

## SMART DUKA INITIATIVE 3.0

Information slide deck

May 15, 2021





# Abbreviations and notations

elea	elea Foundation for Ethics in Globalization
USD	US Dollars
A2F	Access to Finance
MSF	MasterCard Foundation
Moody's	Moody's Foundations
KES	Kenya Shillings
ANM	Agent Network Model
MEAL	Monitoring, Evaluation, Accountability and Learning
TOC	Theory of Change
POS	Point of Sale
BA	Business Advisor
BC	Business Counsellor



“My business **has transformed** from a small shop into a wholesaler business as a result of the **Smart Duka project.**”

*-Douglas Kariuki, Duka owner, Kenya*

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Executive Summary

# Executive summary

## 200,000 micro retailers

elea foundation for Ethics in Globalization will partner with TechnoServe to achieve a higher interconnectedness of the micro-retail sector in Kenya.

- The objective of Smart Duka Phase 3 of the project is to achieve higher levels of interconnectedness and efficiencies of the micro-retail sector in Kenya.
- TechnoServe’s micro-retail strategy aims to reach 200,000 micro retailers over the next five years, striving for a highly digitized, and financed micro-retail sector.
- TechnoServe will play the role of a convenor to bring together market actors in the micro-retail sector to achieve higher levels of interconnectedness in the micro-retail ecosystem.
- elea’s investment will facilitate formal partnerships with financial institutions. It will also facilitate the formation of regional business associations and a national umbrella association.
- TechnoServe requests an investment of USD 500,000 for this phase (see budget section)

### Smart Duka1.0

#### **Phase 1: The past**

The project worked with dukas to achieve individual Duka efficiencies. This was informed by the need to trace the sector's constraints from the base and to ideate interventions from the bottom up.

### Smart Duka2.0

#### **Phase 2: The present**

The project stepped up the interventions towards formalizing the sector through the formation of Duka groups that have been very successful in developing beneficial partnerships with ecosystem actors.

### Smart Duka3.0

#### **Phase 3: The Future**

The project aims to move towards higher levels of efficiency and formalization as well as increase the sustainability of partnerships and relationships between ecosystem actors and micro-retailers



“I have become **an agent** aggregating orders for my fellow duka owners.”

*-George Ongeti, Duka owner, Kenya*

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Introduction

# Introduction



- The first phase of the Smart Duka project strengthened the financial returns and performance of micro-retailers in and around Nairobi.
- The second phase of the project stepped up to support greater streamlining and engagement among the actors in the micro-retail sector.
- The emergence of COVID-19 disrupted project implementation as well as how micro retailers conduct their business. The project devised ways of supporting micro-retailers during the pandemic with considerable success in digital engagement as a result of reduced physical engagement.

**5,400**

- Number of micro retailers reached in phase 1 and phase 2 of the Smart Duka project in and around Nairobi

**65,000**

- Amount of capital mobilized by micro-retailers through the Smart Duka project by dukas

**6**

- NO. of financial partnerships engaged in the Smart Duka project that are working with duka groups

**35**

- Number of formal and informal groups formed in the Smart Duka project with a membership of 1400

**48**

- Number of partnerships with manufacturers , wholesalers and distributors in the Smart Duka project



# Introduction

## 5,400 Micro retailers

Smart Duka has impacted since inception. With the success of this phase, Smart Duka 3.0 will now seek a national reach under the broader TechnoServe micro-retail strategy.

- The project intends to achieve a comprehensively interconnected and more formalized micro-retail sector.
- The design of Smart Duka 3.0 demonstrates a clear nexus between the elea’s strategy and TechnoServe’s micro-retail strategy.
- The transition from Smart Duka 1.0, to Smart Duka 3.0 demonstrates a clear path for moving the sector towards formalized operations with clear interventions geared towards the different players in the sector’s ecosystem.
- elea seeks to harness the evolving groups of actors in the informal sector to a more engaged ecosystem over the next three years.



	Smart Duka 1.0	Smart Duka 2.0	Smart Duka 3.0
<b>Intervention Level</b>	Shop level	Shop level Group level	Ecosystem level
<b>Geographic reach</b>	Nairobi	Nairobi and environs	National reach
<b>Unit of Intervention</b>	Dukas	Duka groups	Regional associations Umbrella association



— **“I have organised and inspired other members to join hands under the Smart Duka programme and we now have a variety of merchandise in our shops.”**

*-William Wambugu, Duka owner, Kenya*

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TechnoServe's micro-retail sector



# TechnoServe's micro-retail strategy

## The micro-retail sector faces three primary constraints

These are: limited knowledge (low levels of business expertise), limited access to finance (ineffective credit solutions), and lack of data (lack visibility along supply chain).



Support scalable business models  
Continue building capacity of groups to engage with partners  
Build capacity of umbrella association to

**Capacity Building**

Pool ecosystem systems either through an online platform (see interventions) or through an application of existing solutions in the market relevant to ecosystems

**Digitization**

Facilitate partnerships at the group level and umbrella association level, leveraging digital technology as appropriate

**Wider Ecosystem**

As part of the partnerships, facilitate links to financial institutions and other actors providing financial solutions.

**Access to Finance**

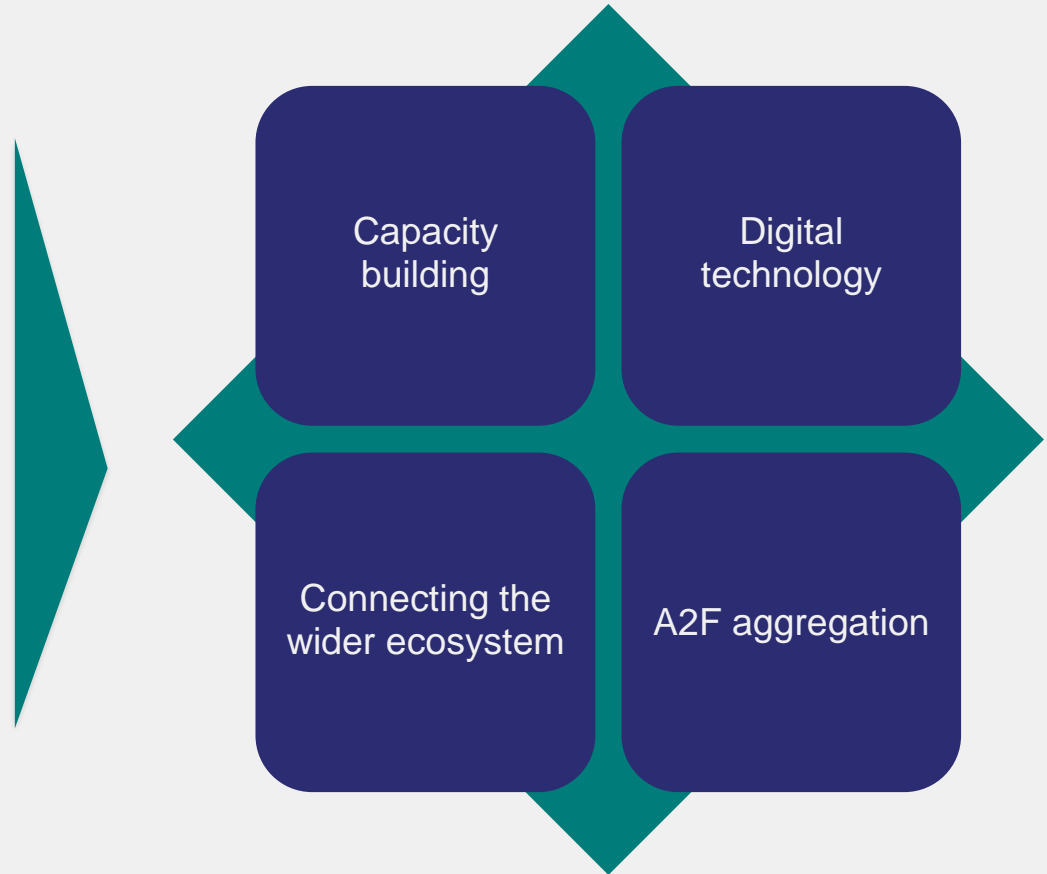
**This is how the elea investment will be used towards the achievement of the over-arching TechnoServe micro-retail strategy**

# TechnoServe's micro-retail strategy

- This is TechnoServe's micro-retail strategy, which is the overarching guide for the transformation of the micro-retail sector in Kenya.

## Training, connecting, and banking 200,000 micro-retailers

This is TechnoServe vision for the micro-retail sector in Kenya, which ties in with the Foundation's objective that seeks to harness the evolving groups of actors in the informal sector to a more engaged ecosystem over the next three years



- Elea's investment in Phase 3, will contribute to this strategy, and will specifically be used to drive connections in the micro-retail sector through the formation of regional associations and umbrella associations, both of which will be instrumental in fostering partnerships with other sector players.
- This will deliver a closer engagement between micro-retailers and manufacturers, distributors technology providers, financial institutions, and others in the wider ecosystem.

# TechnoServe's micro-retail strategy

- The micro-retail practice is one of the four areas of excellence at TechnoServe, multiple donors have helped contribute to the overall micro-retail strategy and help establish this expertise. In Kenya, the micro retail work is currently implemented under four programmes, including the elea Smart Duka Initiative.



**Elea Foundation for Ethics in Globalization**



Our elea Smart Duka's project is the pioneering micro retail project in Kenya, from whence the rest of the sister projects have sprouted. This project previously implemented programmes in Nairobi. It is the only project that is currently not engaging beneficiaries directly with training and other interventions. The project usually graduates beneficiaries for other sister projects through group formation and aggregation. The project provides an exit for the other sister projects



**Moody's Foundation**



Our Moody's Smart Duka's project funded by the Moody's Foundation works with individual shops to increase their profitability through direct training. The project has pioneered the use of lighter touch support mechanisms and deployment of various digital technologies to deliver project interventions. Some of these project's tools (especially the digital training methodology) will be adopted in the next phase of the elea Smart Duka project as the project seeks scale.



**CITI Foundation**



Our regional Pan-African Youth Entrepreneur Development (PAYED) Program funded by the Citi Foundation provides training and tailored advisory support to young entrepreneurs to develop opportunities in the micro-retail sector in Kenya, Nigeria, and the Ivory Coast.

Area of collaboration: This project uses the direct intervention approach, and provides an inlet of micro-retailers in and around Nairobi to the elea Smart Duka project. The project engages similar stakeholders



**MasterCard Foundation**



Our mSpark project provides financial access to micro-retailers seeking support during the COVID 19 pandemic.

Operates in Nairobi and adjacent counties, plus Coastal Counties of Mombasa and Kilifi.

Area of collaboration: pipeline of micro-retailers that the project has and will be a fertile catchment for the transnational approach in the next phase.



**“I started small five years ago and I am now a distributor for my group members making revenues of more KES 1M every month. I have employed women and youth in my business”**

*-Tabitha Wanyeki, Duka owner, Kenya*

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Smart Duka 3.0  
interventions

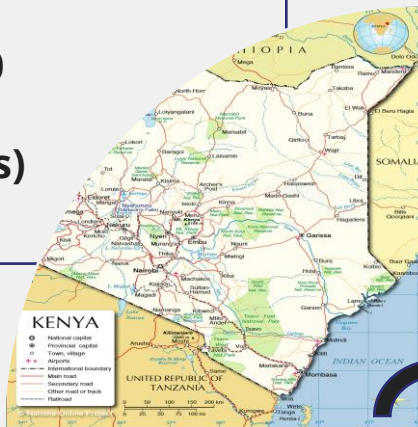


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# Smart Duka 3.0 interventions

TechnoServe proposes the following four interventions from the nexus of TechnoServe's micro-retail strategy and the Foundation visions and investment criteria. for Smart Duka 3.0.

• **National Reach (200,000 Micro-retailers)**



• **Aggregation**



**\$28 billion**

Annual retail sales in Kenya.  
Informal retail contributes 70% of this figure

• **Partnerships**



• **Digital engagement**





# Wider national reach

## Nairobi, Kiambu, Nakuru, Machakos, Kajiado, Mombasa and Kilifi

These seven counties will be the face of the elea Smart Duka Phase 3. The project will have direct activities here, but it will also support sister projects in other counties to have a national footprint

- TechnoServe proposes to include the counties of Kiambu, Nakuru, Machakos, Kajiado, Mombasa and Kilifi where we already have a footprint.
- In the previous phase, activities were limited to Nairobi, but have organically grown into other counter counties, including Mombasa with our wider micro-retail work.
- The national umbrella association is expected to reach more micro-retailers in other counties.



Support group formation in in Nairobi Kiambu, Nakuru, Machakos, Kajiado, Mombasa and Kilifi counties



Consolidate aggregation in in Nairobi Kiambu, Nakuru, Machakos, Kajiado, Mombasa and Kilifi counties



Promote partnerships with manufacturers, wholesalers, retailers and other partners across Kiambu, Nakuru, Machakos, Kajiado, Mombasa and Kilifi counties



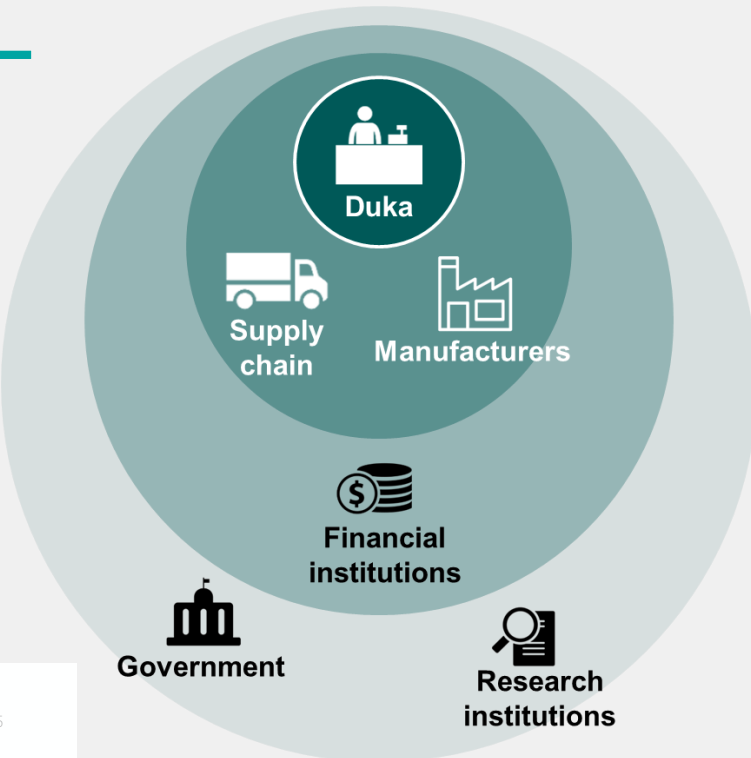
Consolidate financial linkages and partnerships in Nairobi Kiambu, Nakuru, Machakos, Kajiado, Mombasa and Kilifi counties

# Aggregation

## Aggregation

Borrowing from the learning of Smart Duka 1.0 and 2.0, aggregation will be a key driver of attracting the wide range of stakeholders in the ecosystem towards interconnectedness.

- In Phase 2, TechnoServe laid the foundation for implementation of the Agent Network Model and the Hub Model, both of which had been tweaked for the micro-retail sector.
- Elements of these models have been taking shape within the group through the aggregation model.
- TechnoServe will seek to scale the implementation of these models in Phase 3 through respective regional associations.



1

Select and support groups to implement the business models to aggregate orders.

2

Build capacity and handhold selected business groups to implement the business models (see Annex1)

3

Formations of regional associations and an umbrella association of micro-retailers

4

Stakeholder mobilization for the development of the umbrella organization

5

With aligned stakeholders in (3) above, develop a strategy for the umbrella association, with participation from business groups

# Partnership

## Group formation and formalization

Ecosystem players, drawing from financial institutions, research institutions, supply chain actors, tech providers, government, manufacturers, and others form partnerships that will establish interconnectedness



- TechnoServe proposes to develop a strategy for cultivating more formalized partnerships with ecosystem actors.
- The sustainability of the closer engagement and efficient interconnectedness of the micro-retail sector will be driven by active partnerships.

1

Development of a partnerships strategy

2

Build capacity and handhold individual business groups to cultivate partnerships

3

Build capacity and handhold regional associations and the umbrella association to cultivate partnerships

4

Develop standard tools to formalize the existing and prospective partnerships at the business group level and at the umbrella association level



# Digital Engagement

## Digital platforms

TechnoServe will transition into the role of a convenor, partly by identifying all appropriate technologies that will drive an interconnected micro-retail sector

- TechnoServe will identify and bundle various solutions that exist in the market together with existing in-house solutions that will collectively drive digital engagement for sustainability.
- With over 5 years of working with different players in the micro-retail sector, TechnoServe has tested and piloted several digital platforms and solutions.
- The expected outcome for this is to support and facilitate greater engagement of the micro-retail ecosystem.



- 1 Identify technology solutions and develop working arrangements for the providers
- 2 Facilitate partnerships and interactions with manufacturer and distributors through the various technology platforms
- 3 Facilitate linkages between micro retailers and financial institutions through local technology integrations
- 4 Partner with technology providers to scale technology solutions for use by micro retailers
- 5 Promote and facilitate deployment of trainings and through digital platforms



“Since Covid-19 hit, we have been aggregating our orders virtually to the tune of an average of KES 270,000 a week.”

*-Austin, Mlolongo Duka Owners Group, Kenya*

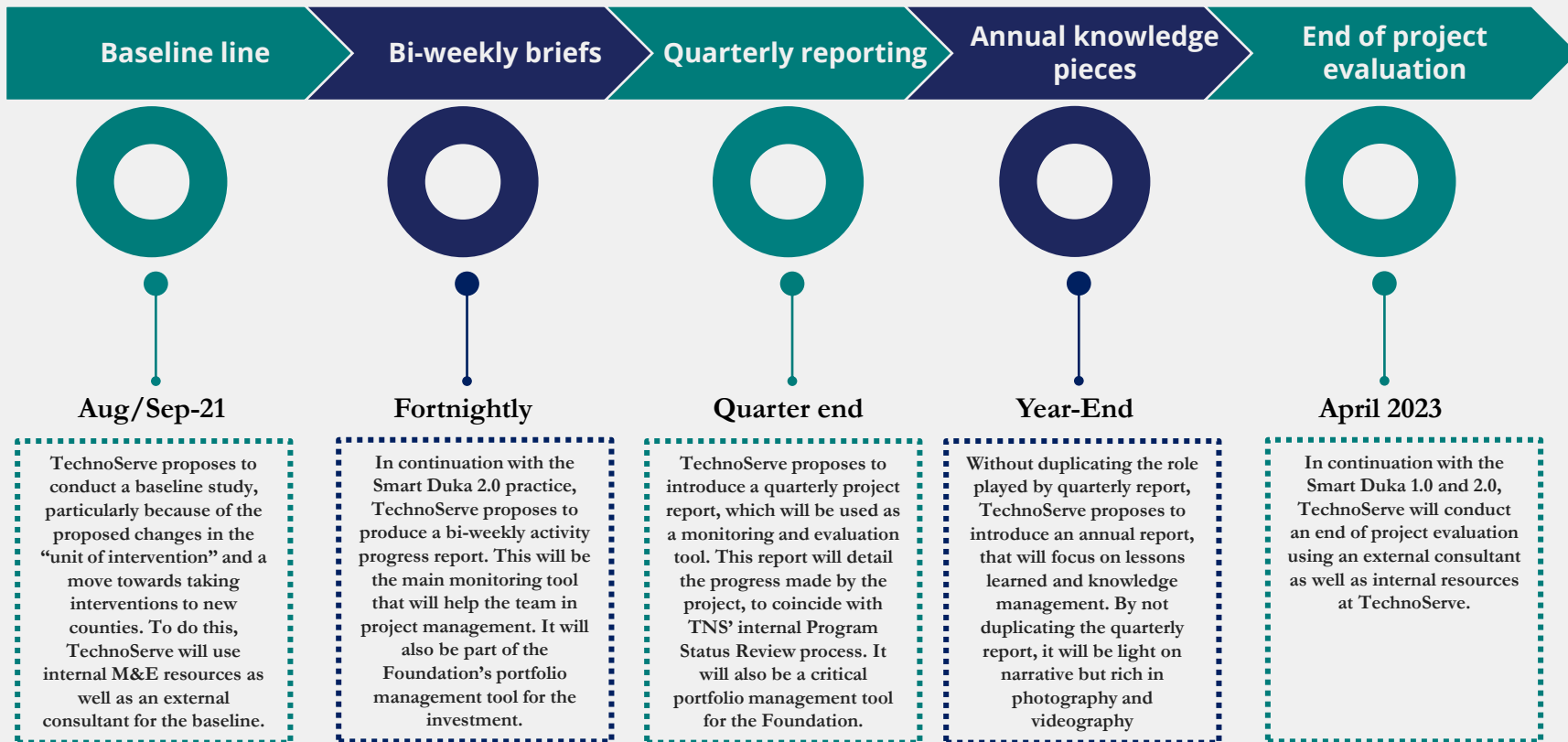
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Results and MEAL



# MEAL plan

At the core of the micro-retail work and results achieved through the Foundation’s investment, has been the lessons drawn from the market information and the responses from the market actors. TechnoServe has a robust MEAL practice that cascades to the micro-retail programmes. Smart Duka 1.0 and Smart Duka 2.0 have had rigorous MEAL activities that help the project keep tabs on the results in a real-time manner. TechnoServe proposes to keep this component to ensure those good project standards are marinated, and that results are tracked for their impact and their trueness and correctness.



## Ad hoc evaluation and reporting products

TechnoServe also commits to produce other reporting products that may be requested from time to time by the Foundation



“After my time in the Smart Duka Programme, I now have a POS system in my Duka that helps me capture sales and keep record.”

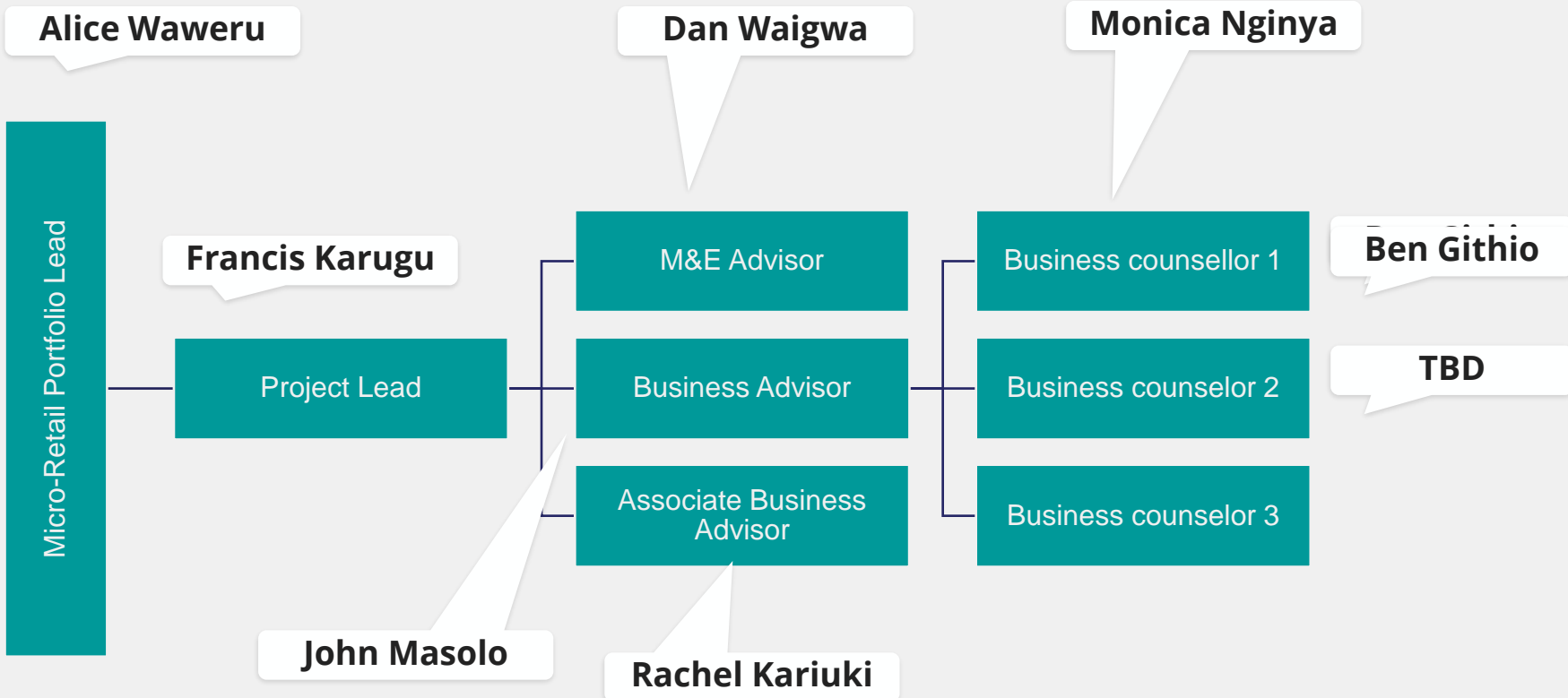
*-Member, Kangemi Duka Owners Association, Kenya*

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Budget and Team Composition



# Team Composition





# Risks and Mitigation

We fore see the following risks:

RISK	MITIGATION
1 Political risks (elections and plebiscite) to happen in 2022 during project life	Staff and beneficiary sensitization ahead of police upheavals
2 Foreign exchange disruptions shilling have been volatile	Closer budget monitoring
3 Beneficiary dependency	Transferring direct beneficiary engagement to the regional associations
4 COVID-19 uncertainty	Digital engagement
5 Digital engagement uncertainties	Use of information from sister companies

# Thank You

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