

Kenya SME Go-To Market 2021



Viffa Consult



Are SMEs winking in The Dark?

Introduction

Advertising new products or services by any business especially SMEs is important to create awareness to current and potential customers.

A large proportion of MSMEs do not market/advertise their goods or services at all and instead depend on the quality of products and clientele satisfaction as their marketing tool (KNBS MSME Report 2016). According to the report most SMEs opined that to solve the problem of marketing government must assist in market promotion and to provide an enabling environment for fair competition.

The challenge of marketing is further compounded by little to no value addition leading to lack of competitive advantage hence little to no solid value proposition by Kenyan SMEs locking them out from both national and export markets.

Despite a low ecommerce market penetration of 0.5% according to communication Authority of Kenya; ecommerce has provided SMEs with an alternative channel for existing customers as well as access to new customers both locally and internationally driven majorly by constraints imposed by COVID 19. Viffa conducted its 2nd edition SME go to market survey in March 2021 with goal of establishing sales and marketing strategies used by SMEs. The following were the study's key objectives;

- 1-Establish sales and marketing practices as well level of adoption of eCommerce
- 2-Establish challenges in adopting eCommerce
- 3-Establish effect of covid 19 on marketing capabilities

Study Methodology


Study tool

Sample Size

Sample Design


Online & Telephone Survey

113

Purposive {Counties; Nairobi, Kisumu, Machakos, Kiambu, Eldoret, Mombasa, Nakuru} Random {Within counties}

Contents

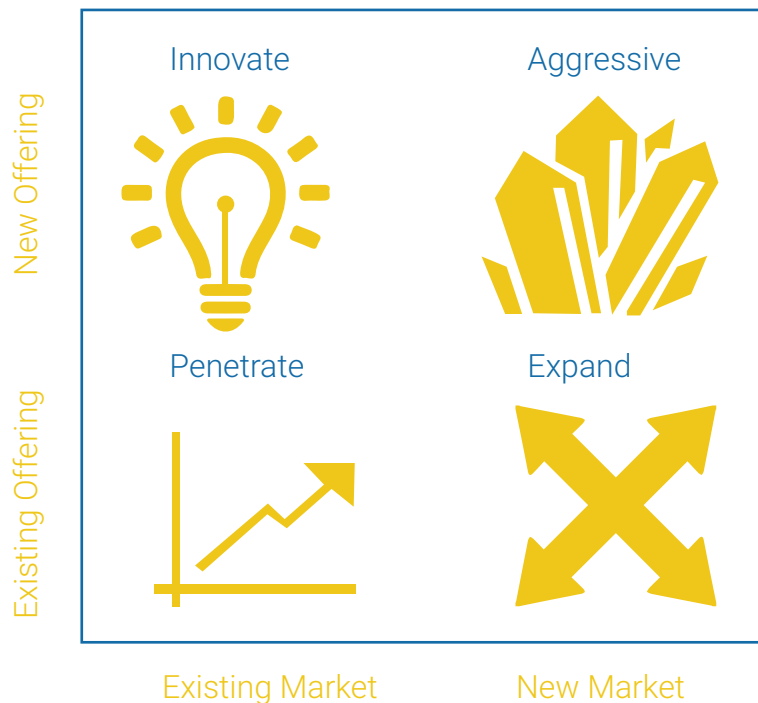
- Introduction.....2
- Study Methodology.....2
- Results.....4
- Go to market used in 2020.....4
- Value Proposition to Customers {Reasons why customers come to your Business}.....5
- Customer Acquisition in 2020 {How the Business got customers in 2020}.....6
- Customer Type Distribution.....6
- Barriers to adopting ecommerce into Business (Buying-Selling Online).....6
- Marketing and Sales Channel used in 2020.....7
- Mode of payment most preferred by customers.....7
- Point of payment most preferred by customers.....7
- Effect of Covid-19 to sales & marketing activities.....8

Results

Go to market used in 2020



Illustration 1: Market Innovation



Based on the above illustration 1 SMEs are applying the following market innovation

- 1.Expansion** {Selling existing Products to New Customers}
- 2.Penetration** {Selling Existing Product to Existing Customers}
- 3.Innovation** {Selling New Product to Existing Customers}
- 4.Aggressive** {Selling New Product to New Customers}



SMEs are deploying a variety of marketing strategies with majority focused on selling existing products to both current and new customers especially SMEs in tourism and Hospitality sub sectors who are shifting product offering to local market

There is also a notable trend of SMEs closing shop to open new ventures or diversifying by opening new ventures leading to application of innovation and aggressive marketing strategies as per the above illustration 1

Value Proposition to Customers {Reasons why customers come to your Business}



Low
Product
Cost



Excellent
Service



High
Product
Quality

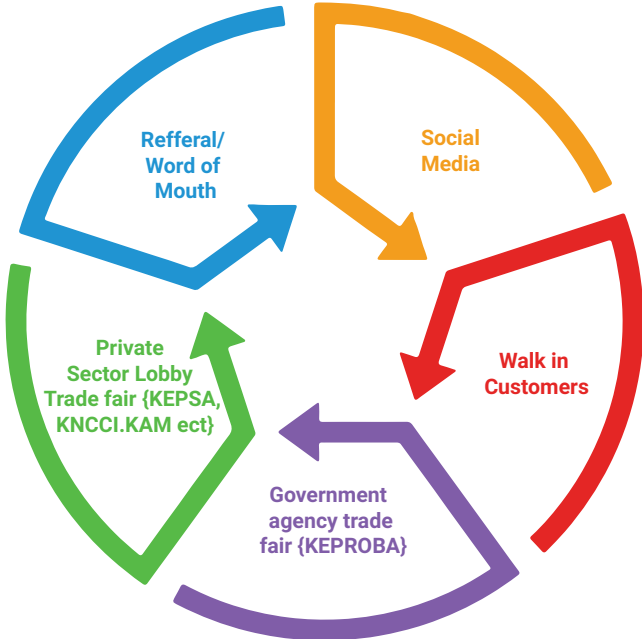


Legal
Requirement

Insight

- Majority of SMEs ride on the shaky advantage of low prices. This is risky due to the fact that it leads to thin profit margins hence breaking even is made impossible as well as exposure to stiff competition from well capitalized competitors leading to closing of business.
- Excellent service and high quality featured majorly in service sector SMEs such as hospitality, business services, education, tourism, IT and media and entertainment among others with manufacturing and agriculture ranking service excellence and product quality low.
- The value proposition of legal requirement featured in SMEs in regulated sectors such as Insurance and Aviation

Customer Acquisition in 2020 {How the Business got customers in 2020}

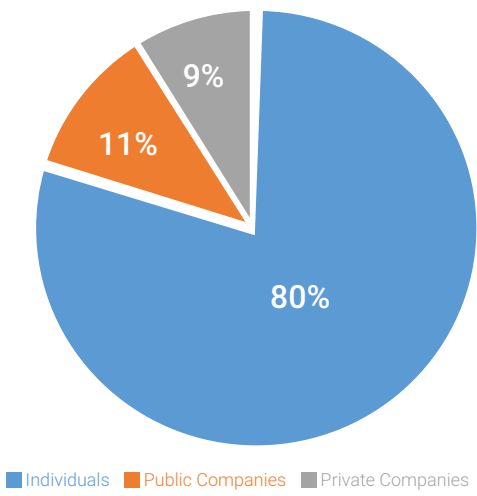


Insight

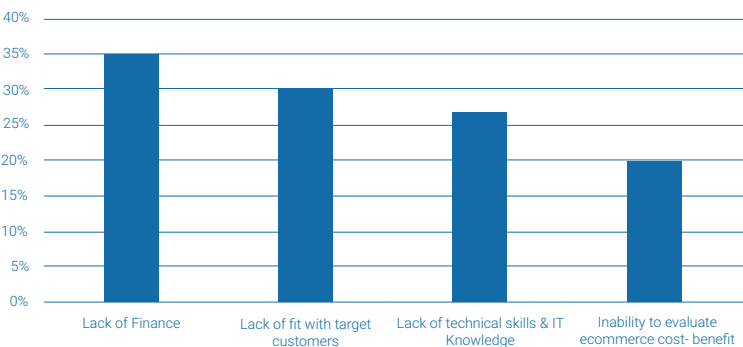
SMEs majorly rely on referral/ word of mouth, social media and walk in to get new customers. Although these channels are powerful; except social media the rest are sub optimal when it comes to large scale customer acquisition nationally as well as for export market in East Africa community (EAC), Africa (AFCFTA) among other export markets.

SMEs must develop deep competitive advantage underpinned on solid product value proposition combined with investment in end to end e-commerce to enable them compete globally.

Customer Type Distribution



Barriers to adopting ecommerce into Business (Buying-Selling Online)



Marketing and Sales Channel used in 2020



Facebook



WhatsApp



Walk in customer



Instagram



Third party ecommerce platform eg JUMIA

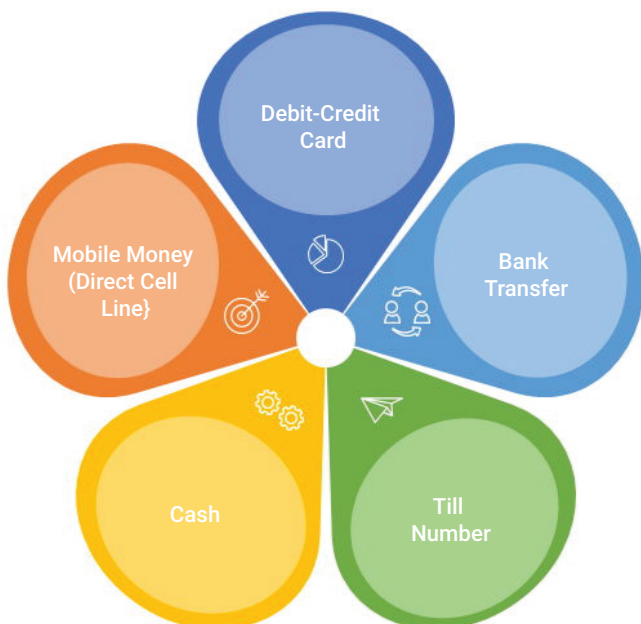


Website

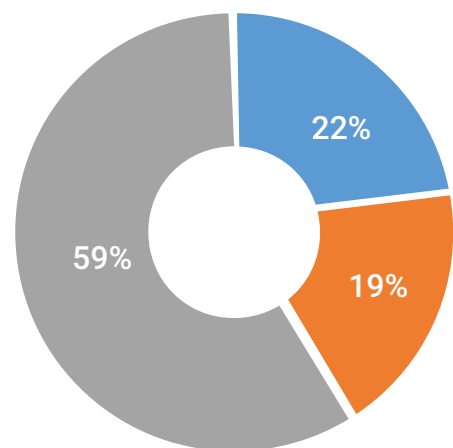
Insight

SMEs using Facebook and WhatsApp channels often sell through open or closed groups such as Kilimani mums among others.

Mode of payment most preferred by customers



Point of payment most preferred by customers



■ Payment on delivery
 ■ Payment upon confirmation of order
 ■ Payment after delivery

Effect of Covid-19 to sales & marketing activities

1 **Reduced Customer Foot Traffic**

2 **Increased Inquiries from Social Media and website**

3 **Increased inquiries via website**

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