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KENYA

USAID KENYA DAIRY SECTOR COMPETITIVENESS PROGRAM

623-C-00-08-00020-00

**STUDY OF CONSUMER MILK QUALITY PERCEPTION/PREFERENCES
AND AN ASSESSMENT OF WILLINGNESS TO PAY FOR QUALITY**

Contractor Information:

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Closing Date: 19.10.2009

Closing Time 4.00pm

REQUEST FOR PROPOSALS

Applications are invited from Local registered firms, individual consultancies or consortiums to conduct a study of Kenyan consumer milk quality perception/preferences and assess the willingness of Kenyan dairy consumers to pay for milk quality characteristics if known to them.

Under this solicitation, KDSCP, based on an open competitive selection process, will award a subcontract with a value of an agreed upon amount. If you decide to submit a bid, it must be submitted in accordance with the attached solicitation and received no later than the date and time indicated.

I. Background:

The USAID Kenya Dairy Sector Competitiveness Program (KDSCP) is 5-year effort to improve Kenya's dairy industry competitiveness, implemented by Land O'Lakes, Inc., with the financial and technical support of the United States Agency for International Development (USAID). The goal of KDSCP is to increase smallholder household income from the sale of quality milk.

KDSCP is implemented through a range of activities grouped together into three broad programmatic components. First, the program will upgrade the capacity of the dairy industry to compete in local, regional and international markets through the sale of high quality dairy products. Second, it will transform dairy smallholder business organizations into viable enterprises that supply quality milk to the market and facilitate access to critical services and inputs to farmer-members. Third, the program will strengthen support markets, increasing the availability and utilization of market-link dairy business development services, inputs, technologies provided by business service providers to dairy enterprises.

Land O'Lakes intends to promote a milk shed development model whereby the focus will be to encourage collection of 50,000 to 100,000 liters or more from multiple collection centers within a given milk shed. The milk shed development approach will maximize farm productivity, collection and transport efficiencies to reduce costs and install best quality assurance practices throughout the milk shed. Land O'Lakes will facilitate the formation of strategic public-private alliances with, and fostering dialogue and negotiations between, leading dairy processors, SBOs, financial service providers, input and service providers, local authorities and development partners to build sustainable milk sheds. Critical to the success of this approach are strong vertical linkages—between farmers and SBOs, between SBOs and processors, and between processors and retailers/exporters—as well as strong horizontal linkages among SBOs.

KDSCP has started the process of reviving the Kenya Dairy Processors Association (KDPA). It is composed of all the registered Dairy processors in the country. For these processors to be able to compete internationally, it is imperative that the dairy payment system in the country premised on quality is promoted and implemented. A major constraint in achieving a quality based milk payment system is the lack of an information/understanding on how the domestic dairy products'

consumer perceives quality for the dairy products he/she consumes every day and whether he /she is willing to pay prices differentiated by quality. Such understanding will help the industry not only in promoting domestic dairy consumption but also in designing a graded milk payments system for farmers and a quality traceability system that are essential for international competitiveness. With such information KDSCP, in collaboration with industry stakeholders, will facilitate access to and provision of domestic and export market information and thereafter promote industry-led market research and consumer awareness campaigns to promote purchase of quality milk

In an attempt to promote market expansion of milk and value-added dairy products a number of important market development initiatives are expected to be identified and carried out through the Competitiveness Action planning process. KDSCP anticipates supporting a number of these interventions including industry-led promotions to educate consumers that “quality pays,” strengthening vertical linkages between dairy processors and modern retailers who are driving consumer goods sales in Kenya, and increasing access to domestic and export market and trade information that can guide strategic business planning and marketing. The economic returns on investment of paying premiums for graded milk such as extended retail shelf life, reductions in product rejections at milk collection and retail, and access to new domestic and export markets will be quantified and communicated to industry stakeholders under the “quality pays” theme.

This study is a good starting point to inform the stakeholders for meaningful promotion campaign strategies and viable investment decisions.

II. Assignment Objectives

The main objectives of this study are:

- To get a good understanding of dairy consumers’ perception of the quality of the most common dairy products in the Kenya markets
- Understand the main dairy products’ customer segments by either income or geography.
- To determine what informs decisions to buy given dairy products out of the range offered of similar products
- Assess consumer understanding of quality milk and whether they would be willing to pay a premium price
- Characterize the perceived quality of milk and milk products received by each customer segment;
- Characterize problems and issues concerning milk and milk products quality at each customer segment.
- Understand customer segment needs, expectations and demands
- Propose strategies on how to target the various consumer segments during consumer awareness campaigns
- Set baseline performance indicators for monitoring and assessing how quality and price influence the size of the customer segment

III. Scope of Work

The assignment will entail:

- Designing a questionnaire to obtain relevant data from different consumer segments and suppliers of milk and milk products

- Identification of clients in favor of different suppliers of milk and milk products.
- Categorize characteristics of products/services that each customer segment receives from their preferred supplier.
- Determine the volumes milk and milk products supplied to the various market segments and by whom
- Characterize the quality of milk and milk products received by each customer segment from their preferred supplier
- Determine the influence of price of milk and milk products on choice of supplier.
- Design, collection, analysis of data and reporting on a statistically reliable consumer preference survey
- Identify and recommend the most effective consumer awareness strategies to increase consumption of quality milk and milk products

IV. Deliverables

Deliverables under this consultancy will be

- a) A report containing all issues outlined in the scope of work and recommendations and justification of most effective mode of consumer awareness strategy. The report will be submitted in both electronic and hard copy.
- b) Presentation of the findings to a stakeholders' forum and incorporate their views

Please note that a report that does not meet the management's expectations in terms of quality will not be accepted. A penalty will also be imposed for late submissions at a rate of 2.5% of the total value of the consultancy. This will be charged on a daily basis.

V. Time frame and proposed Level of effort

This assignment will not take more than 1 Calendar month in the month of October/November 2009. The consultant is expected to propose a staffing scenario/budget consistent with the requirements of the terms of reference.

VI. Application Submission Requirements:

All interested candidates will submit their proposal organised as follows:

1. Technical proposal (not exceeding 15 pages). The technical proposal should reflect how the offeror will undertake all the tasks in the Scope of work.

The offeror will provide a detailed plan of specific activities and timetable for carrying out the assignment.
2. Financial Budget The offeror shall propose a realistic cost estimate for this assignment, including a breakdown of the budget and justification of expenses. The budget shall include only those costs that can be directly attributed to the activities proposed. (with explanation of line items) Bidder must show existence of financial and administrative systems to adequately account (USAID and GAAP) for funds provided under this assignment.

3. Personnel The offeror shall list and briefly describe the name and qualifications of the consultant(s) proposed to work on the assignment. (CVs of proposed personnel to be included in an annex)
4. Experience of the firm A two to three page capability statement (Typically including organizational overview, technical representatives and qualifications of staff to carry out the assignment.

All interested applicants must provide a list of all contracts, grants, or cooperative agreements involving similar or related assignment in the last one year before this application submission. Reference information must include the location, award numbers if available; a brief description of work performed; contact with current telephone numbers.

VII. Criteria for Evaluation:

Proposals will be evaluated according to the following Criteria

1. Technical approach and methodology (40%)
2. Proposed Personnel - ability to address different components of the assignment (20%)
3. Relevance of the firm or organization's core capability/skills base to service request, and capacity to implement or manage the assignment and funds awarded (15%)
4. Budget Justification, Cost Realism (25%)

The KDSCP is authorised in accordance with the US Foreign Assistance Act and USAID Contract # 623-C-00-08-00020-00.

Grants/Contracts will be administered in accordance with provisions contained in ADS Section 302.5.6, "Grants under contracts" ADS Chapter 303, "Grants and Cooperative Agreements to non- governmental organizations" and within the terms of the USAID standard provisions applicable to non-US, non-governmental recipients. Information on these provisions can be assessed through the USAID external website at www.info.usaid.gov "Business & Procurement" section. Per ADS section 302.5.6(f), Contractors/Grantees are authorized to execute cooperative agreements on USAID's behalf.

KDSCP and USAID/Kenya reserve the right to fund any or none of the applications submitted. Registered local firms and organizations interested in implementing this assignment are requested to submit a proposal (typed no smaller than 11-point font) by **Monday, 19th 4.00pm October 2009** to the Grants Manager at:

Land 'O' Lakes Inc.
Peponi Plaza, Block B Second floor
Off Peponi Road Westlands
GPO 45006-00100
Nairobi, Kenya

Submissions must be in English and typed single-spaced on standard 8 1/2" x 11 or A4 (210 x 297 mm) type white paper. Submissions must contain **one single-sided hard copy original** of the proposal (each with a complete set of appendices/attachments where applicable), and **two copies**. The original should be "photo ready, " i.e., printed on one side only and unbound. All

pages must be numbered and include the RFP reference number and name of organization on each and every page. Hard copies can either be submitted in person or at the Land O Lakes mailing address, however these must be received no later than the deadline specified above. **In addition, an electronic copy of the proposal should be submitted** either on a diskette/CD or through an email to bids@landolakes.co.ke.

Please include the name of the person in your organization who will be involved with the subcontract/grant application as well as your telephone, fax and email contact.