THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Assessing the Influence of Growth Strategies on the Performance of Coffee Marketing Cooperatives in Kirinyaga County, Kenya

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Abstract:
Cooperatives in Kirinyaga County are faced with high operational costs, and have not managed to pay farmers decently. Due to irregular prices on the market, and the export of coffee that is not branded lacking Kenyan identity has led to the poor performance of the cooperative sector in the world coffee market. The aim of the study was to assess the influence of growth strategies on coffee marketing cooperatives in Kirinyaga County. The study is founded on the Ansoff model (1965) that provides business analysis technique for identifying growth opportunities for a firm. The target population was 285 respondents from fourteen coffee marketing cooperatives. The sample size for the research was 166 respondents comprising of managers, assistant managers, factory managers and management committee member. The study used both qualitative and quantitative approaches and used descriptive survey and inferential statistics. The study found out that market penetration strategies had little or moderate or no influence on the performance of coffee marketing cooperatives whereas product development strategy influenced performance of coffee marketing cooperatives. The study recommends that coffee marketing cooperatives should employ a variety of growth strategies such as market penetration and product development strategies in order to enhance their performance to increase their revenue stream to match competition and enhance their survival and progress. The study will benefit management committee members, stakeholders and Kirinyaga County policy to assist coffee marketing cooperative societies to enhance growth strategies to gain in world coffee market.

Keywords: *Growth strategy, market penetration strategy, product development strategy, performance of coffee marketing cooperatives*

1.1. Background of the Study

Globally, most developed and developing economies are projected to experience improved growths in 2015. Subsequently, the international trade will increase by 4.5 per cent compared to a growth of 3.0 per cent in year 2015 [Economic Survey (Kenya National Bureau of Statistics,2015)]. Researchers have identified coffee as a valuable traded commodity globally until 1990, being the second traded commodity after oil. Global coffee exported was valued at US$33.4 billion, produced in 55 countries, and 57 per cent of the global output is produces by three players: Brazil, Vietnam and Colombia. The world coffee produced was 8.2 million metric tons [International Coffee Organisation (ICO, 2014)].

In Africa coffee production has exhibited a negative growth for the last 50 years, from an average volume of 19.1 million bags as per regulated period to 15.8 million under the free market. Africa's share in world production has hence decreased from 25 per cent to an average of 14 per cent. Coffee production in crop year 2012/13 was estimated at16.7 million bags (ICO,2014).

In order to reposition Kenya's coffee in the global market and make it stand out from other coffees, Coffee Board of Kenya (CBK) undertook an initiative of branding Kenya coffee through the development of a distinctive geographical indication mark to be adopted by industry players while trading with this coffee. Kenya Co-operative Coffee Exporters Limited (KCCE) was established by the co-operative movement in Kenya to export coffee and create linkages between the small-scale coffee producers and the world market through a consistent shorter and transparent supply chain. These small-scale coffee cooperative farmers have tried to market their coffee directly to buyers overseas by creating business relationships but have lacked the necessary linkages to do so (KCCE,2014).

In Kirinyaga County there are fourteen cooperative societies dealing with marketing of coffee. In the year 2012/2013 the cooperatives produced 26,526,235 kilograms of cherry, which was processed, realizing a total of 3,789,462 kgs as parchment to be delivered to the market (CBK, 2013). The production trends of processed coffee being marketed by producer cooperatives continued to decline in the global market from Kirinyaga County. Therefore, there is need to carry out studies to assess growth strategies that influence the performance of coffee marketing cooperatives in Kirinyaga County.

1.2. Statement of the Problem

World coffee consumption is growing steadily at around 2.5 per year and the demand continues to increase. Growth is fastest in new markets, such as those in Eastern Europe, Asia, and in the coffee producing countries themselves. The consumer demand for coffee is expected to reach 165 million bags in 2020 and calls for around 15 per cent increase in green bean production over the next 5 years (ICO,2016). Coffee Board of Kenya (CBK,2014) estimates that, currently over 700,000 smallholders market their coffee through 450 coffee co-operative societies. Small scale coffee grower's account for 60 per cent of the coffee production in Kenya and 97 percent of the gross national coffee production is exported. Coffee from Kenya is mainly used to blend other coffee; hence its origin rarely appears on the retail world market. The CBK adopted a push-pull strategy to encourage stakeholders to market under the logo and the name "Coffee Kenya" (push) and to promote the brand and encourage consumers to demand quality Coffee Kenya (pull). As of December 2010, farmers received Ksh.76.50 on average for a kilogramme of coffee from cooperatives.

1.3. General Objective of the Study

The general objective of the study was to determine the influence of growth strategies on the performance of coffee marketing cooperatives in Kenya and specifically in Kirinyaga County.

1.4. Specific Objectives

a) To determine how market penetration strategy influences the performance of coffee marketing cooperatives in Kirinyaga County.
b) To examine the product development strategy influence on the performance of coffee marketing cooperatives in Kirinyaga County.

1.5. Significance of the Study

Kenya's vision 2030 document envisages a transformation from the current practices to a more commercially oriented agriculture. Increasing the volume and value of productivity in the smallholder is part of government policy, and new ways must be found to improve efficiency at farm level and to add value to Kenya Coffee prior to marketing. This study will support efforts of government regulators in drawing marketing plans and policies for coffee cooperatives geared towards promoting coffee brand for world market and enhance value addition initiatives that will boost farmer's earnings. The study will benefit coffee marketing management committee members, supervisory committee members, secretary managers, factory managers, field coffee supervisors, and county government cooperative officers while making important coffee decisions and marketing policies. Also, the research will enhance growth strategies understanding in order to increase coffee market share in the world market for coffee marketing cooperatives in Kirinyaga County. The Knowledge gained will be used to increase awareness of cooperative institutions and other policy makers in encouraging value addition initiatives for coffee marketing cooperatives and determine potential growth strategies to be adopted.

2. Literature Review

2.1. Theoretical Literature

Growth Strategies are aimed at winning a larger market share at the expense of short term earnings. Four broad growth strategies are diversification strategy, product development strategy, market penetration strategy and market development strategy (Ansoff, 1965). Ansoff (1957) describes market penetration strategy as the organizations effort to grow using its existing offerings (products and services) in existing markets and product development strategy in a company involves creating new products and services targeted at its existing markets to achieve growth summarised by Ansoff Matrix Model (1965).

2.2. Ansoff Matrix Model

Ansoff matrix Model (1965) is a business analysis technique that provides a framework enabling growth opportunities to be identified as it helps in considering the growing business through existing or new products and in existing or new markets. The model is illustrated below using Figure 1:

New	Market Development Strategies	Diversification Strategies
Existing	Penetration Strategies	Product development Strategies
	New	**Existing**

Table 1: Ansoff's Typology of Growth Strategies
Source: Adapted from (Ansoff, 1965)

The Ansoff matrix is a tool that helps the management of a business in any strategic decision to be taken from the corporate level. Ansoff matrix assists a firm in deciding their market growth and also the product growth strategies. The Ansoff matrix divides a firm by the product it has; existing or new products, and also the markets it operates in, either existing markets or new markets.
Ansoff matrix model provides theoretical underpinnings for the study because coffee marketing cooperatives approach the market as a social system by delivering the product to new or existing markets and therefore the growth strategy to be adopted is important.

2.3. Growth Strategy

The term growth means increase in size, or an improvement in quality as a result of development process in which an interacting series of internal changes leads to increases in size accompanied by changes in the characteristics in the growing item (Penrose, 1959).

Growth strategies are the main focus of a business unit that provide the basic direction for strategic actions as coordinated and sustained efforts directed towards achieving long term business objectives (Mital, Robinson & Pearce, 2008). Ansoff (1965) suggests that there are four basic growth alternatives open to a business that can enhance growth through increased market penetration, market development, product development, and diversification.

2.4. Market Penetration Strategy

Ansoff (1957), defines market penetration strategy as the focus on selling existing products or services to your existing markets to achieve growth in market share. Kottler and Keller (2006), defines market penetration strategy as the approach to growth as an intensive growth strategy where the firm seeks to achieve growth in its current product-market by further penetrating this existing market with its existing product lines.(Kottler,2004) views market penetration strategy as entering a new market as a learning process during which a company continuously invests in order to establish the market position they want, determined by a strategic process of positioning . According to Uko and Ayatse (2014) the strategy of market segmentation aims at dividing the total market into smaller subgroups that display similar needs and relevant characteristics that enable them to respond favourably and in the same manner to the firm's marketing strategy. Market segmentation allows for a more focused definition of the market in terms of the buyers' needs and responsiveness to the firm's marketing strategy.

A market niche is a small narrowly defined market segment whose members have distinct needs to satisfy. Because they are small, market niches are usually unattractive to many large firms. In such situations, a small or medium-sized enterprise operating in a product market dominated by large competitors must find a niche that is safe and profitable. The concept of competitive advantage explains the firm's performance in competitive markets. The firm that achieves above average performance is said to possess a competitive advantage over its rivals. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost or deliver benefits that exceed those of competing products as it enables the firm to create superior value for its customers and superior profits for itself. Thus, in coffee marketing cooperatives this study intends, following hypothesis is deduced:

- $H_{O\ (i):}$ Market penetration strategy has no significant influence on the performance of coffee marketing cooperatives in Kirinyaga County.

2.5. Product Development Strategy

Krishnan and Ulrich (2001) defines product development as the transformation of a market opportunity and a set of assumptions about product technology into a product available for sale. Other four common definitions are synthesised into paradigms focusing decision perspective of product development that is: in the design and development research community: marketing-a product is a bundle of attributes (Green & Srinivasan,1990; Shocker & Srinivasan 1979; Mahajan & Wind, 1992), organizations a product is an artefact resulting from an organisational process (Brown & Eisenhardt,1995), engineering design - a product is a complex assembly of interacting components (Finger & Dixon ,1989) and operations management a product is a sequence of development and /or production process steps (Mahajan & Wind 1992). Kottler (1999) defines product development strategy as a growth strategy that involves product development reflected through market development strategy. Thus, instead of pioneering a new market with existing products, the business attempt to roll out a new product in a market with which the firm is already familiar. Therefore, business owners gather market intelligence and awareness of prevailing market conditions.

A customer-oriented firm is able to make its market offerings more differentiated by adjusting its marketing mix through the knowledge of the customers' needs and desires (Li & Zhou, 2010). Crawford (1997) avers that formal research and development provides customer satisfaction for the firm's new product program. Past studies done by (Danneels & Kleinschmidt (2001); Henard & Szymanski (2001); Song & Montoya-Weiss (1998), confirm that success of newly developed product is influenced by its degree of innovativeness. A majority of research work thus concludes that innovativeness tends rather to have a negative impact on the financial performance of a product (Schlaak, 1999). The above concept is mirrored in coffee marketing cooperative societies by formulating the following hypothesis for this study:

- $Ho_{(1)}$: Product Development has no significant influence on the performance of coffee marketing cooperatives in Kirinyaga County.

2.6. Performance of Coffee Marketing Cooperatives

To perform is to take a complex series of actions that integrate skills and knowledge to produce a valuable result. In some instances, the performer is an individual. In other performances, the performer is a collection of people. In the developing countries, cooperatives foster rural development as vehicles that sustain their economic growth. It can be expressly being concluded that cooperatives are a desirable form of business for the poor, especially in rural areas in many countries (Attwood, 1988). Performance expectations are based on a company's strategic goals, the standards that met or exceeded by leading marketers. Standards may be established on the basis of the company's vision for the future, historical company data and forecasts for future performance, or by benchmarking against key success factors in the industry. A firm established performance criteria consistent with its mission and objectives.

Typically marketing managers are concerned with overall performance in five key areas as they apply to design and implementation of the marketing mix: profitability, productivity, liquidity, and leverage. Performance generally is controlled by measuring factors such as profitability, sales, market share, shareholder value, employee productivity, and customer satisfaction. Managers usually consider a number of standards simultaneously that combine to provide an overall measure of performance. Even though the most common variables that are used to represent an organization's performance are quantitative (net profit, return on equity), many qualitative measures (customer satisfaction, attitude change toward the company or its products) are also considered in an overall assessment of

performance (Anderson & Vincze, 2000).
Coffee cooperatives offer key services to small-scale farmers in rural Kenya. Cooperative factories enable coffee to be processed cost effectively by offering pulping storage and drying facilities to small scale-farmers (Nyangito, 2002). Cooperatives can have a number of factories depending on the land size and coffee production. Any farmer with fewer than five acres of land under coffee production is classified as a smallholder and has to belong to a cooperative society (Mude, 2006).
Kaddar (1975) cited in Barker (1989) claims that only a few farmers understand the need for producing products that meet market demand. His solution to this dilemma is to encourage the growth of cooperatives to undertake the marketing responsibilities. This suggests that most farmers are basically, production oriented, and may experience very little application of marketing principles in their business management. Viaene (1977) cited in Barker (1989) identifies three new trends in the marketing of agricultural products by farmers; these are: direct marketing to the consumer, bypassing the middlemen and reducing cost; contract production, which benefits both producers and buyers; the farmer receives guarantees on finance and prices, thus reducing risks, and the buyer is assured of quality, quantity, and time of delivery and Marketing through cooperatives, by farmers tending to improve their bargaining power. The role of improved performance of agricultural cooperatives is to foster agricultural production through the promotion of efficiency and better resource allocation.
Kotler (2010) points important some measurements of an organization's performance parameters that include customer satisfaction, customer preference, share of customer mind, customer perception, and so on. Organizational performance is the results of the operations performed by the members of the organizations (Ruey-Gwo &Chieh-Ling, 2007). Therefore, market orientation does not only affect many types of performance measures, but it also impacts performance on a number of different levels from the overall organization to individual brands to individuals within the organization (Liao, 2011).

2.7. Industrial Organization Theory

The theory was adopted in the early fifties through the writings of Andrews (1952). Industrial organization theory is about how a structure of market has an influence on the strategy and decision making of a company (Raible, 2013). The structure of a market and how a market is functioning is the concept behind the industrial organization theory (Tirole, 1988). Ramsey (2001) pointed that industrial organization theory is reflected in the structure conduct-performance relationship, which show the "causal link" between the structure of a market in which a company operates, the organizational conduct and in turn the organizational performance in terms of profitability. Industrial organization focuses on the whole industry and market conditions of a company and the central analytical aspect can be used to identify strategic choices, which firms have in their respective industries and their performance such as coffee marketing cooperatives.
The theory clearly underpins the market structure and the performance of coffee marketing cooperatives in terms of profitability measures (Teece, 1997). The theory supports the findings in the study on market penetration strategies that are influenced by market structures relating to market segment, target market, market niche and the competitiveness of a market. These parameters have been found in this study to influence the performance of coffee marketing cooperatives in Kirinyaga County.

2.8. Agency Theory

According to the agency theory the principal can limit divergence from his/her interests by establishing appropriate incentives for the agent by incurring (monetary costs) to penetrate that he/she will not take certain actions that would harm the principal or to ensure that the principal will be appropriately compensated if he/she does not take such action (Jensen,1986).An agency relationship is defined as one in one or more persons (the principals) engages another person (the agent) to perform some service on their behalf which involves delegating some decision- making authority to the agent. The cornerstone of agency theory is the assumption that the interest of principals and agents diverge (Jensen & Mekcling, 1976).
Although the agency theory emphasises on the limit of the principals delegated authority, the theory falls short of captivating the cooperative sector principles in practice especially the principle of autonomy and independence when dealing with coffee marketing matters that are dependent on market volatility of coffee commodity prices. Therefore, limiting the committee members' authority and decision making may affect the choice of growth strategy to be used thereby underscoring the best use of the Ansoff model on growth strategies that enhance performance of coffee marketing cooperatives that the study has found to have influence in these organisations.

2.9. Diffusion of Innovation Theory

Diffusion of Innovation (DOI) Theory was developed by Rogers (1962). Diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system. Diffusion is a special type of communication concerned with the spread of messages that are perceived as new ideas. An innovation, simply put, is "an idea perceived as new by the individual." The four main elements in the diffusion of new ideas are: the innovation, Communication channels, Time and the social system (context). The characteristics which determine an innovation's rate of adoption are: Relative advantage, compatibility, complexity, trialability, and observability to those people within the social system.
Adoption of a new idea, behaviour or product (i.e. "innovation") does not happen simultaneously in a social system; rather it is a process whereby some people are more apt to adopt the innovation than others. Innovators are people who want to be the first to try the innovation. These people are venturesome and interested in new ideas willing to take risks, and are often the first to develop new ideas. Very little, if anything, needs to be done to appeal to this population. Early Adopters are individuals who represent opinion leaders and enjoy leadership roles as they embrace change opportunities. They are already aware of the need to change and so are very comfortable adopting new ideas. Strategies to appeal to this population include instruction manuals and information sheets on

implementation which do not require messages in order to change.
This theory supports the dimensions that determine business growth strategies used in strategic planning tool that links an organisations marketing strategy with its strategic direction as it offers a structured way to assess growth strategies that is; market development strategy, product development strategy, market penetration strategy, and diversification strategy (Danneels & Kleinschmidt, 2001). The theory helps the committee members of coffee marketing cooperatives when making decision on which growth strategy to be used to reach the market that will derive desired performance. DOI theory supports the findings of the study in that aspects of product development strategy tested were found to have an influence on the performance of coffee marketing cooperatives in Kirinyaga County.

3. Research Methodology

3.1. Research Design

A research design is a plan, structure and strategy of investigation so conceived as to obtain answers to research questions or problems. The plan is the complete scheme or programme of the research. It includes an outline of what the investigator will do from writing the hypotheses and their operational implications to the final analysis of data. (Kerlinger, 1986). Selltiz, Deutsch and Cook, (1962) describes a research design as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.
This study utilized both quantitative and qualitative research. The research used descriptive survey design in order to assess the influence of growth strategies on the performance of coffee marketing cooperatives. According to Kothari (2004) descriptive design allows the researcher to describe record, analyse and report conditions that exist or existed at the time of study.

3.2. The Target Population

The study targeted 285 respondents of fourteen coffee marketing cooperatives working in coffee marketing cooperatives in Kirinyaga County. The members have knowledge and information relating to growth strategies and performance of coffee marketing cooperatives. The target population included cooperative society management committee members, supervisory committee members, secretary managers, assistant secretary, accountants, marketing managers, and field supervisors.

3.3. Sampling Frame

According to Kothari (2004), the size of a sample refers to the number of items to be selected from the universe to constitute a sample. The size of sample should neither be excessively large, nor too small. It should be optimum. An optimum sample is one which fulfils the requirements of efficiency, representativeness, reliability and flexibility. The study used purposive sampling procedure. In this type of sampling, items for the sample are selected deliberately by the researcher and his choice concerning the items remains supreme (Kothari, 2004). This study used the detailed source list from KCCU ltd containing the sample units of the fourteen coffee marketing cooperatives registered in Kirinyaga County represented by Table 2 below:

Society	**Management Committee**	**Supervisory Committee Members**	**Secretary Managers**	**Accountants**	**Marketing Managers**	**Assistant Secretary Managers**	**Field Supervisors**	**TOTAL**
	Population	**Population**	**Population**	**Population**	**Population**	**Population**	**Population**	
Kibirigwi	9	3	1	1	8	1	**1**	
Mwirua	9	3	1	1	9	1	**1**	
Mutira	8	3	2	2	7	2	2	
Inoi	9	3	1	1	11	1	**1**	
Kabare	9	3	1	1	9	1	**1**	
Baragwi	9	3	1	1	12	1	**1**	
Mirichi	7	3	1	1	2	1	**1**	
Ngiriambu	7	3	1	1	2	1	**1**	
Thirikwa	5	3	1	1	1	1	**1**	
Karithathi	7	3	1	1	2	1	**1**	
New Ngariama	7	3	1	1	3	1	**1**	
Rung'eto	7	3	1	1	3	1	**1**	
Rwama	7	3	1	1	2	1	**1**	
Kanjuu	7	3	1	1	2	1	**1**	
Total	**107**	**45**	**15**	**15**	**73**	**15**	**15**	**285**

Table 2: Population of the Study
Source: Kirinyaga County Cooperative Union Ltd (KCCU). Human Resource Department (2015)

This sampling procedure was appropriate because it ensured that all coffee marketing cooperatives committee members, supervisory committee, marketing managers, secretary managers, assistant secretary managers, field supervisors and accountants sampled had an equal chance of being included in the sample (Borg & Gall, 1996; Mugenda & Mugenda, 2003). Yamane (1973) formula was applied to determine the representative sample size for the study.

$$n = \frac{N}{1+ Ne^2}$$

Where:
N= Target population size
n = Number of items in the sample
e = Precision level desired 0.05 per cent

$$n = \frac{285}{1+ (285*0.05^2)} = 166.42 \approx 166$$

The distribution of sample size is tabulated in Table 3 below:

Coffee Marketing Cooperatives	Target population Categories							
	Management committee members	Supervisory committee members	Secretary managers	Accountants	Marketing managers	Assistant secretary managers	Field supervisors	Total
	Population	Population	Population	Population	Population	Population	Population	
Kibirigwi	6	1	1	1	1	1	1	
Mwirua	6	1	1	1	1	1	1	
Mutira	6	2	2	2	2	2	2	
Inoi	6	1	1	1	1	1	1	
Kabare	6	1	1	1	1	1	1	
Baragwi	6	1	1	1	1	1	1	
Mirichi	5	1	1	1	1	1	1	
Ngiriambu	5	1	1	1	1	1	1	
Thirikwa	5	1	1	1	1	1	1	
Karithathi	5	1	1	1	1	1	1	
New Ngariama	5	1	1	1	1	1	1	
Rung'eto	5	1	1	1	1	1	1	
Rwama	5	1	1	1	1	1	1	
Kanjuu	5	1	1	1	1	1	1	
Total	**76**	**15**	**15**	**15**	**15**	**15**	**15**	**166**

Table 3: Sample Size
Source: Kirinyaga County Cooperative Union Ltd (KCCU). Human Resource Department (2015)

3.4. Data Analysis and Presentation

The data collected from the questionnaire was carefully organized according to the research questions. Data analysis involved the use of both descriptive and qualitative data will be analyzed through after coding and inferences of responses to be used to give the results of analysis where frequencies and inferential statistics such as regression analysis will be presented in the form of frequency distributions, percentages, bar graphs and pie charts to enhance clarity. According to coopers and Schidler (2011), content analysis measures the semantic content or the "what" aspect of the message.

3.5. Hypothesis Testing

Hypothesis testing or significance testing is a method for testing a claim or hypothesis about a parameter in a population, using data measured in a sample. In this method, we test some hypothesis by determining the likelihood that a sample statistic could have been selected, if the hypothesis regarding the population parameter were true. The method of hypothesis testing can be summarized in four steps that is; state the hypotheses; set the criteria for a decision; compute the test statistic; and to make a decision. The study developed the stated null hypothesis (H_0), about a population parameter, such as the population mean, that is assumed to be true for the purpose of the study.

Blouin and Riopelle (2004) made the following statement concerning how scientists select test statistics: "This test is the norm for conducting a test of H_0, when the population (s) are normal with known variance(s)". Level of significance refers to a criterion of judgment upon which a decision is made regarding the value stated in a null hypothesis. The value of the *p*- represents a decreasing index of the reliability of a result. A 0.05 level of significance is the standard margin of error recognized in most areas of researchers, meaning that probability of error that is involved for most researchers is 5 per cent of their results. Hypothesis testing takes the *p* -

values obtained from the data analysis. The study used Karl Pearson's correlation coefficient to test the hypothesis whereby the p-values were used to reject or fail to reject the null hypothesis summarised using Table 4

Hypothesis	Test Statistic	Results interpretation
$H_{O\ (i):}$ market penetration strategy has no significant influence on the performance of coffee marketing cooperatives in Kirinyaga County H_1 Market penetration strategy has a significant influence on the performance of coffee marketing cooperatives in Kirinyaga County.	Karl Pearson's correlation coefficient (r)	If p-value < 0.05, then the result would be considered statistically significant and the null hypothesis would be rejected.
Ho(iv) Product Development strategy has no significant influence on the performance of coffee marketing cooperatives in Kirinyaga County $H_{1:}$ Product Development is positively related to performance of coffee marketing cooperatives in Kirinyaga County.	Karl Pearson's correlation coefficient (r)	If p-value < 0.05, then the result would be considered statistically significant and the null hypothesis would be rejected.

Table 4: Hypothesis Testing
Source: Research Data (2015)

4. Data Analysis, Interpretation and Presentation

4.1. Reliability Test and Validity Tests

4.1.1. Reliability Test

The questionnaire reliability was tested using the Cronbach's Alpha correlation coefficient with the help of SPSS software. Cronbach Alpha value not less than 0.7 is regarded as satisfactory for reliability test. Cronbach Alpha reliability test was carried out and Table 5 displays the results of Cronbach reliability test for the data.

Variable	Cronbach's Alpha Based on Standardized Items	N of Items
Growth Strategies	**.784**	**28**

Table 5: Cronbach Alpha Reliability Test for Independent Variable

The results indicated a high correlation when two sets of results were correlated as it attracted a coefficient of 0. 784.This implied that the responses obtained were highly correlated and that the reliability of the instrument was sufficiently high, hence the results obtained were reliable.

4.1.2. Validity Tests

The validity of the data measurement tool was tested by giving it to my two thesis supervisors and two managers of coffee cooperatives in Kirinyaga County. They assessed the validity of the statements on the questionnaire and their views and responses were reviewed and used to improve the data measurement tool as appropriate.

4.2. Diagnostic Tests

4.2.1. Test for Normality

For the present study, skewness and kurtosis were used. The rule of the thumb is that, if either of these values is not close to zero, then your data set is not normally distributed. Table 6 displays the results of normality tests conducted for the data.

		Statistic	Std. Error
Product development strategy and performance of coffee marketing cooperatives	Skewness	-1.238	.191
	Kurtosis	1.055	.379
Market penetration on the performance of coffee marketing cooperatives			
	Skewness	.091	.191
	Kurtosis	.037	.379

Table 6: Normality Tests

The results displayed in Table 6 indicated that the values of skewness obtained ranged between -1.238 to 0.091 while those of kurtosis ranged from 0.037 to 1.055. According to the rule of thumb used, both values are close to zero and therefore the data is considered to

be moderately asymmetrical. The negative value of skewness indicated that data for product development strategy, product development strategy was negatively skewed meaning that the left tail was longer than the right tail and thus was not perfectly symmetrical. However, the value for skewness obtained was well within the limits set for a symmetrical data. The kurtosis of any univariate normal distribution is 3. Values of kurtosis less than 3 as recorded in the present study implied that the distribution was platykurtic implying that it produced few extreme outliers and therefore was to a large extent normal and uniform.

4.3. Autocorrelations

The present study applied Durbin–Watson statistic to determine the extent of autocorrelations in the data collected and establish whether they would have a substantial impact on the regression model estimated. As a rough rule of thumb, if Durbin–Watson is less than 1.0, there may be cause for alarm. Small values of d indicate successive error terms are, on average, close in value to one another, or positively correlated. If $d > 2$, successive error terms are, on average, much different in value from one another, i.e., negatively correlated. Table 7 displays the results of test of autocorrelations obtained.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.492[a]	.242	.223	.64952	1.915
a. Predictors: (Constant), Product Development Strategy, Market Penetration Strategy,					

Table 7: Tests for Autocorrelations

The results obtained, as presented in Table 7 indicates that Durbin–Watson is 1.915. According to the rule of the thumb, a Durbin–Watson value less than 1.0 may be a cause for alarm. The value obtained for the data used was greater than 1.0 and therefore the data was considered to be devoid of serious autocorrelations which would under estimate the level of statistical significance.

4.3.1. Market Penetration Strategies and Performance

The first objective of this study sought to determine how performance of coffee marketing cooperatives is influenced by market penetration strategies in Kirinyaga County. Using a 5-point likert scale, the respondents were required to state the extent to which various market penetration strategies influence performance of coffee marketing cooperatives. Table 8 summarizes the responses obtained.

MARKET PENETRATION STRATEGY	VGE (5)	GE (4)	ME (3)	LE (2)	NE
Market Segmentation	0.0	0.6	23.3	63.2	12.9
Target Market	0.6	0.6	13.5	66.3	19.0
Market niche	0.0	0.0	12.9	33.7	53.4
Competitive Advantage	1.8	3.1	14.1	61.3	19.6

Table 8: Market Penetration Strategies and Performance of Coffee Marketing Cooperatives
KEY: VGE= Very Great extent, GE= Great extent, ME=Moderate extent, LE=Little Extent and NE= No Extent
Source: Research Data (2015)

Descriptive statistics percentages and frequencies were used to summarize the study findings as shown on Table 8. From the findings, cummulatively, 76.1% of the respondents said that market segmentation influence performance of coffee marketing cooperatives to a little or no extent and only 0.6% of the respondents said that market segmentation influence performance of coffee marketing cooperatives to a great or very great extent. A large proportion of the respondents (23.3%) said that market segmentation influence performance of coffee marketing cooperatives to a moderate extent. This implies that the respondents rate the influence of market segmentation to have a little or moderate influence on the performance of coffee marketing cooperatives.

From the findings, cummulatively, 85.3% of the respondents said that target marketing influence performance of coffee marketing cooperatives to a little or no extent and only 1.2% of the respondents said that target marketing influence performance of coffee marketing cooperatives to a great or very great extent. Majority of the respondents (13.5%) said that target marketing has a moderate influence on the performance of coffee marketing cooperatives. This indicates the influence of target marketing on the performance of coffee marketing cooperatives as perceived by the respondents is low.

From the findings, cummulatively, 87.1% of the respondents said that market niche influences performance of coffee marketing cooperatives to a low or no extent and none of the respondents said that market niche influence performance of coffee marketing cooperatives to a great or to very great extent. A large proportion of the respondents (12.9%) said that market niche influences performance of coffee marketing cooperatives to a moderate extent. This implies that majority of the respondent's rate the influence of market niche on performance of coffee marketing cooperatives as low.

From the findings, cummulatively, 80.9% of the respondents said that competetive advantage as a growth strategy influences performance of coffee marketing cooperatives to a little or no extent and only 4.9% of the respondents said that competetive advantage influences performance of coffee marketing cooperatives to a great or to very great extent. The findings imply that the respondents rate the influence of competetive advantage on performance of coffee marketing cooperatives as low.

Results from other studies suggest that the management of the market penetration may be a more important influence on performance than the type or mode of market penetration strategy itself (Varaderajam & Ramanujam, 1987). A number of studies found market

penetration to be negatively correlated with firm performance (Grinyer, 1988). For instance, Nesbit & King (1989) examined the progress of 1800 US companies between 1978 and 1988 and concluded that corporate performance is dependent on the market penetration strategy implementation rather than the strategy itself. For coffee marketing cooperatives, market penetration strategies such as market segmentation, target marketing, niche marketing and competitive advantage have been found to have a little impact on the performance. This can be explained by the fact that the cooperatives deal with only one type of commodity and the geographical area covered by the cooperatives are dictated by the political boundaries. This makes growth into other areas to gain more market share not to contribute to the performance. In addition, coffee marketing cooperatives operate in a monopolistic environment where the farmers have little choice on the cooperative through which to market their produce.

4.3.2. Product Development Strategies and Performance of Coffee Marketing Cooperatives

The fourth objective of this study sought to determine how performance of coffee marketing cooperatives is influenced by product development strategies. The researcher sought to establish the opinion of the respondents on the extent to which product development strategy influences the performance of coffee marketing cooperatives. The responses obtained were as displayed in Figure 1.

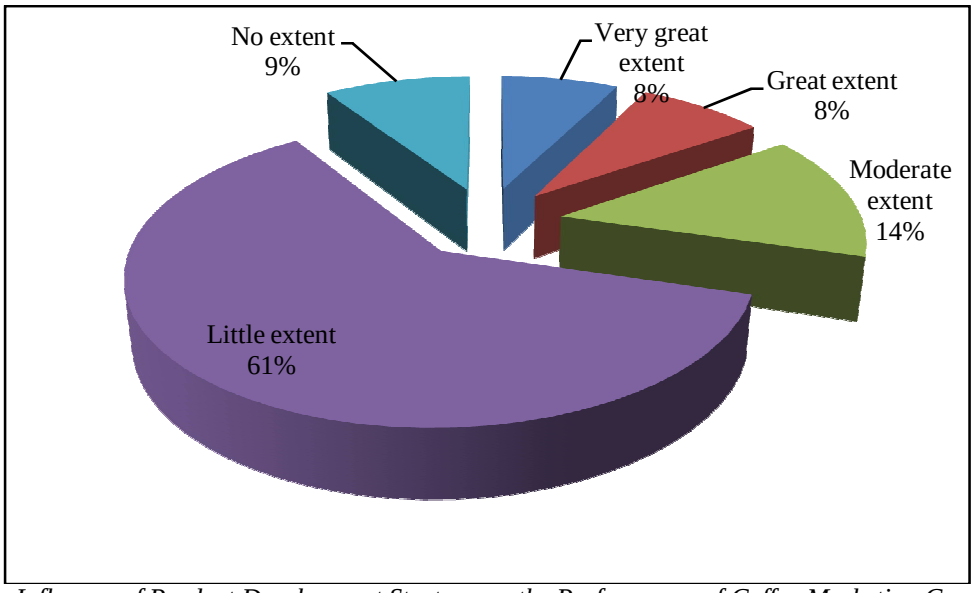

Figure 1: Influence of Product Development Strategy on the Performance of Coffee Marketing Cooperatives
Source: Research Data (2015)

The output presented in Figure 1 shows that majority of the respondents (61%) were of the opinion that product development strategy has little influence on the performance of coffee marketing cooperatives, 14 % moderate influence, 9% no influence, 8% great extent and 7% very great extent. The findings indicate that product development strategy has little or no influence on the performance of coffee marketing cooperatives.

Further, a 5- point likert scale was used where the respondents were asked to rate the extent to which the aspects of product development strategies influences Performance of coffee marketing cooperatives. The responses obtained were as summarized in Table 9.

PRODUCT DEVELOPMENT STRATEGY	VGE (5)	GE (4)	ME (3)	LE (2)	NE (1)
Product process	1.8	5.5	18.4	57.1	17.2
Research and development	1.8	3.1	30.1	44.8	20.2
Market intelligence	0.0	8.6	16.6	53.4	21.5
Product attributes	1.8	6.7	15.3	49.7	26.4

Table 9: Product Development and Performance of Coffee Marketing Cooperatives
KEY: VGE= Very Great extent, GE= Great extent, ME=Moderate extent, LE=Little Extent and NE= No Extent
Source: Research Data (2015)

Descriptive statistics percentages and frequencies were used to summarize the study findings as shown on Tables 9. From the findings, cummulatively, 74.3% of the respondents said that production process influences performance of coffee marketing cooperatives to a little or no extent only 7.3% of the respondents said that production process influences performance of coffee marketing cooperatives to a great or to a very great extent. This implies that the respondents rate the influence of production process on performance of coffee marketing cooperatives as low.

From the findings, cummulatively, 65.0% of the respondents said that research and development influences performance of coffee marketing cooperatives to a little or no extent and 4.9% of the respondents said that research and development influences performance of coffee marketing cooperatives to a great or very great extent. This indicates the influence of production process on the performance of coffee marketing cooperatives as perceived by the respondents is low.
From the findings, cummulatively, 74.9% of the respondents said that market intelligence influences performance of coffee marketing cooperatives to a little or no extent and only 8.6% of the respondents said that market intelligence influences performance of coffee marketing cooperatives to a great or very great extent. This implies that majority of the respondents rate the influence of market intelligence on performance of coffee marketing cooperatives as low.
From the findings, cummulatively, 76.1% of the respondents said that product attributes influences performance of coffee marketing cooperatives to a little or no extent and only 8.5% of the respondents said that product attribute influences performance of coffee marketing cooperatives to a great or very great extent. This implies that the respondents rate the influence of product attributes on performance of coffee marketing cooperatives as low.
The findings obtained indicate that all the aspects of product development strategy tested were found to have an influence on the performance of coffee marketing cooperatives. The findings of the study concur with those of past studies such as that done Danneels & Kleinschmidt, 2001; Henard &Szymanski, 2001; Song & Montoya-Weiss, 1998) which reported that success of newly developed product is influenced by its degree of innovativeness thus innovativeness tends rather to have a negative impact on the financial performance of an existing product.

4.3.3. Hypothesis Testing

The study sought to test four null hypotheses. Table 10 shows the results that were obtained when a 2-tailed Pearson correlation was run.

		Performance of coffee marketing cooperatives
Market penetration Strategy	Pearson Correlation	.070
	Sig. (2-tailed)	.376
	N	163
Product Development Strategy	Pearson Correlation	-.327**
	Sig. (2-tailed)	.000
	N	163

Table 10: Correlations

The first hypothesis stated that market penetration strategies have no significant influence on the performance of coffee marketing cooperatives in Kirinyaga County. The Pearson correlation between market penetration strategies and performance of coffee marketing cooperatives (Table 10) indicates a very weak positive coefficient of correlation (r=.070). The output also shows that the correlation is not statistically significant (p>.05) indicating that there is no statistically significant relationship between market penetration strategy and performance of coffee marketing cooperatives and thus the null hypothesis is not rejected.
The second hypothesis stated that product development strategy has no significant influence on the performance of coffee marketing cooperatives in Kirinyaga County. The Pearson correlation between product development strategies and performance of coffee marketing cooperatives (Table 10) indicates a strong negative coefficient of correlation (r=-.327). The output also shows that the correlation is statistically significant (p<.05) indicating that there is a statistically significant relationship between product development strategy and performance of coffee marketing cooperatives and thus the null hypothesis is rejected.

5. Summary, Conclusion and Recommendations

5.1. Summary of the Research Findings

The study sought to assess the influence of growth strategies on the performance of coffee marketing cooperatives in Kirinyaga County. Regression analysis on the variables indicated that market penetration strategies, and product development strategies predict a significant amount of the variation in the variation of performance of coffee marketing cooperatives about its mean (R^2 = .242) implying that the variables tested predict 24.2% of the variation on the performance of coffee marketing cooperatives.

5.2. Market Penetration Strategies and Performance of coffee marketing co-operatives

The first objective of this study sought to determine how performance of coffee marketing cooperatives is influenced by market penetration strategies in Kirinyaga County. The study found out that majority of the respondents said that market segmentation has little or no influence on the performance of coffee marketing cooperatives. Majority of the respondents said that target marketing has a moderate influence on the performance of coffee marketing cooperatives indicating that the influence of target marketing on the performance of coffee marketing cooperatives as perceived by the respondents is low. Further, majority of the respondents said that market niche influences performance of coffee marketing cooperatives to a moderate extent implying that majority of the respondent's rate the influence of market niche on performance of coffee marketing cooperatives as low. Finally, majority of the respondents rate the influence of competetive advantage on performance of coffee marketing cooperatives as low. The findings obtained indicate that all the market penetration strategies tested were found to have a little or moderate or no influence on the performance of coffee

marketing cooperatives. The findings of the study concur with those of past empirical studies found that the linking patterns between market penetration strategies to financial performance remain unclear. Some of the specific evidence available from the research on market penetration shows that profitability increases with market penetration but only up to the limit of complexity (Grant, Jammine & Thomas, 1988).

5.3. Product Development Strategies and Performance of Coffee Marketing Cooperatives

The fourth objective of this study sought to determine how performance of coffee marketing cooperatives is influenced by product development strategies. Majority of the respondents said that production process influences performance of coffee marketing cooperatives to a little or no extent. In addition, majority of the respondents said that research and development influences performance of coffee marketing cooperatives to a little or no extent and that market intelligence influences performance of coffee marketing cooperatives to a little or no extent. Finally, majority of the respondents said that product attributes influences performance of coffee marketing cooperatives to a little or no extent implying that the respondents rate the influence of product attributes on performance of coffee marketing cooperatives as low. The findings obtained indicate that all the aspects of product development strategy tested were found to have an influence on the performance of coffee marketing cooperatives. The findings of the study concur with those of past studies such as that done Danneels & Kleinschmidt, 200; Henard &Szymanski, 2001; Song & Montoya-Weiss,1998) which reported that success of newly developed product is influenced by its degree of innovativeness thus innovativeness tends rather to have a negative impact on the financial performance of an existing product.

5.4. Conclusion

The purpose of the study was to assess the influence of growth strategies on the performance of coffee marketing cooperatives in Kirinyaga County. Ansoff model (1965) was used to help analyse growth strategies and performance of coffee marketing cooperatives was found relevant and consistence with previous studies. The study concluded that market penetration strategy parameters such as market segmentation target marketing and market niche and competitive advantage have little or moderate or no influence on the performance of coffee marketing cooperatives in Kirinyaga County. Therefore, this study agrees with the past studies done that depicted market penetration strategy and profitability increases with market penetration but only upto limit of complexity (Grant, Jammine & Thomas, 1998).

5.5. Recommendations

Based on the findings and conclusion of the study, it is recommended that; the management board and county government policy makers should become more innovative to improve coffee products that become attracative to customers since development strategy has influence to the financial performance of coffee marketing co-operataives in Kirinyaga County. The policy makers should expand sales by establishing other market penetration strategies, niche markets to deliver coffee at competitive prices to improve shareholders earnings and performance of coffee markting co-operatives in Kirinyaga Conty.

5.6. Suggestions for Further Studies

The present study was limited to the impact of selected factors on performance of coffee marketing cooperatives. Further research should be done to determine other factors that have the potential of influencing performance of coffee marketing cooperatives as well as other services such as banking services, investment services among many. In addition, further studies may target public and non profit making organizations to determine the factors that influence the uptake of their services.

The overall finding of the study was that performance of coffee marketing co-operataives in Kirinyaga County and the predicted financial indicators can be explained by the two determinants; market penetration strategy and product development strategy. An appropriate mix of the determinants and other variables not covered by the study would boost performance of coffee marketing strategies. There is need to explore further this perception.

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