



# A business strategy for the distribution of Index-Based Livestock Insurance to urban professionals – insights from Kenya

*Tara Hammonds and Rupsha R Banerjee*

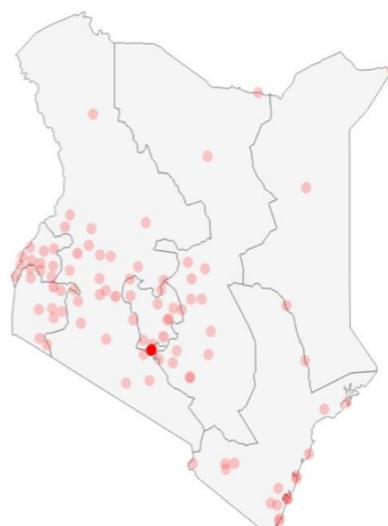
## Context

Index-Based Livestock Insurance (IBLI) is an initiative started by the International Livestock Research Institute (ILRI) and supported by partners in the public, private and non-profit sectors. Launched in 2010 in the Marsabit region of Northern Kenya, it has for nearly a decade striven to provide pastoralists in Kenya and Ethiopia with protection against drought related livestock losses. Underwritten by commercial insurance companies, IBLI was adopted by the government of Kenya in the form of the Kenya Livestock Insurance Programme (KLIP) in 2015. So far, the project has expanded into eight counties in the arid and semi-arid lands (ASALs) of Northern Kenya and has covered over 10,000 clients through IBLI and 18,000 beneficiaries through KLIP. Both the commercial companies, as well as the government, are now keen on expanding the product to cover all of Kenya's ASAL counties.

Up to now, the sales and distribution model for the product has focused primarily on the rural market segment, where most of the pastoralist communities are located. However, over the years, both ILRI and the insurance companies have realized that there is a need to tap a significant population of professionals who belong to pastoral communities but work in urban areas. These professionals play a critical role in decision making concerning their livestock and community livelihoods.

Through this brief, we present an analysis of, and recommendations for the most effective practices that can be employed to reach this urban population with livestock insurance. These urban dwellers hold large potential for the IBLI market if they can be effectively incorporated into the focus of product distribution. The combination of generally large herd sizes and moderate to high income levels could yield a significant but previously unrealized profit stream from the sale of IBLI to urban professionals.

Figure 1: Centres for urban population in Kenya Source: World Population Review

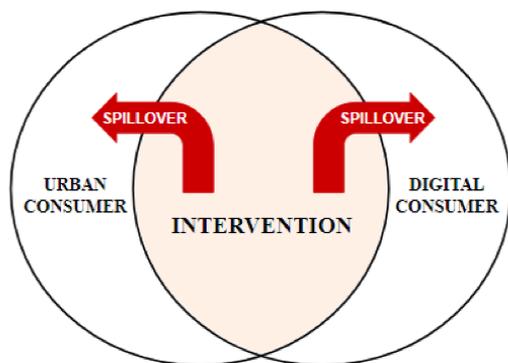


## Methodology

For the purpose of this study, 'urban' is defined as any urban area deemed as such according to the Republic of Kenya's Urban Areas and Cities Act of 2011; that is, any administrative district with a population of over 2,000, demonstrable revenue generation capacity, significant infrastructural facilities and meets all other requirements provided in the Act (The Republic of Kenya 2015). Moreover, the main towns and county government seats such as Isiolo town and Marsabit town were considered as focal points and urban areas to be prioritized (Figure 1).

The data collection was done over a two-week period with one of the commercial partners of IBLI. The data was collected using a snowball sampling approach and relied mainly on a survey administered via email through Qualtrics platform as well as face-to-face semi-structured interviews. Study participants were recruited based on two criteria: ownership (or family ownership) of livestock, and residence in an urban region. A total of 10 surveys through Qualtrics and 11 semi-structured interviews were conducted. The questions were largely identical in both the email survey and oral interviews, but during the interviews the opportunity to probe for more qualitative information following a response was often taken. The data analysis was done simultaneously with ongoing conversations with the marketing department of the commercial company and keeping in mind the goals, targets, agents and recommendations from previous studies carried out by ILRI. The analysis also assumed that there was a significant overlap between the urban consumer and the digitally savvy consumer (Figure 2).

Figure 2: Digital and urban consumer intersection  
Source: Authors



## Findings

### Market segment

The market segment targeted by this intervention is comprised of urban professionals who either own livestock or who come from pastoral families and communities. Existing literature and published statistics are not conclusive on the percentage of Kenya's population that owns livestock, much less the proportion of this demographic that lives in urban regions (Krätli and Swift 2014). Therefore, it is difficult to accurately determine the size of the target market segment of livestock-owning urban professionals.

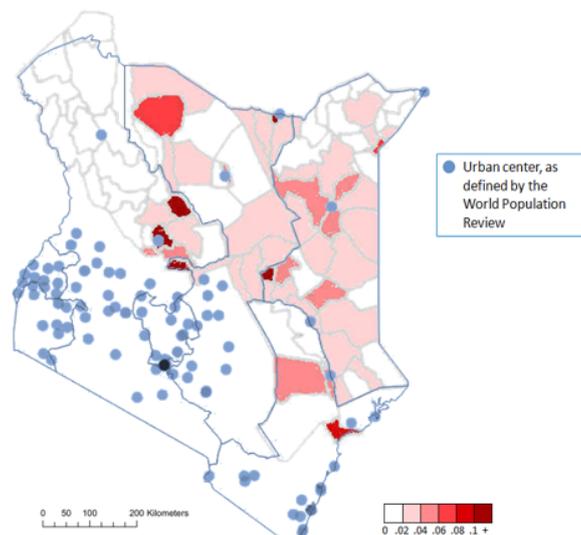
Regardless of size, there are certain tendencies that characterize Kenya's 13.5 million urban residents (Worldometers 2018), allowing us to cater IBLI distribution to the behaviors of urban consumers. They are generally digital consumers, preferring to find information and conduct business through digital channels. Urban residents also tend to be professionals with fixed and busy schedules and respond well to digital market systems through which they can purchase products remotely on their own time (Ryan and Jones 2009; Tiago and Verissimo 2014). Though radio usage is moderate and television usage are moderate among this demographic, social media platforms, including Facebook, Instagram, and WhatsApp, are very popular and widely used.

In addition to the general urban demographic, there are characteristics that are common specifically among urban livestock-holders. They have moderate to large herd sizes, and generally own mixed-livestock herds comprised of cattle, camels, goats, and/or sheep. These professionals overwhelmingly consider their livestock of very high importance to them, for reasons including tradition, sentiment, income, food, community and family dependence, and community respect. Although they manage their herds remotely, they make the major decisions concerning their livestock, and also have high levels of social influence within their pastoral communities.

### Marketing strategy

IBLI is currently marketed by private insurance companies through a wide, but somewhat haphazard, set of marketing channels, targeted primarily at rural pastoralists. However, to reach urban consumers, there lies great potential in digital marketing channels, including active product-focused social media pages and product web pages using diverse multimedia designed to engage consumers and encourage IBLI purchase. There is also a variety of print marketing opportunities; one such is the Daily Nation's Seeds of Gold insert, which would effectively reach the target market segment. Others include more specific news bulletins which could be employed to reach various demographics depending on the marketing goals of the insurance company.

Figure 3: Map of average sales density with urban centres  
Source: Authors



## Product distribution

IBLI distribution is achieved in Kenya primarily through the efforts of direct sales representatives, urban brokers, and IBLI agents; currently, they have varying levels of engagement, product training, and motivation to sell. However, high levels of urban market saturation could be achieved by effectively engaging all three of the aforementioned actors in urban IBLI distribution. Additionally, a digitally-based remote purchasing mechanism would be ideal to reach a wider consumer base and to cater to the digitally-focused, time-pressed urban demographic.

## Urban centre sales coverage

Though the historical geographical distribution of sales has been variable, trends in average sales density demonstrate the specific urban areas in Kenya that have lacked significant IBLI sales despite their high populations. Figure 3 displays the IBLI sales density from the past six sales windows (windows five through ten) overlaid with Kenya's urban areas, thereby indicating high potential urban centres; that is, urban regions with historically low sales but which have a high population and large political influence, creating the need for more deliberate IBLI distribution.

Figure 5: Overview of implementation framework<sup>2</sup>.  
Source: Authors.

Strategy	Timeline	Tactics	Control	Inputs	Target	Cost
Visibility and cost efficiency (Marketing)	Immediate	Content and language standardization	Number of new clients	Tools to enable implementation and execution	Digital networks	High
	Medium-term		Number of sales		Social and community networks	Moderate
	Long-term	Digital marketing strategy	Number of renewals		All urban centres	Low
Client engagement and increased sales	Immediate	Marketing channel retention	Number of new clients	Sales density maps	Brokers and agents	High
	Medium-term	Agency structure modification	Number of sales	Standard operating procedures	Networks and focal cities	Moderate
	Long-term	Remote sales mechanism	Number of renewals	Mobile sales application	All urban centres	Moderate

## Recommendations

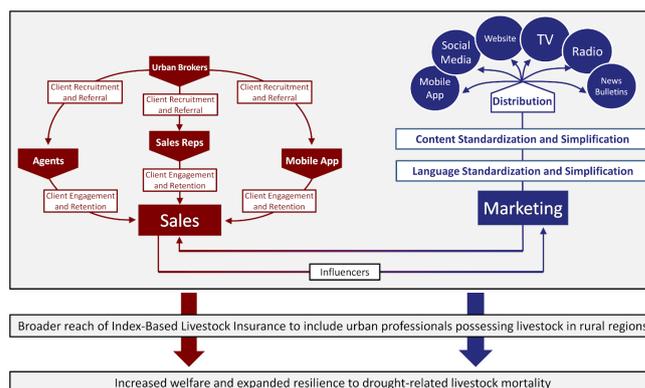
To achieve the goal of increasing IBLI distribution among the urban demographic, a business framework is proposed (Figure 4) to increase informed demand and product availability through channels regularly used by urban consumers. The framework provides mechanisms for sales and marketing, which when effectively implemented lead to urban market saturation with the long-term vision of increased welfare and resilience to drought-related livestock mortality.

This framework should be implemented by pursuing two overarching strategies, presented in Figure 5, with corresponding tactics proposed according to the timeline of implementation<sup>1</sup>.

<sup>1</sup> For the purposes of the timeline of this framework, immediate refers to implementation within one or two months, medium-term within six months, and long-term within one or two years.

<sup>2</sup> The proposed implementation framework is adapted from the SOSTAC business model (Smith et al. 1999), wherein a business strategy is organized according to a situational analysis, objectives, strategies, tactics, actions, and controls.

Figure 4: Proposed urban distribution framework.  
Source: Authors.



The first strategy is increasing visibility and cost efficiency through an effective marketing plan. In the short- and medium-term, this should include the simplification and standardization of marketing language, as many Kenyans are not only unfamiliar with Index-Based Livestock Insurance but do not understand the concept of insurance in general. Therefore, marketing language should focus on simple terms that appeal to the values and behaviors of the consumers,

and should be consistent throughout all marketing materials and channels. Similarly, standardized marketing content including informational articles and videos should be created in order to decrease development costs moving forward. In the long run, the standardized language and content should be promoted through primarily digital marketing channels, focusing on social media and product web pages but also including television, radio, print news bulletins, and an IBLI informational mobile application with remote purchasing capabilities.

Alongside the marketing strategy, a second strategy should simultaneously be pursued to increase client engagement and overall sales. In the short term, the focus should be on client retention; there should be a quick and transparent process for a consumer to find all the information they need and complete a purchase. Medium-term strategy implementation should include an agency structure modification such that all urban regions are covered by a trained and motivated sales force, and each type of insurance salesperson (direct sales representatives, brokers, and IBLI agents) should be incorporated as efficiently as

possible into the distribution structure based on their locations, skills, product familiarity, and compensation. In the long run, these in-person sales should be aided by a remote purchasing mechanism, ideally in the form of a mobile application, wherein time-constrained urban consumers can learn about and purchase IBLI remotely through a smartphone.

The above strategy helps to adapt the distribution structure to the urban context, allowing for increased sales among urban consumers, who can in turn influence their pastoral communities to purchase IBLI as well, opening pathways for increased distribution nationwide.

## Way forward

Through this brief, an attempt has been made to provide a road map to tap the urban professional and create a market for IBLI in the urban areas of Kenya. The models and recommendations have been presented keeping both IBLI and KLIP in mind, and adoption of the proposed recommendations is based on time and resource availability. However, it is recommended that the implementation of the strategy should be prioritised according to the timeline accompanying it. Moving forward, the effectiveness of all proposed interventions should be monitored and should be adjusted as necessary; this is especially crucial for the introduction of the client-based mobile application. In addition, as future sales data is collected, both the weather division<sup>3</sup> of the insured livestock as well as the location of the sale should be recorded, so that successes in reaching the urban demographic can be effectively monitored.

<sup>3</sup> Weather divisions are defined as the index units based on which people are insured. Each index unit is determined on their agroecological characteristics.

Photo credits:

Page 1: ILRI/ Riccardo Gangale

## Acknowledgements

This publication was made possible through the support of the IBLI team members, specifically Diba Galgallo and Duncan Khalai who aided in research sampling, as well as through generous funding from the Cornell University Office of Engagement Initiatives and the Mario Einaudi Center for International Studies. The authors would also like to express their sincere gratitude to the management staff at Takaful Insurance of Africa, especially Carol Wangeci, Samiya Gaid, Bishar Mohamed, and Hassan Bashir, as well as all those employees who participated in the study. Finally, the authors recognize the contributions and thoughtful comments from the IBLI team and Mallory St. Claire of Emory University.

## References

- Kräti, S. and Swift, J. 2014. 'Counting pastoralists' in Kenya.
- Ryan, D. and Jones, C. 2009. *Digital marketing: Marketing strategies for engaging the digital generation*. Kogan Page Limited. Available from <http://ewing.ir/download/Understanding-Digital-Marketing.pdf>
- Smith, P. R., Berry, C. and Pulford, A. 1999. *Strategic marketing communications: New ways to build and integrate communications*. Kogan Page Publishers.
- The Republic of Kenya. 2015. Urban Areas and Cities Act No. 13 of 2011. National Council for Law Reporting. Available from <http://urbanlex.unhabitat.org/sites/default/files/urbanlex//urbanareasandcitiesact13of2011.pdf>
- Tiago, M. and Verissimo, J. 2014. Digital marketing and social media: Why bother? *Business Horizons* 57:703–708.
- Worldometers. 2018. Kenya Population. Available from <http://www.worldometers.info/world-population/kenya-population>. (Accessed 4 July 2018).

## Contact

Rupsha R Banerjee  
ILRI, Kenya  
[b.rupsha@cgiar.org](mailto:b.rupsha@cgiar.org)  
[ilri.org](http://ilri.org)



ILRI thanks all donors that globally support its work through their contributions to the [CGIAR Trust Fund](#)

Patron: Professor Peter C Doherty AC, FAA, FRS

Animal scientist, Nobel Prize Laureate for Physiology or Medicine—1996

Box 30709, Nairobi 00100 Kenya  
Phone +254 20 422 3000  
Fax +254 20 422 3001  
Email [ilri-kenya@cgiar.org](mailto:ilri-kenya@cgiar.org)

[ilri.org](http://ilri.org)  
better lives through livestock

ILRI is a CGIAR research centre

Box 5689, Addis Ababa, Ethiopia  
Phone +251 11 617 2000  
Fax +251 11 667 6923  
Email [ilri-ethiopia@cgiar.org](mailto:ilri-ethiopia@cgiar.org)

ILRI has offices in East Africa • South Asia • Southeast and East Asia • Southern Africa • West Africa

