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MODERATING EFFECT OF OPERATING ENVIRONMENT ON THE RELATIONSHIP BETWEEN BRANDING PRACTICES OF FRESH FRUITS AND VEGETABLES AND PERFORMANCE OF COMMERCIAL FARMERS

Nkari, I.M.

*Department of Business Studies, Chuka University, P. O. Box 109-60400, Chuka, Kenya, Tel.: +254722978836.
P. O. Box 64687-00620, Nairobi, Kenya. Email: isaacnkari@yahoo.com*

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ABSTRACT

The objective of this study was to establish the moderating effect of operating environment on the relationship between branding practices of fresh fruits and vegetables and performance of commercial farmers in Kiambu County, Kenya. The population of the study consisted of 213 farmers from whom a sample of 140 farmers was drawn. A descriptive cross sectional survey design was used. Data was collected using a semi structured questionnaire and analyzed using both descriptive and inferential statistics. The study found that operating environment did not have a statistically significant moderating effect on the relationship between branding practices and performance of commercial farmers. The study was limited by the narrow scope which focused on few constructs and elements within the variables; self-reported data with no collaborative evidence, gathering of cross sectional data and a localized population. The study recommends that farmers should enhance their abilities and engage in value addition initiative such as branding practices irrespective of the operating environment to improve their performance. To increase objectivity and the level of generalization of the findings, future research should target other fresh agricultural products; increase the variables and constructs being investigated, target other counties with differing social economic and climatic conditions and adopt a time series design to gather continuous data on study variables throughout the product's life cycle.

Keywords: *Operating Environment, Fresh Fruits and Vegetables, Value addition*

INTRODUCTION

Aaker (2003) notes that there is continued fragmentation of mass markets which creates multiple consumer offerings that require continuous identity clarification and modification. Consequently, suppliers engage in various branding practices (BP) by utilizing different brand elements to differentiate their products from competition (Kotler and Keller, 2009). Among the BP is the development of brand elements designed to differentiate and create a clear visual identity for the products. Another category of BP consists of activities that communicate brand offerings to target customers. According to Kotler and Keller (2009) marketing communications represent the voice of the brand and assists a brand establish dialogue and build relationships with consumers. The communication elements include

advertising, sales promotions, public relations, direct marketing and personal selling. The choice of any specific communication element will depend on the target communication objective. The third BP involves deciding on the nature of branding elements to be applied to new and existing products. This branding option is referred to by Kotler and Keller (2009) as branding strategies and is geared towards classifying the brands. Hedin et al. (2009) have identified the possible classifications to include generic, family, individual, transnational, local, fighter, producer or private/retailer brands. The products can further adopt descriptive, associative or alpha-numeric brand names.

Even though creating a successful brand is a difficult undertaking, it is even more difficult for fresh fruits and vegetables (FFV) which as noted by Cook (2013) lack year round supply of quality products and also require specialized handling due to their perishability. Similar to other firms, the micro-environmental forces that influence the performance of commercial farmers will include customers, competitors, suppliers and intermediaries (Kotler and Keller, 2009). Fresh fruits and vegetable consumers working in urban areas attach increased importance to FFV in their diets due to increased level of consciousness on personal health (Stanton and Herbst, 2005). These consumers prefer FFV over canned or frozen alternatives (Clarke and Moran, 1996). Narrod et al. (2007) reported increased demand on food safety for the export market necessitating small scale FFV farmers to either be sub-contracted by large farmers or form groups under government and NGOs support.

The macro-environmental factors that have been identified to significantly affect performance of commercial farmers include differences in agro ecological zones; improved transport and storage facilities (Clarke and Moran, 1996); development of rural fully equipped assembly points for the products; increased competition, improved technology (Bremmer et al., 2002) and increased importance of supermarkets as outlets for FFV (Neven and Reardon, 2006).

The concept of firm performance relates to the manner in which a firm's resources are used to achieve its overall objectives. Kinyua-Njuguna (2013) presents it as the actual output of an organization measured against its intended outputs. Branding practices are demanding in terms of time, efforts and financial resources. Both financial and non financial parameters are used to measure firm performance arising from branding practices. Product output, price premium, profitability and satisfaction were the performance measures adopted for this study since as established by Ailawadi et al. (2002), they are easy to assign and are consistent with the focus of business executives.

This study was conducted in Kiambu County, Kenya. The county consists of 12 subcounties and has a wide agro-ecological zone ranging from the cold climate of the upper highlands of Limuru and Lari to the relatively dry and warm climate of the lower parts of Ruiru, Thika and Gatundu enabling the County to produce tropical FFV such as bananas and mangoes as well as temperate ones such as peaches and plums. Horticulture is widely practiced in the county in both small scale units and large farms. The County is served by a network of all weather roads which facilitates delivery of FFV to the market. There is high competition for the small land plots (averaging 0.36 Ha) between agriculture and housing estates. This makes the farming of FFV most appropriate since they are labour and management intensive per crop and have short maturing period allowing for two or more crops per year (Government of Kenya, 2012). The county borders Nairobi City County and houses Thika, Kiambu, Kikuyu, Limuru and Juja towns which provide a ready market for its FFV (County Government of Kiambu, 2012).

Statement of the Problem

Horticulture plays an important role in the economy of Kiambu County. In 2010, fresh fruits and vegetables farming in the County covered 26,407 hectares equivalent to three percent of total area under fresh fruits and vegetables in Kenya. Fresh fruits and vegetables earned the County Kshs 12.92 billion equivalent to 5.7 percent of the crops' total earnings in Kenya (Republic of Kenya, 2011). To achieve the aspired increase in productivity, commercialization and competitiveness of agricultural commodities, the strategy adopted by the government entails engaging value addition activities as product processing, branding, quality certification and farm level quality improvements (Government of Kenya, 2012). The effectiveness of these practices in creating unique offerings is influenced by

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