by public policy specification in the country, compensation regime and underwriting Penson et al (2012). These problems can be overcome through insurance firms undertaking proper marketing strategies.The perceived importance of a strategy has also been demonstrated to influence a manager’s commitment to its implementation. Marketing strategies that represent major opportunities for a firm, require significant internal change, or will have a significant influence on the organization’s future, appear to instill higher levels of commitment among managers with implementation responsibilities (Noble and Mokwa, 1999).

1.1.4 Determinants of Marketing Strategy for crop Insurance Companies

Hussels (2005) identified the determinants that encourage insurance demand as economic, political/legal and social factors; he concluded that these factors affect the demand for insurance, life as well as property and casualty. Economic factors involve the relation between income and life insurance consumption. This has been confirmed by the cross country studies of Beenstock (1986) indicate that a positive relationship exists between national income in industrialized countries and spending on property liability insurance.Under Legal and Political factors La Porta and Levine (2000) show that legal environments which provide good investor protection tend to encourage a higher degree of financial intermediation as well as economic growth.

Levine (2000) highlights that countries with better creditors' rights, more rigorous law enforcement and better accounting information tend to have more highly developed financial intermediaries. This is particularly relevant to the insurance industry where consumers can be at the risk of opportunistic behavior by insurance companies. For example, this could include companies refusing to pay claims, or alternatively reducing the investment returns due on a policy. Ward and Zurbruegg (2002) examined the impact of legal and political determinants on life insurance consumption within Asia and OECD countries. They highlighted that in an improvement in the legal system has a significant and positive impact on life insurance demand, with a 10% improvement in the functioning of the legal system generating a 5.5% increase in life insurance demand. An improvement in the legal system here would relate to better enforcement and legal representation for individuals.

Finally, the Social factors determine marketing strategy in that Insurance is also seen as a product that is valued subjectively by its customer. In fact, Hofstede (1995) points out that the level of insurance within an economy depends on the national culture and the willingness of individuals to use insurance as a means of dealing with risk. The existing literature shows that the demand for various types of insurance including crop insurance is affected by number of factors such as income and life insurance consumption. There is a relation between national income and spending on property liability insurance, between legal environment and demand for insurance, national culture and the willingness of individuals to use insurance. Besides, risk aversion has significant impact on the demand for property casualty insurance. Education promotes an understanding of risk and hence aids insurance demand.

1.2 Research Problem

Marketing strategies identifies customer groups which a particular business can better serve than its target competitors, and tailors product offerings, prices, distribution, promotional efforts, and services toward those market segments. Ideally, the strategies address unmet customer needs that offer adequate potential profitability. A good strategy helps a business focus on the target markets it can serve best. The product is the core of the marketing strategy. Strategies that relate to new product success include overall fit with organization’s strengths and a defined opportunity in the environment. There are at least six marketing strategy options related to the newness of products (Ferrell et al, 2002). These are innovation, new product lines, product line extensions, improvements or changes in existing products, repositioning and cost reductions.

Narok is a county where most farmers in the region are not used to the concept of crop insurance whereas these values of crop insurance cannot be overemphasised, its delivery has experienced a number of challenges. The culture of the people who are predominantly livestock farmers and where the level of education is low farmers accommodating crop farming and Marketing of such products amongst them may be quite difficult. Effecting marketing require a market environment which is open and where consumers have perfect knowledge of the market. The farmers may not realize the value associated with crop insurance. Such farmers often spread their crop risks by diversifying into alternative economic engagement for survival even when actual risks are born. Farmers do not really understand the reason upon which crop insurance is sold to them. Sometimes the likelihood of disease invasion may appear remote while weather and climatic factors may remain static and favourable over a long period of time thus eluding farmers’ rationale of taking crop insurance.

Numerous related studies have been done on marketing strategies and crop insurance.Sporri (2012) studied the impact of crop insurance on the Economic Performance of Hungarian cropping Farms in Switzerland and found out that crop insurance contributes to stable long term economic performance of a farm.Hazell (1991) in a study of problems facing small holders farmers in South Africa found out that actually premium cost is one of the major determinants why farmers do not take the crop insurance therefore high premium discourages participation of most small holder farmers in crop insurance.Olila, (2014) analysed the determinant of farmers awareness about crop insurance in Trans - Nzoia County and found out that gender, education and income of the farmer significantly affected awareness. He concluded that knowledge is the single most important aspect that enables farmers to take up crop insurance. Significantly the researcher is not aware of a study that has been done addressing marketing strategies on crop insurance and so there is a need to study crop insurance. This study sought to answer the research question: What are the determinants of marketing strategies of crop insurance in Narok County, Kenya?

1.3 Research Objectives

The objectives of this study are

i. To establish determinants of marketing strategies applied of crop insurance in Narok County, Kenya
ii. To determine the relationship between the determinants of marketing strategies and the choice of marketing strategies applied on crop insurance in Narok, County.

1.4 Value of the study

Marketing strategies to crop insurance is an area that has not been fully covered in the farming industry, and as such the study will be of great importance to various stakeholders. Mainly in the insurance industry. The findings from this study will therefore be of importance because they will have the capacity of being used to formulate positive fiscal policies which are relevant and sensitive to the forces influencing the insurance sector performance and penetration in Kenya.

The study will be of benefit to a number of industry players in agriculture and insurance service Kenya. It will be useful to advice agricultural policy makers on new strategies to help enhance agricultural performance. Such policies would provide the direction for mutual growth of both the insurance and agricultural industries. The study findings will also aid insurance firms to come up with quality products that suit different categories of farmers. In that circumstance insurance products would easily penetrate increasing number of farmers for sustained agricultural growth in the country.

Available academic researches mainly talk about agricultural growth assistance, primary service provision in agricultural marketing and subsidies in agricultural food production. There are very few pieces that analyses marketing in respect to crop insurance in Kenya. This study will therefore add wealth to the academic understanding on how marketing of crop insurance is implemented, its challenges and future prospects in relation to growth and development in the country.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature and theories existing related to the studies and reviews on the application of marketing strategies to mitigate the challenges facing crop insurance. This is in line with giving the study and problem in question a theoretical perspective and conceptualization that would aid in carrying out the study. In this section, we also assess the critical influence of marketing strategies on crop insurance business operating challenges such as competition, profitability; regulatory regime; market share; characteristic of clients and quality of crop insurance premiums

2.2 Theoretical Framework

Several organizational theories including Market Based View Theory (MBV), Insurance Theory and knowledge based theory have been used to understand the main challenges facing crop insurance and the influence of marketing strategy on performance of crop insurance. This is because these theories explain how insurance firms are able to register better performance through sustained profitability and growth (Pearce and Robinson 2009). Although there are a number of marketing theories as there are products, the application of marketing strategies to challenges facing crop insurance can clearly be understood through marketing theory that emphasises on the use of 4 Ps in marketing and how they can be applied to fit into their overall marketing plan of insurance firms (Anderson, 2009).

2.2.1 Market Based View (MBV)

The marked base view is another concept of understating how marketing strategies can be applied by business organizations to alleviate their competitive challenges. The main proponents of this view include Bain (1968) Porter (1996) and Peteraf (2003) who state that the sources of value for a firm are embedded in the competitive situation characterizing the firm's end product and its strategic position. Such strategic positions may vary within business organizations and hence each firm will have a different leverage against each other (Vincent and Myles 2011).According to Bain (1968) and Porters (1996) market forces can be manipulated to the advantage of business organization with a view to increasing its performance index. Such manipulation requires a well thought out marketing plan. In this view, the firms' performance which is judged upon its profitability is determined solely by the structure and competitive dynamics of the industry within which it operates. As argued by Kotler and Armstrong (2014), competitive dynamics include existing monopolistic regulations, technological diffusion rate; market information sharing and consumers 'propensity to appreciation of product offering.

2.2.2 Knowledge Based Theory

In the strategy literature, a key task of the manager is to accumulate and protect valuable knowledge or capability (Rumelt 1984, Barney 1984, Wernerfelt 1984, Teece et al. 1997). Such knowledge or capability defines a firm's capacity to efficiently convert its inputs into valuable outputs (Arrow and Hahn 1971; Debreu 1959; Nelson and Winter 1982, pp. 59–60). Thus, managers enhance the firm's capacity to produce efficiently by updating or advancing knowledge. Therefore, a common assumption and prescription in the strategy literature is that the boundaries of the firm should encompass these valuable competencies and core knowledge (Argyres1996, Prahalad and Hamel 1990). By internalizing valuable knowledge or keeping this knowledge internal, the firm positions itself to both exploit and protect knowledge. Arguably, however, the key knowledge based question the manager faces is not how to organize to exploit already developed knowledge or capability, but rather how to organize to efficiently generate knowledge and capability.

2.2.3 Resource Based View

Resource based view (RBV) argues that firms with valuable, rare, and inimitable resources (including non substitutability) have the potential of achieving superior performance (Barney, 1991, 1995). Resources are inputs into a firm's production process (Barney, 1991) and can be separated into those that are knowledge based and those that are property based (Millerand Shamsie, 1996). Property-based resources typically refer to tangible input resources, whereas knowledge-based resources are the ways in which firms combine and transform these tangible input resources (Galunic and Rodan, 1998). Knowledge based resources may be particularly important for providing sustainable competitive advantage, because they are inherently difficult to imitate, thus facilitating sustainable differentiation (McEvily and Chakravarthy, 2002), and improve performance. Barney (1991) notes that a firm's resources should not only be valuable, rare, and inimitable to facilitate superior performance, but the firm must also have an appropriate organization in place totake advantage of these resources.

In addition to the resources themselves, the organizational and strategic processes of firms are important because they facilitate the manipulation of resources into value-creating strategies. It has been argued that knowledge, as one of the firm's resources has the greatest ability of all resources to serve as a source of sustainable differentiation, because of its immobility (McEvily and Chakravarthy, 2002). Thus one has to ask, if knowledge then knowledge in what? Crop insurance firms have got to apply marketing strategies in order for them to solve their main performance challenges.

Organizational knowledge is an important bundle of intangible resources that can be the source of a sustainable competitive advantage (Hitt, Ireland, and Hoskisson, 1999).Knowledge permits the firm to predict more accurately the nature and commercial potential of changes in the environment and the appropriateness of strategic and tactical actions (Cohen and Levinthal, 1990). Without such knowledge, an organization is less capable of discovering and exploiting new opportunities. Knowledge about markets and technology represent two strands of procedural knowledge that potentially have strong performance implications, because, we argue, they increase the ability to discover and exploit opportunities.

Market knowledge can increase a firm's ability to discover and exploit opportunities because it creates awareness of customer problems to the firm and thus constitute real market opportunities. It is also easier through market knowledge to determine the market value of new scientific discoveries and technological change. In support of this, Shane (2000) found that prior knowledge of customer problems and ways to serve the market influenced the discovery of solutions to customer problems. Those who lack customer familiarity (Shane, 2000; Von Hippel, 1988) and knowledge of ways to serve the market (Shane, 2000) will find it difficult to recognize solutions to customer needs and to formulate an effective marketing strategy to introduce and sell the new product/service.

Technological knowledge can also enhance the discovery and exploitation of opportunities. Sometimes knowledge can lead to a technological breakthrough that represents an opportunity despite its market applicability not being readily apparent opportunity (McEvilyand Chakravarthy, 2002). Therefore, technological knowledge provides a firm with the ability to rapidly exploit opportunities, or to be able to respond quickly when competitors make advancements (Cohen and Levinthal, 1990). From the above we argue that market and technological knowledge, taken together, represent important knowledge based resources applicable to a firm's ability to discover and exploit opportunities.

2.2.4 General Insurance Theory

The principal goal of insurance, as assessed by economists, is to transfer resources from low marginal utility of income states to those where the marginal utility of income is high. If insurance is actuarially fair, this process will continue until the marginal utility of money is constant across states (Schlesinger and Doherty1985).When unfair, insurance will be partial, and greater the greater is risk aversion.The theory of general insurance is mainly based on the Expected Utility Theory (EUT) and an assumed preference for certain losses over uncertain ones of the same expected magnitude (Nyman 2001). This theory sets out the purpose of insurance and explains that it is to convert an uncertain, but potentially large, loss into a certain, small loss. Such a conversion benefits the consumer if greater losses cause progressively larger declines in utility if there is diminishing marginal utility of wealth.

The theory underlying individual choices for any insurance policy is dependent on three factors:-price of the premium, expected utility, the potential gravity of the loss/ risk being expected. At a more general level but still part of the demand-for-insurance-as-demand-for-certainty theory, other studies have postulated that the demand for insurance is by risk averse consumers who use insurance to avoid, eliminate, hedge against, kill, manage, shed, protect against, or bear he risk of loss for example (Schlesinger and Doherty 1985).This theory, however, stands in contrast to a substantial body of empirical evidence suggesting that certainty is not valued when losses are at stake. Indeed, these studies find that uncertain losses are generally preferred to certain ones of the same expected magnitude, implying risk seeking behaviour when losses are concerned (Pearl 2008).

When risk of loss is present, people are observed to embrace, capitalize on, benefit from, or exploit this risk of loss, because according to these empirical results, it is preferred to a certain loss of the same expected size. Thus, the conventional explanation for the demand for insurance a preference for certainty or a desire to avoid the risk of losses flies in the face of empirical evidence. As stated (Nyman 2001) concerns about the supply-side any premium seem misplaced in an industry like insurance, where there are many firms and barriers to entry seem relatively modest.

A number of theorists such as (Pearl 2008) contend that crop insurance challenges are basically on performance and a host of marketing strategies can used to alleviate operational challenges in nearly all business organizations. In Irina et al (2013) a number of scholars contributions are cited and their views on how marketing strategies can be used by firms or industries under various challenges noted. Evanschitzky (2007) argues that market orientation of activities has positive effects on performance. On the other Auhand Mengne (2009) points that well thought out marketing decisions making affect the development of resources can be used by firms to attain competitive advantage over rivals.

2.3 Determinants of Marketing Strategies

2.3.1 Size of the firm

The size of a company is the amount and variety of production capacity and ability a company possesses or the amount and variety of services a company can provide concurrently to its customers (Jonsson, 2007). The increase in crop insurance size is aimed at gaining from economies of scale. Economies of scale exist when a given proportionate increase in inputs results in a larger than proportionate increase in output. Reinhard's (1983). According to Glancey (1998) when larger firms take advantage of the scale economies then a positive relationship is expected between profitability and size of the firm. When owners of a firm struggle to gain profit for expending business or increasing their personal income, then organizations become large.

Oligopoly model suggests that size is positively related to a firm's ability to produce technologically complicated products which in turn leads to concentration. Such markets are supplied by few competitors and are therefore, more profitable. Thus, larger firms have access to the most profitable market segments. Larger crop insurance firms are able to offer the same service more cheaply because they have achieved more learning and greater cumulative experience and they are able to spread their fixed costs over a greater amount of production. This strategy gives them a competitive advantage. Similar to the argument advanced by-Bowman suggested that quality management is able to achieve the dual goals of higher market share and higher profitability (Abreu & Mendes, 2001). In terms of firm size, Lee (2000, p.489) is of the view that small firms have played an important role in technological innovation and economic growth in developed countries. This innovating role has recently received increasing attention in NIEs, as they attempt to transform their industries from labor-intensive to technology-intensive. Thus the choice of size to a crop insurance firm weather large size or small size will be dependent on the cooperate goals of that firm.

2.3.2 Type of customers

The other factor which may affect marketing of crop insurance is the nature of available crop insurance policy (product) presented to the customer. Product development may involve modification of an existing product, or formulation of an entirely new product new that satisfies the defined type of customer in the market niche. The implementation of this marketing strategy is likely to enable marketing of crop insurance policy to grow and most farmers will be able to buy the concept. Additionally, the introduction of new products is a prerequisite for firms to survive, evolve and grow in an increasingly competitive environment (Lancaster and Massingham2011). Thus a firm must be familiar of the kind of customer it is dealing with. This will require a marketing research to identify the customer specific requirements before designing of the insurance product. The customer needs will be in relation to their social, financial and environmental exposures.

Insurance companies are in a unique position when it comes to marketing. They have no tangible products to sell, but must instead rely on strong relationships with loyal customers and word of mouth to help them compete. One of the critical considerations in this marketing strategy is in the development process is to develop a product that was affordable to famers and that gave them good value for money. This call for a clear cut understands of the kind of customers they have and design insurance products that fit them. For the insurance marketers, word of mouth is key. In addition to, they must measure the effectiveness of marketing efforts based on quantitative data, insurance marketers can seek input from their existing and new clients about their communication efforts. What worked well? What was unclear? How might they communicate more clearly in the future? In addition, clients can be excellent advocates and part of the marketing process. Successful insurance customers will tell others about a good service offer they enjoyed from the firm.

2.3.3 Government policies

La Porta (2000) and Levine (1999) show that legal environments which provide good investor protection tend to encourage a higher degree of financial intermediation as well as economic growth. Levine et al. (2000) highlights that countries with better creditors' rights, more rigorous law enforcement and better accounting information tend to have more highly developed financial intermediaries. This is particularly relevant to the insurance industry where consumers can be at the risk of opportunistic behavior by insurance companies. For example, this could include companies refusing to pay claims, or alternatively reducing the investment returns due on a policy.

An improvement in the legal system here would relate to better enforcement and legal representation for individuals. Another determinant of crop marketing strategy for crop insurance is the legal framework. Moral hazard and adverse selection are typical forms of asymmetric information that lead to risk of insolvency as well as to under provision of insurance products. They justify the need for government intervention in insurance markets through legal provision, regulation and supervision (OECD, 2003). The importance of insurance regulation and supervision also is reinforced by the integration of world insurance markets, which requires an adequate regulatory framework in each jurisdiction. Therefore, public policy is a significant factor in strengthening insurance marketing, particularly in identifying the limits of government intervention to promote the insurance business and avoid under provision and financial disruptions, as well as to ensure welfare gains (Greene, 1976).

Governments are involved in one way or the other in most countries which offer agricultural insurance. Regardless of whether or not a country has issued legislation specifically dealing with agricultural insurance, all countries have structured their markets in one way or the other. Based on these provisions, governments of many countries have chosen to provide support for subsidies. The passing of the three new laws on agriculture show that much remains to be done in the area of agriculture however, while several documents of the government touch the crucial issue of agricultural risk management, no focused strategy for agricultural insurance has been developed so far.

Internationally, the governments of almost all countries with a significant market for agricultural insurance provide support for the sector in one way or the other. Although issuing laws specifically for agricultural insurance is a route not taken by many countries, the main arguments for government support in the area of agricultural insurance area are: Lack of sufficient insurance market infrastructure which limits the supply of suitable insurance products for farmers; a low risk awareness and lack of insurance culture amongst farmers which leads to low uptake rates of agricultural insurance; a low understanding of insurance amongst farmers which, potentially, leads to misspelling of insurance products; asymmetric information between farmers and insurers which on one side leads to a reluctance from farmers to buy insurance, and on the other side to high premiums due to the insurers' fear of moral hazard and adverse selection; flaws in the design of post - disaster relief which lead to the crowding out of insurance if farmers rely too much on government relief instead of protecting themselves through insurance products;

2.3.4 Culture

It is acknowledged that culture is a social phenomenon. Hofstede (1980) defined culture as the interactive aggregate of common characteristics that influence a human group's response to its environment. Lately Erez and Drori, (2009) have defined culture, as the collective programming of the mind, distinguishing one group or category of people from another. Cross-cultural management is a method of achieving established organizational goals by effective planning, organizing, directing, coordinating and controlling of the organizational owned resources in a cross cultural environment (Pujing, 2012). The Definition emphasized in this study is also supported by Andler, (2002) who states that cross cultural management can also be best understood by how people communicate and manage relationships with other people inside (co-workers and outside (clients) their organizations in different cultural settings.There are over 160 definitions of the culture alone as documented by Kroeber (1985). Basically the characteristics of culture are identical in almost all the instances. Many Authors agree that culture is based on languages, economy, religion, policies, social institutions, class, values, status, attitudes, manners, customs, material items, aesthetics and education, which subsequently influences managerial values. Cross-verging across culture has different aspects such as attitude, communication, conflict and negotiation, performance and compensation, which explain the ethical issues and how to appraise them. Bond and Forgas (1984) concluded that different perceptions, attitudes and biases in different cultures ultimately mould the ethical monochromes across-culture, have a distinct presence ubiquitously.

Insurance can also be seen as a product that is valued subjectively by its customer. In fact, Hofstede (1995) points out that the level of insurance within an economy depends on the national culture and the willingness of individuals to use insurance as a means of dealing with risk. For instance in life insurance Douglas and Wildavsky (1982) show that the demand for life insurance in a country may be affected by the unique culture of the country to the extent that culture affects the degree of risk aversion. This can be said to be true of Crop insurance since many people would highly associate insurance policies with properties like buildings, motor vehicles and equipments. Crop insurance is not a common practice yet growing in demand due to risks associated with commercial farming. Farmers realize they not only need crop insurance policies because the brutal weather conditions forcing them to hedged themselves from such climatic flippancy, in terms of crop insurance in order to protect their hefty financial investments on crop business. Using education and the uncertainty avoidance index to approximate levels of risk aversion, Esho et al. (2004) confirms that risk aversion has a significant impact on demand for property casualty insurance.

2.3.5 Resources

Market positions of close competitors derive from each firm's unique bundle of resources and capabilities (Peteraf, 1993). Makadok's (2001) recent statement on this distinction is perhaps the clearest. In his view, a resource is an observable but not necessarily tangible asset that can be valued and traded such as a brand, a patent, a parcel of land, or a license. A capability, on the other hand, is not observable and hence necessarily intangible, cannot be valued, and changes hands only as part of its entire unit. A mixture of people and practices continuously enact capabilities like the

American Airlines yield management system, Wal-Mart's docking system, and Dell's logistics system. Further, a capability can be valuable on its own or enhance the value of a resource (Teece, 1986; Tripsas, 1997). For example, Nike's marketing capability increases the value of its brand. The resource based view (RBV) asserts that firms gain and sustain competitive advantages by deploying valuable resources and capabilities that are inelastic in supply (Wernerfelt, 1984; Barney, 1986, 1991; Peteraf, 1993). Since the earliest conceptual work published in the 1980s, there have been continuing calls for empirical tests of this central resource based assertion.

The Resource explains the pertinence of internal factors, such as competitive advantage, that motivate the actions of an organization (Hart 1995; Rivera 2001; Aragon-Correa Sharma 2003). The firm as a broad collection of resources possessing and deploying heterogeneous and immobile resources. Resource heterogeneity refers to how physical, human and intangible resources differ amongst competitors. Resource immobility refers to the inability of competing firms to mimic or purchase resources from other firms (Rivera 2002). Brand names, in-house knowledge of technology, employment of skilled personnel, trade contacts, capital and efficient procedures are all examples of resources to be considered (Hart 1995; Russo & Fouts 1997; Flagestad 2001). The acquisition of these resources will result in a more efficient manufacturing process and/or product services enabling the firm to gain competitive advantage and, therefore, financial benefits.

2.3.6 Competitors

Marketing is becoming increasingly vital in the contemporary insurance business environment. Environmental variables and intense competition from other financial institutions have compelled insurance companies to devise ways and means to survive and operate efficiently and effectively. Specifically, insurance companies are showing some interest in the relevance of marketing techniques in their businesses. These interests have been manifested in form of myriads of products and prices, among other marketing activities.

Competition has long played an uneasy role in the insurance industry. If consumers cannot easily observe the financial health of their insurers, competition between insurers may drive premiums down to the point where the risk of failure is high. For several decades the regulatory response was to limit entry and constrain premiums. In addition, special exemptions were granted to this sector under the competition laws. More recently, however, regulatory reform has lead to a substantially greater reliance on competition and a greater regulatory focus on prudential regulation.

Although literature suggests that agricultural insurance has the potential to unlock other key services in the agricultural sector that are important in enhancing productivity, conventional indemnity based type of crop insurance is inadequate to insure smallholders because of the associated moral hazard and adverse selection weaknesses and the confounding insurance administration costs especially when dealing with over-dispersed population of smallholders (Carter et al., 2014). Thus majority of small holders are precluded from accessing agricultural insurance services thereby Pushing them to cope with disasters using traditional risk minimization strategies yet they cannot adequately cushion them from effects of reduced productivity and income losses (Sina, 2012).

Another determinant of crop marketing strategy for crop insurance is the legal framework. Moral hazard and adverse selection are typical forms of asymmetric information that lead to risk of insolvency as well as to under provision of insurance products. They justify the need for government intervention in insurance markets through legal provision, regulation and supervision (OECD, 2003). The importance of insurance regulation and supervision also is reinforced by the integration of world insurance markets, which requires an adequate regulatory framework in each jurisdiction.

2.4 Empirical Literature Review

Numerous studies have been conducted in relation to crop insurance in other parts of the world and also in Kenya.

Changnon (2002) studied the effects of drought focus on crop insurance decision in America. He found that farmers go for revenue insurance rather than yield insurance. This claim is supported by Barry (2002) who argues that most farmers who select revenue than yield are large scale farmers not interested in quantity but quality returns. The process of selling yield insurance also portends yet another problem which farmers are unlikely to continue bearing- the probability of price fluctuation. Marketers of crop insurance must be careful to come with tailor made product that lay emphasis on revenue returns other than crop yield as a result of weather, pest, diseases or any other calamity (Makki and Somwanu1999).

Irina (2013) argue that insurance is most effective when losses are common enough to be of concern but not frequent enough to be routine. Insurance for routine events requires repeated administrative expense that makes the insurance less valuable and the risk spreading benefits are also low. Insuring extremely rare risks also involves reasonable expense, with little compensating gain. Similarly (Vincent and Myles 2011) points out that transactions costs make it important that risks be relatively well defined, and assessable once they happen. Otherwise, claims assessment and litigation can be exceedingly be very expensive.

A research conducted in the US in 1991 indicates that those organizations which apply marketing strategies often meet their organizational goals than their counterparts which do not (Fine 1992). The application of aggressive marketing strategies by insurance firms is a sure means of providing crop farmers with quality market information which they need for making decision on whether to insure against their farm risks or not (World Bank 2010. In conclusion Loghman (2013) states that the penetration of crop insurance products among crop farmers has persistently remained dismal in developing countries and is likely to be raised if farmers are well informed about the imminent farm risks they face, the range and quality of insurance premium, their costs and promptness in honouring claims in case a loss is suffered. Marketing is a broad based business concept that encompasses the creation of value among consumers of products and services. It emphasises on the provision of product or services that meet the quality expectations of the consumer. According to (Carl, 2010) when consumers of any product are provided with quality products the supplier of such services are able to register better performance through enhanced sales and other performance indicators.

Hazell (1991) who was conducting the problem that were facing small holder farmers in Cape Town South Africa come up with conclusion that farmers within small rural community need risk sharing arrangement such as crop insurance in their management of production risks. Economists have looked at variety of factors that determines farmers' participation in crop insurance. However, it has come out clearly that actually premium cost is one of the major determinants why insurance farmers do not take the insurance (Cobleand, 2005).High premium discourages participation of most small holder farmers in crop insurance.

Hardaaker (1997) studied benefits and factors influencing crop insurance adoption examined that, agriculture is biological in nature and it relies on natural and environmental conditions which human has no power over. Most farmers in developing countries particularly small holders are faced with risks like droughts, hailstorm and diseases that leave them in very devastating conditions of income loss.A study carried out by Eleri et al. (2012), on Nigerian farmers concluded that farmers were increasingly facing risks like floods, drought, pests, diseases, theft, fire and several unanticipated events whose occurrence is not readily predictable. These risks led to failure of faring enterprise.A study conducted by Makii and Somwaro in 2007 who were analyzing data from producer decision over a period from 1995 to 1997 and identifying factors influencing crop insurance in Iran, founded that price of insurance premium affected crop insurance decisions. In Kenya, there are only afew studies that have been done as outlined below: Olila, (2014) analysed the determinant of framers awareness about crop insurance in Trans- Nzoia County and noted that gender, education and income of the farmer significantly affected awareness. He concluded that knowledge is the single most important aspect that enables farmers to take up crop insurance.

Njue (2013) a study on determinants of Crop Insurance uptake decisions in the face of climate Change: Evidence from Smallholders in Kenya examined agricultural insurance has the potential to unlock other key services in the agricultural sector that are important in enhancing productivity, conventional indemnity based type of crop insurance is inadequate to insure smallholders because of the associated moral hazard and adverse selection weaknesses and the confounding insurance administration costs especially when dealing with over dispersed population of smallholders. Thus majority of smallholders are precluded from accessing agricultural insurance services thereby pushing them to cope with disasters using traditional risk minimization strategies yet they cannot adequately cushion them from effects of reduced productivity and income losses (Sina, 2012), therefore despite substantial research efforts to enhance smallholder access to formal insurance services through innovation in financial derivative insurance products, emerging evidence demonstrate that the uptake of index insurance has been generally low though there is promising results with regard to its demand and impacts on key household indicators.In 2007, the Kenya Fina Access survey found that 69% of Kenyans find insurance generally unaffordable (Fina Access, 2007). While the cost of general insurance is perceived to be high, the actual cost of agricultural insurance premium is indeed high.

2.5 Summary of the Literature

From the literature review, it is apparent that marketing strategies indeed plays a significant role in the success of insurance. Empirical Literature however reveals little efforts done in Kenya and other parts of the world.

All the literature reviewed has shown that even though crop insurance is an essential risk management tool to most farmers in the developing world.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes how the research methodology study conducted and outlines ways through which the desired information was gathered. It explains elements such as research design, population of the study, sampling techniques, sample size, data collection and data analysis Method.

3.2 Research Design

The research design was a cross sectional descriptive study. This is a research process for collecting information on a given trend or occurrences about a population. A descriptive research design is concerned with describing the characteristics of particular individual, a group or phenomena (Krejcie and Morgan 2000). Additionally Kerlinger (1983) states that use of descriptive methods enable a large population to be studied by selecting a small sample from the population to discover the relative incidence, distribution and interrelations of sociological and psychological variables.

The design is therefore ideal for capturing qualitative information and enables the researcher to present data in the way they are given without interpretation (Gay, 2010). This is to provide for accurate determination of facts after critical quantitative evaluation has been done (Cooper & Schindler, 2008).

3.3 Population of the Study

The population of the research study was the crop insurance firms' insurance brokers and agents and bancassurance agents as approved by the Ministry of Finance and Insurance regulatory Authority (2015).The target population was 25 crop insurance firms, Appendix 2. The researcher believes that this population has vital information on the determinants of crop insurance marketing strategies and how these determinants influence the choice of strategies adopted with the overall goal of seeking to encourage crop insurance (Lucey, 2002).

3.4 Sample Size and Sampling Technique

The sample size of the study was twenty five (25) respondents. This is about 15% of the total population and is arrived at by relying on the provision that a sample size should be between 5% and 30% of the population (Sekaran, 2003). This size is an ideal representative of the universal population and allows for accurate conclusions to be made from the field data (Krejcie and Morgan, 2000).

3.5 Data Collection Procedure

The study used primary. Primary data was collected using questionnaires and use of interview guide. The tool was used to explore not only the opinion of stakeholders but also evaluate the response of insurance performance indicators to the application of specific marketing strategies.

In order to improve the response rate and quality of data gathered, the researcher administered the questionnaires to the respondents in the study and interviewed the respondents accordingly.

3.6 Data Analysis

After data collection, the questionnaires were edited and coded for completeness and accuracy to avoid errors. Descriptive statistics tools of analysis that was used include Tables, and Mean ratings to represent the response rate and information on the variables under study. The closed ended questions were analysed using correlation analysis which uses a mathematical procedure for the identification of the relationship among the variables given within a study (child, 2006). The broad purpose of Pearson correlation analysis is to summarize data so that relationships and patterns can be easily interpreted and understood.

The open interview questions were analysed and summarised in a content analysis. This is a systematic, replicate technique for compressing many words of text into fewer content categories based on explicit rules of coding (Weber, 1990). It enables researchers to sift through large volumes of data with relative ease in a systematic fashion and it allows inferences to be made which can then be corrobated using other methods of data collection.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents an analysis of data collected and discusses the findings on the determinants of crop insurance marketing strategies among the existing insurance firms in Narok County.

4.2 Demographic Characteristics of the Respondents

This highlights the research information on period respondents have been employed in the firms, period the firm has been in existence according to the respondents, 23.8% respondents have been employed in the organisation for a period of less than 3 years, 47.62% between 3 to 6 years and 28.57% more than 7 years, while on the period the firm has been in existence 48.62% indicated that the insurance firms had been inexistence for less than 3 years, 24.81% for a period between 3 to 6 years and 28.57% of the firms had been in existence for more than 7 years.

4.2.1 Respondents Response rate

From Table 4.1 of response rate, the results show that out of the 25 targeted insurance firms, 21 successfully filled the questionnaires. This represents a response rate of 84.0%. This response rate was good and representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

Table 4.1 Response rate

Response	Frequency	Percentage
Response	21	84.00
No responses	4	16.00
Total	25	100.00

***Source:* Research Data (2015)**

4.2.2 Periods Respondent Employed in Insurance Firm

The study sought to establish the periods respondents were employed in the Insurance firms, the analysis was done from a period of 0 to 7 years. Findings are indicated in Table 4.2.

Table 4.2 Periods Employed in Insurance Firm

Period employed	Frequency	Percentage
0-3	*5*	23.81
3-6	10	47.62
Above 7 years	6	28.57
Total	21	100.00

***Source:* Research Data (2015)**

The results in Table 4.2 contains information on the periods the respondent has been employed in insurance firm, shows that 5 (23.81%) respondent had been employed in the insurance firm for a period less than 3 years, 10 (47.62%) had worked for between 3 to 6 years and 6 (28.57%) had worked for more than 7 years for the respective insurance firms. This meant that a majority of the respondents could be presumed to have the requisite professional experience that could enable them provide relevant and invaluable information on the determinants of crop insurance marketing strategies.

4.2.3 Period Insurance Firm has been in existence

The study sought to determine the period insurance firms have been in existence. This was analysed for a period of seven years. Findings are as indicated in Table 4.3.

Table 4.3: Period Firm Has been in existence

Period employed	Frequency	Percentage
0-3	*10*	48.62
3-6	5	24.81
Above 7 years	6	28.57
Total	21	100.00

Source: **Research Data (2015)**

On the period firm has been in existence show that 48.62% of the respondents indicated that the insurance firms had been inexistence for less than 3 years; 24.81% had been inexistence for a period between 3 to 6 years; and 28.57% of the firms had been inexistence for more than 7 years. This meant that majority of the firms had been inexistence long enough and therefore had adequate experience on the area around crop insurance in Narok County. This meant that the information available was dependable.

4.2.4 Determinants that influence Choice of Strategy

The study also sought to establish the factors that determine the choice of strategy that insurance firms in Narok County use for crop insurance marketing strategies. The respondents were requested to indicate the factors on a Likert Scale. Findings are as outlined in Table 4.4.

Table 4.4 Determinants of choice of strategy

Factor	Mean Rating	Ranking
Size of the firm	3.281	6
Type of customer	3.400	3
Resources	3.386	4
Competition	3.505	1
Nature of crop problems	3.324	5
Government policies	3.497	2
Culture	3.156	7
Total	23.549	

Source: **Research Data (2015)**

The results in Table 4.4 showed that the respondents rated competition as the greatest factor that determine the choice of marketing strategy with a mean rating of 3.505; followed by government policies with a mean of 3.497; then type of customer followed by type of customer; then resource availability and finally culture factors with the mean rating of 3.156 in that decreasing order.

4.3 Marketing strategies adopted by insurance firms in Narok County

The study also sought to determine what marketing strategies are adopted by insurance firms in Narok County. A 5-point Likert scale was used to rate the extent of adoption whereby 1 point was accorded to 'no extent', 2 points to 'little extent', 3 points to 'moderate extent', 4 points to 'great extent' and 5 points to 'very great extent'. Findings are as analysed in table 4.5.

Table 4.5 Crop insurance marketing strategies

Factor	Mean Rating	Ranking
Cost based strategy	3.281	5
Product differentiation	3.400	2
Market focused strategies	3.386	3
Competition based strategies	3.510	1
Reputation based strategy	3.324	4
Total	16.896	

***Source:* Research Data (2015)**

The results in Table 4.5 indicates that the respondents rated completion based strategies as the most commonly adopted crop insurance marketing strategy with a mean rating of 3.510; followed by product differentiation with a mean of 3.400; market based strategies; then reputation based strategies and finally cost based strategies with a mean rate of 3.281.

4.4 Relationship between Determinants and choice of crop insurance marketing strategies in Narok County

To facilitate an inferential analysis of the relationship between determinants and choice of crop insurance marketing strategies, the respondents were requested to indicate the extent to which these determinants influenced the choice of strategy for insurance firms.

A correlation model was applied to determine the influence of the determinants on the choice of marketing strategy. The model used took the following form:

$$Y= \beta_0 +\beta_1X_1 +\beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 +\beta_6X_6 + \beta_7X_7 + \varepsilon$$

Where: Y is the dependent variable which is strategy chosen;

β_0 is the Y intercept; β_1, β_2, β_3 and β_4, are the coefficients of the predictor variable X_1, X_2, X_3, X_4 X_5, X_6 and X_7 predictor variables. Strategy chosen being the dependant variable was correlated against the determinants being the independent variables yielding the correlation matrix results in the table 4.6 below.

Table 4.6 Correlation Matrix

Correlations Matrix									
		Strategy	Firm size	Customer	Resources	Competition	Crop problems	Government policies	Culture
Pearson Correlation	Strategy	1.000							
	Firm size	.710 (0.000)	1.000						
	Customer	.487 (0.013)	.795 (0.000)	1.000					
	Resources	.375 (0.047)	.761 (0.000)	.760 (0.013)	1.000				
	Competition	.362 (0.043)	.702 (0.001)	.772 (0.000)	.871 (0.047)	1.000			
	Crop problems	.295 (0.027)	.714 (0.000)	.719 (0.012)	.878 (0.033)	.756 (0.053)	1.000		
	Government policies	.710 (0.000)	.909 (0.032)	.795 (0.011)	.761 (0.00)	.702 (0.00)	.714 (0.097)	1.000	
	Culture	.487 (0.013)	.795 (0.000)	1.000	.760 (0.00)	.772 (0.012)	.719 (0.00)	.795 (0.00)	1.000

Source: **Research Data (2015)**

From the correlation matrix in table 4.6 above, the model below is developed:

$$\textbf{Strategy choice} = \mathbf{1.486 + 0.710X1 + 0.487X2 + 0.375X3 + 0.362X3 + 0.362X4 + 0.295X5 + 0.710X6 + 0.487X7}$$

Where Y is strategy choice that is dependent on X_1 is Firm size; X_2 is type of customer; X_3 is Resources availability; X_4 is Competition; X_5 Nature of crop problem; X_6 is Government policies and finally X_7 is culture.

The model above simply states that the choice of the crop insurance marketing strategy in Narok County depends on a number of determinants included in this study which have either positive and significant relationship or vice versa. The mode above is simply a representation of the above relationship. The coefficients of correlation from the table 4.6 above and the associated significance revealed the following: That there exists a positive and significant relationship between firm size and crop insurance strategy choice as shown by the positive coefficient of correlation (0.710) and level of significance (0.000) that is less than the level of significance of 0.05 adopted by the researcher.

There also exists a positive and significant relationship between crop insurance strategy choice and type of customer as shown by the positive coefficient of correlation (0.487) and significance (0.013) that is less than the level of significance. There also exists a positive and significant relationship between crop marketing strategy choice and resource availability as shown by the positive coefficient of correlation (0.375) and significance (0.047) that is less than the level of significance of 0.05.

The study findings also show that there exists a positive and significant relationship between crop insurance strategy choice and competition also as shown by the positive coefficient of correlation (0.362) and significance (0.043) that is less than the level of significance of 0.05.Similarly, the results show that there is a positive and significant relationship between nature of crop problems, government policies and culture and crop insurance marketing strategy choice. This implies that for any crop insurance marketing strategy adopted in Narok County, these factors have a direct role in determining it. Other findings showed show that there is an overall strong positive relationship between crop insurance strategies as depicted by coefficient correlation of 0.774.

4.5 Content Analysis

In review the firms use various competitive advantage strategies in their organisations with competition based strategy being the highest adopted, product differentiation, reputation and finally cost based strategy. The strategies they are putting to gain a wide clientele market is insurance marketing to the clients in the market focussing on quality and educating and training the customers on the benefits of crop insurance. Business expansion in the insurance industry is done to ensure the firms gain profits and they also acquire capital and human resources and inherit various systems and databases where these companies store information as well as providing proper customer care as well as the basis for any cross or up sell opportunity.

The respondents were of the opinion that the Regulator is playing a vital role to encouraging the crop Insurance uptake in Kenya. Supervision of insurance companies has been intensified requiring that companies adhere to corporate governance and top management meets certain set qualifications, ownership of companies has been revised to create stability and there is increased visibility of status of Insurance companies as they are required to post their results in the newspapers. Creation of public confidence has also been at centre stage with the Regulator requiring all companies to create a complaint handling desk at their offices. The regulator has also taken up the consumer protection oversight role to handle disputes between the Insurance Companies and claimant taking up complaints from the public and antifraud unit has been set up where all issues relating to fraud in the industry are reported and handled.

The legal and regulatory framework to encourage uptake, is being revised to widen the distribution channel network to include banks and also set minimum qualifications for Agents to ensure that they communicate correct information to the buyers of Insurance. It is the responsibility of the Regulator to vet and license various channels such as agents, brokers and banc assurance, ensuring compliance amongst the industry players, creating an enabling regulatory legislation to allow use of alternative distribution channels and safeguard the interest of the consumers.

4.6 Discussion

The study sought to establish the influence of selected determinants/ factor on the choice of crop insurance marketing strategies adopted in Narok County. The study findings show that the choice of crop insurance marketing strategy by insurance firms Narok County is influenced by a number of factors hereby referred to as determinants. These factors include size of the insurance firm, type of customer to insured, resources available to sustain the insurance scheme, the level of competition in the market, the nature of crop problems, the prevailing government legislations and the culture of the people in the County. The study further revealed that most crop insurance firms adopted marketing strategies that were cost based, product differentiation, market focused, competition based and reputation based.

Regarding the significance and nature of relationship between the variables, the study established that there exists a positive relationship between the determinants/ factors and the choice of crop insurance marketing strategy. The determinants included in the study were found to have an influence on whatever strategy the insurance firms adopted. This relationship was seen to be significant and hence very dependable in explaining the overall strategy choice. Any adjustment on the determinants whether positive or negative had a significant influence on the resultant performance.

This study resonates with other researches that have been carried in regards to strategy choice and the factors influencing the strategy choice of going concerns. Hardaaker (1997) studied factors influencing crop insurance adoption examined that, agriculture is biological in nature and it relies on natural and environmental conditions which human has no power over. Most farmers in developing countries particularly small holders are faced with risks like droughts, hailstorm and diseases that leave them in very devastating conditions of income loss. The study concluded that several determinants including insurance firm size, resource availability, government policies greatly influenced the decision to take on crop insurance by most agriculturalists and insurance firms.

A study carried out by Eleri et al. (2012), on Nigerian farmers concluded that farmers were increasingly facing risks like floods, drought, pests, diseases, theft, fire and several unanticipated events whose occurrence is not readily predictable. These risks could be mitigated by adoption of crop insurance strategies that were geared at spreading out the risks faced by the farmers. The study also established the long processes of laying claims by farmers from insurance firms hindered their adoption of crop insurance. A study conducted by Makii and Somwaro in 2007 who were analyzing data from producer decision over a period from 1995 to 1997 and identifying factors influencing crop insurance in Iran, founded that price of insurance premium affected crop insurance decisions.

In Kenya, Olila, (2014) analysed the determinant of farmers' awareness about crop insurance in Trans- Nzoia County and noted that gender, education and income of the farmer significantly affected awareness. He concluded that knowledge is the single most important aspect that enables farmers to take up crop insurance.

Njue (2013) a study on determinants of Crop Insurance uptake decisions in the face of climate Change: Evidence from Smallholders in Kenya examined that agricultural insurance has the potential to unlock other key services in the agricultural sector that are important in enhancing productivity, conventional indemnity based type of crop insurance is inadequate to insure smallholders because of the associated moral hazard and adverse selection weaknesses and the confounding insurance administration costs especially when dealing with over dispersed population of smallholders.

Thus majority of smallholders are precluded from accessing agricultural insurance services thereby pushing them to cope with disasters using traditional risk minimization strategies yet they cannot adequately cushion them from effects of reduced productivity and income losses (Sina, 2012), therefore despite substantial research efforts to enhance smallholder access to formal insurance services through innovation in financial derivative insurance products, emerging evidence demonstrate that the uptake of index insurance has been generally low though there is promising results with regard to its demand and impacts on key household indicators

In 2007, the Kenya Fina Access survey found that 69% of Kenyans find insurance generally unaffordable (Fina Access, 2007). While the cost of general insurance is perceived to be high, the actual cost of agricultural insurance premium is indeed high.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents discussions of the key findings presented in chapter four, conclusions drawn based on such findings and recommendations there -to. This chapter will thus be structured into conclusion, recommendations and areas for further research.

5.2 Summary

On the determinants of marketing strategies the study results showed that the respondents rated competition as the greatest factor that determine the choice of marketing strategy with a mean rating of 3.505; followed by government policies with a mean of 3.497; then type of customer followed by type of customer; then resource availability and finally culture factors with the mean rating of 3.156 in that decreasing order. While on marketing strategies adopted by the firms, the study indicates that the respondents rated completion based strategies as the most commonly adopted crop insurance marketing strategy with a mean rating of 3.510; followed by product differentiation with a mean of 3.400; market based strategies; then reputation based strategies and finally cost based strategies with a mean rate of 3.281.

The coefficients of correlation and associated significance of relationship between the variables, the study established that there exists a positive relationship between the determinants/ factors and the choice of crop insurance marketing strategy. The determinants included in the study were found to have an influence on whatever strategy the insurance firms adopted. This relationship was seen to be significant and hence very dependable in explaining the overall strategy choice.

5.3 Conclusion

The findings of this research are consistent with the research done by other scholars. The research sought to establish the determinants of marketing strategies by crop Insurance firms in Narok County.

The study concluded that indeed the crop insurance firms, had factors that determine the marketing strategies to be adopted and the key determinants discussed include size of the market, type of customers, resources, competitors, nature of crop problems, government policies and culture of the people which greatly influence the marketing strategies of crop insurance in view the marketing strategies adopted include cost based strategy, product differentiation, market focused strategies, competition based strategy and reputation based strategy which in the analysis they have a positive correlation.

5.4 Limitations of the study

Determinants of marketing strategies in the crop insurance are varied and numerous in number. The study concentrated on just a few of the determinants of crop insurance and marketing strategies adopted. Interesting findings would have been revealed had all the determinants enumerated under the strategies of crop insurance been studied. Furthermore, the study was limited to the 25 insurance firms and agents. The interviewees also had tight schedules and could only manage limited time to provide the required data. In addition there were a lot of interferences during the interview due to the nature of their work.

The concept of determinants of marketing strategies was also not well understood and this posed challenges in getting feedback and gathering information on its implementation. The dynamic nature of the service delivery management may change after a period of time and the views provided are limited to a given time period. These findings may not be applicable across time.

5.5 Recommendations

Based on the findings of the study it is recommended that crop insurance firms should ensure the determinants of marketing strategies are fully implemented. The management of the firms will have to set up clear policies on crop insurance and communicate to all the stakeholders on what it entails, what is expected, and the potential benefits. The aim of this will be to embrace acceptance that indeed crop insurance is key to gain substantial farm inputs.

Crop insurance is key to farmers hence the firms that provide this policy should ensure that the determinants to ensure marketing is done and highly recommended. This is because of the benefits that can be realized.

5.6 Suggestions for Further Research

The study hereby suggests further research on the other determinants of marketing strategies that are not included in this study.

It is therefore recommended that more research be done not only in Narok County but other counties to enable comparison of findings and for continued learning. This could also be extended to other areas within the wider service sector in Kenya. This study can also be replicated after five or more years to ascertain whether the situation would have changed.

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APPENDICES

Appendix I: Questionnaire

SECTION A: DEMOGRAPHIC INFORMATION

1. Name of Insurance Firm……………………………………........................

2. How long have you been employed in the Insurance firm?

   0-2 years [ ] 3-6 years [ ] above 7 years [ ]

3. Indicate how many years the firm has been inexistence in Narok County:

   [ ] 0-2 years [ ] 3-6years [ ] 7years and above

4. Please choose among the following factors the ones that determine the choice of strategy that you use for your crop insurance marketing strategies:
   1. Size of the firm [ ]
   2. Type of customers [ ]
   3. Resources available [ ]
   4. Competition [ ]
   5. Nature of crop problems [ ]
   6. Government policies [ ]
   7. Culture [ ]

SECTION B: DETERMINANTS OF CROP INSURANCE MARKETING STRATEGIES

Please indicate the extent to which the following factors determine the choice of crop insurance among farmers in Narok County. (1= no extent, 2= little extent, 3= moderate extent, 4= great extent and 5 = very great extent).

DETERMINANTS	1	2	3	4	5
a) Size of the firm					
b) Type of customers					
c) Resources					
d) Competitors					
e) Nature of crop problems					
f) Government policies					
g) Culture					

SECTION C: MARKETING STRATEGIES ADOPTED

1. What is the current crop insurance strategy(s) adopted by your company and to what extent is it applied?

NATURE OF STRATEGIES ADOPTED	Very Great extent	Great extent	Some extent	Little extent	Very little extent
Cost Leadership					
Product Differentiation					
Market Focus					
Competition based strategies					
Reputation based strategy					

SECTION D: RELATIONSHIP BETWEEN DETERMINANTS AND ADOPTION OF CROP INSURANCE MARKETING STRATEGIES IN NAROK COUNTY.

Please indicate the extent to which the following determinants have influenced the adoption of crop insurance marketing strategies (1= no extent, 2= little extent, 3= moderate extent, 4= great extent and 5 = very great extent).

DETERMINANTS	**1**	**2**	**3**	**4**	**5**
a) Size of the firm					
b) Type of customers					
c) Resources					
d) Competitors					
e) Nature of crop problems					
f) Government policies					
g) Culture					

SECTION E: INTERVIEW GUIDE:

a) Which strategies are you putting to gain competitive advantage

b) Are you putting strategies to capture a wide range of clientele, if yes which ones

c) Are you putting in place strategies to gain good reputation, if yes which ones.

d) Are you undertaking steps to rapidly get into the market?

e) Are you pursuing strategies to help your systems have profits

Thank you for your cooperation

Appendix II: List of Firms

1) Jubilee Insurance
2) Heritage Insurance
3) CIC Insurance
4) UAP Insurance
5) Aon Minet Insurance
6) Eagle Insurance
7) Thabiti Insurance Brokers
8) Kenya Orient Insurance
9) Majani Insurance Brokers
10) Diamond Trust Insurance Brokers
11) Equity Bank Insurance Agency
12) Barclays Bank Insurance Agency
13) National Bank Insurance Agency
14) Transnational Bank Insurance Agency
15) KCB Insurance Agency
16) Co-operative Bank Agency
17) Pacific Insurance
18) Chancery Wright Insurance Brokers Ltd
19) Jubilee Insurance
20) Heritage Insurance Company
21) Insurance Company of East Africa
22) CFCStanbic Insurance Agency
23) Kenindia Insurance
24) Al –amin Insurance Brokers and Agents
25) Prime Mover Insurance Brokers Ltd

Appendix III: Timeline/Schedule of Research Activities

Item	Time			
	Aug	Sept	Oct	Nov
Proposal development				
Data collection				
Data analysis				
Report compilation				

Appendix IV: Project Budget

ITEM DESCRIPTION	**UNIT COST(Kshs)**	**TOTAL (Kshs)**
Instrument Pre-test	2 days @ 7500	15,000
Primary data collection	9 days@ 1000/ 5 people	45,000
Data Analysis	5 days@3500	17,500
Report writing & presentation	7days@ 3000	21,000
Total		**98,500**