



Kenya SME Go-To Online Market 2022



Viffa Consult
Unlocking Africa's Entrepreneurship Spirit

| Mission Critical Crossroad

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. Economic slow down due to COVID 19 had a negative effect on SME operations which further underscores the dire need for marketing innovation by SMEs as part of building resilience and subsequent recovery.

Despite a low ecommerce market penetration of 0.5% according to communication Authority of Kenya; ecommerce has the potential to provide SMEs with an alternative channel for existing customers as well as access to new customers both locally and internationally.

Viffa conducted its 3rd edition SME go to market survey in May 2022 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	Online & Telephone survey
Sample Size	107
Sample Design	Purposive {Counties; Nairobi, Kisumu, Machakos, Kiambu, Eldoret, Mombasa, Nakuru} Random {Within counties}



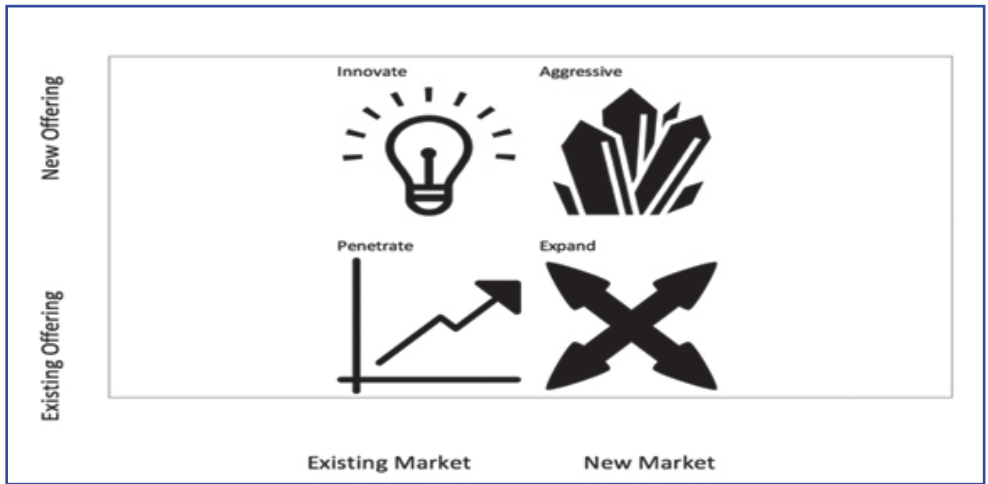
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Results





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

1. Expansion both local and international {Selling existing Products to New Customers}
2. Aggressive {Selling New Product to New Customers}
3. Innovation {Selling New Product to Existing Customers}
4. Penetration {Selling Existing Product to Existing Customers}

Following the reopening of the economy, SMEs are deploying marketing strategies that aim at recovery of lost sales through; expansion of sales outside traditional customer base, new product development or diversification of products offered and increased sales to their traditional customer base.

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}

Excellent Service

1

Low Product Cost

2

High Product Quality

3

Legal Requirement

4

- 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.
- Majority of SMEs ride on the unsustainable 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 especially for wholesale retail SMEs. SMEs in manufacturing ranked low product cost as its highest value proposition while product quality as its lowest pointing to a need for systematic support to improve quality and market linkage
- The value proposition of legal requirement featured in SMEs in regulated sectors such as Insurance and Aviation

Customer Acquisition in 2022 {How the Business got customers in 2022}

1

Referral/ Word of Mouth

2

Social Media

3

Walk in Customers

4

Government agency trade fair {KEPROBA}

5

Private Sector Lobby Trade fair {KEPSA, KNCCI.KAM ect}

6

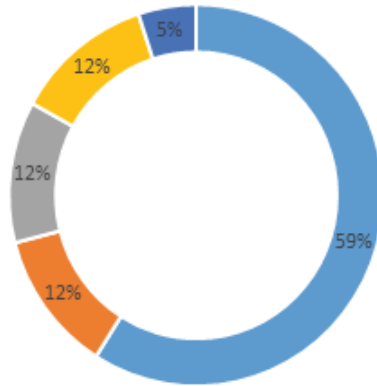
Third party website (Jumia,Jiji etc)

SMEs majorly rely on referral/ word of mouth, social media and walk in to get new customers. Although social media is sighted as top customer acquisition channel; SME respondent indicated need for capacity building to fully harness the potential of social media combined with the need for seamless logistic support for last mile delivery to customers.

SME respondents indicated the need for new international market especially in continental through AFCFTA and global supply chain through sub-contracting by multinationals

Customer Type Distribution

Customer Type Distribution



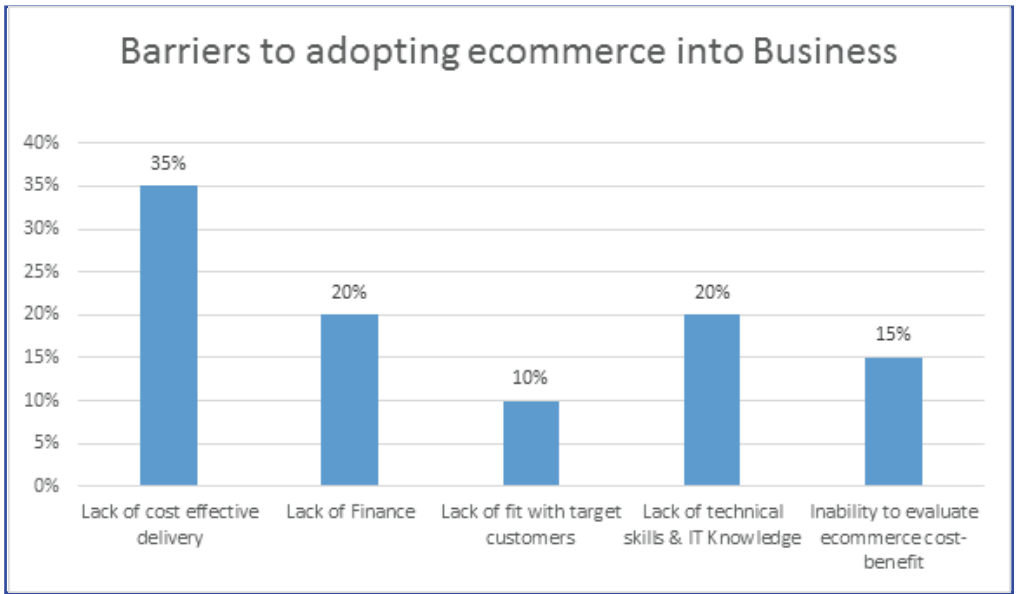
■ Individuals ■ Private Companies ■ National Government ■ County Government ■ CSO/NGOs

Insight

Individual customers are the major customer type (59 percent), followed by; private companies, national and county government (all 12 percent) and civil society organizations (5 percent)

There is need by SMEs to develop of B2B market which holds a higher value potential as opposed to individuals (B2C).

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



Marketing and Sales Channel used in 2022



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



Mobile Money
(Direct Cell Line)



Cash



Till Number



Debit-Credit
Card



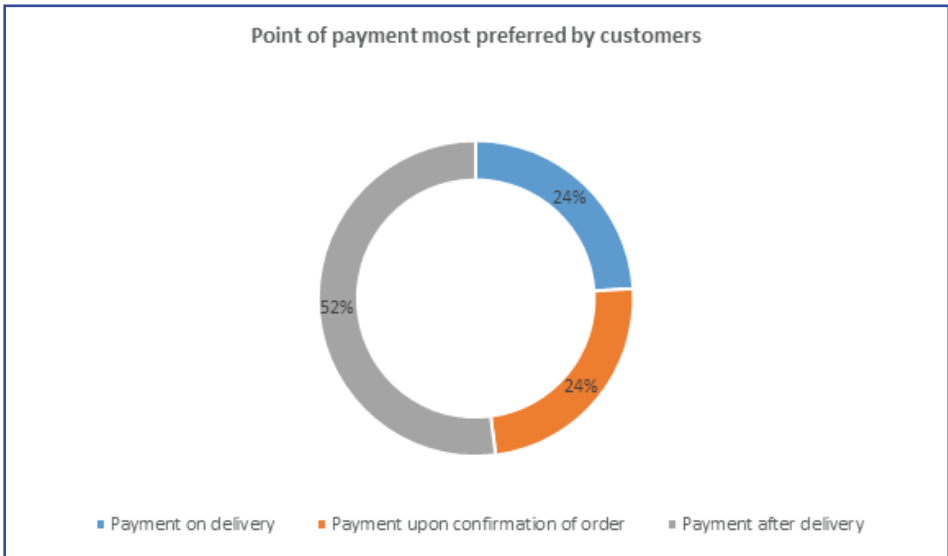
Bank Transfer

Insight

Most preferred mode of payment by are direct payment to personal mobile line or cash withdrawal from Mobile money agent, cash payment, payment through till number, debit/credit card and bank transfer/cheque.

There is need for stakeholders to develop a payment receipt mode that is cost friendly (B2C and B2B) and that allows for organizational of transactional data to allow SMEs access finance

Point of payment most preferred by customers



Effect of Covid-19 to sales & marketing activities

