

Small-scale retailers will need to adapt to survive and thrive

In response to a challenging and rapidly evolving retail landscape, millions of small, independent shops in East Africa will need to look at diversifying, digitalising, and even partnering for growth. These cornerstones of neighbourhoods undeniably form an integral part of a country's socioeconomic system.



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Representing some of the world's most loved FMCG and commerce brands, Smollan gives a glimpse into the dynamics of this growing sector and the challenges and opportunities that arise. Seen within the context of small-scale retail tied to history, traditions, and trading preferences of consumers in a particular region.

As defined by EuroMonitor International, spaces for trading can range from as little as 1m² up to 30m² and due to their small footprint, traders are located closer to consumers, along transport hubs and routes, or within local communities. Proximity also extends to knowing and stocking customer's preferred brands and products and offering credit to loyal customers.

Challenges

While this sector can be difficult to quantify as data is generally thin across all the regions that make up the East African retail community, in a recent United Nations Economic Commission for Africa – we see that small and local retail transactions account for 70% in Kenya alone.

That said, these businesses face numerous challenges despite being relied on by the vast majority of the population. These include limited access to financial tools; the lack of ability to manage stock and inventory; adoption of technology; vulnerability to economic shock; competition from larger players, and as East Africa evolves, the unbundling of regulatory barriers. Indeed, they may be the dominant players in the market, but disjointed structures can make it difficult for them to effectively run and scale their businesses.

Empowerment and support

Despite this, the potential is there as greater innovation and investment becomes the catalyst for change. Warren Brett, cluster executive, SEA Region, Smollan Tanzania said, “Empowering small-scale retailers through digital and financial inclusion is definitely the way forward. In Kenya we’ve done this successfully with Unilever and Mastercard under the ‘Jaza Duka Program’ equipping small retailers to be able to accept electronic payments and access financial services. So too in Tanzania we are looking at how we can create a tech solution to support secondary sales from the distribution footprint. It’s all about putting the power in the hands of the ‘duka’ owner in this case and supporting consumer needs through consistent availability.”

According to business news outlet *Quartz Africa*, the roadmap for change for small-scale retailers to get much needed support is to formulate solutions that makes business easier and more efficient for them, by addressing the need for inventory management, logistics, mobility, and access to credit to name but a few.

One example cited, seen as a significant game changer in the region is Wasoko, currently operating in Kenya, Tanzania, Uganda, Rwanda, Ivory Coast and Senegal. A start-up that supports and enables informal and small-scale retailers to conveniently stock their shops, eliminating the hassle of dealing with different suppliers and distributors. They also offer customised lines of credit to provide retailers with working capital and, data-based insights for further analysis.

Digital assistance

So too, the *East Africa Business Week* recently reported that The East African Business Council (EABC) and the International Trade Centre (ITC) launched an online platform designed to boost the competitive edge of the region’s small businesses. Providing them with an avenue to support their recovery, build resilience and drive growth through digital technology.

Likewise in the banking and financial services sector, Hilbret Bank launched a digital payments platform that allows Ethiopian small businesses and retailers to accept international card payments for online purchases.

“The opportunities are there – through collaborative networks, government support programs and the growing demand for locally made products. It’s a matter of closing off the eco-system to make it easier for retail to be serviced by brand owners, and the technology to enable their businesses,” said Brett.