



KENYA SME  
**TECHNOLOGY  
ADOPTION INDEX**

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2020

Information technology has in the past decade been increasingly transforming businesses in Kenya either by an increase in number of businesses that are IT based or businesses that leverage on IT. Covid 19 has accelerated adoption of information technology to varying degrees depending with business sector, leadership philosophy and size.

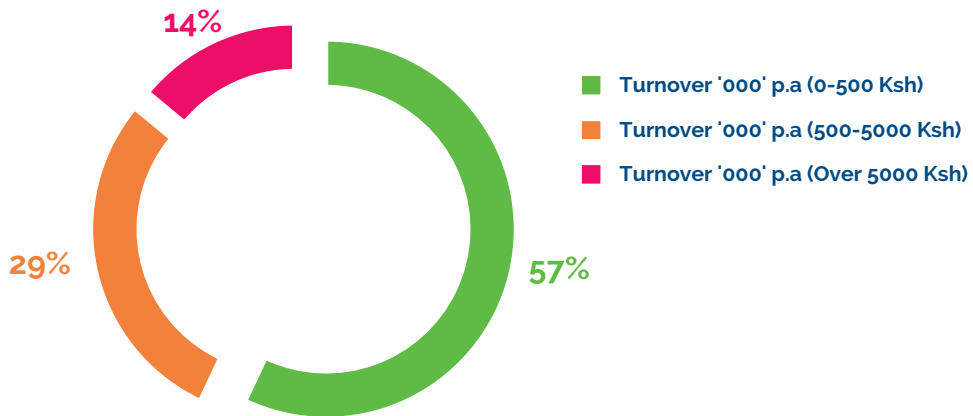
IT has in most parts changed business operations, business models, customer interactions and marketing among others and has led to significant improvement in business performance underpinned on solid competitive advantage.

Apart from challenges of finance, markets and management skills among others information technology a subtle SME challenge which permeates all economic sectors and business ecosystem in Kenya has received little attention.

Viffa conducted its second edition of SME technology adoption survey in the month of May that sought to understand how SMEs are interacting with information technology and establish specific challenges in adoption of information technology as well as recommendation on how best to leverage of technology to improve SME performance.

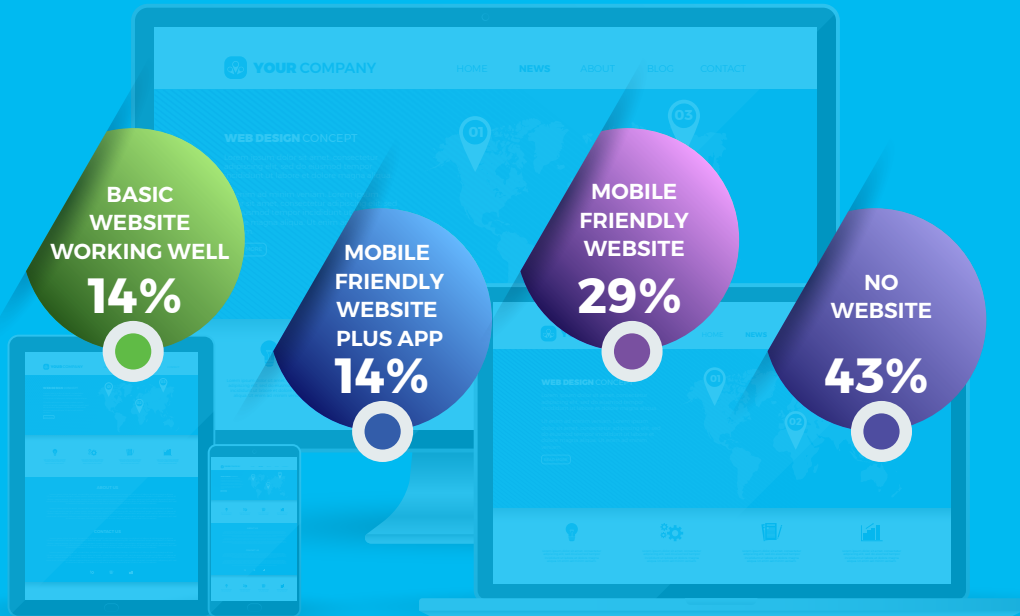
# RESULTS

## Business Size Distribution



## Website Status

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## Social Media Usage

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Facebook



Instagram



Twitter



WhatsApp



LinkedIn



Skype



No Social Media



YouTube



Pinterest

## Insight

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SMEs have a strong preference for social media as compared website as a marketing and customer interaction channel. Over 50% of SMEs indicated they used basic social media with customer numbers growing organically without paid advertisement not utilized due to lack of Mpesa integration as they didn't have bank credit/debit cards.

## IT Hardware mostly used



Smartphone



Laptop



Desktop



Tablet



Printer



Private Server

## Insight





Businesses with annual turnover of below Ksh 5 M (Micro-Small) continue to use smartphones as primary gadget to makes sales, receive payments, marketing via social media.

Medium enterprises (Annual turnover of over Ksh 5M) comprised over 97% of businesses that utilized Laptop, desktop, printers and servers.

## Online Activities

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### Tasks that SMEs are conducting online

- 01**  Use E-commerce to sell product/service to customers
- 02**  Use online mobile device management
- 03**  Use E-commerce to purchase supplies
- 04**  Manage accounting & payroll online
- 05**  Use online content management system
- 06**  Conduct meetings remotely

## Insight

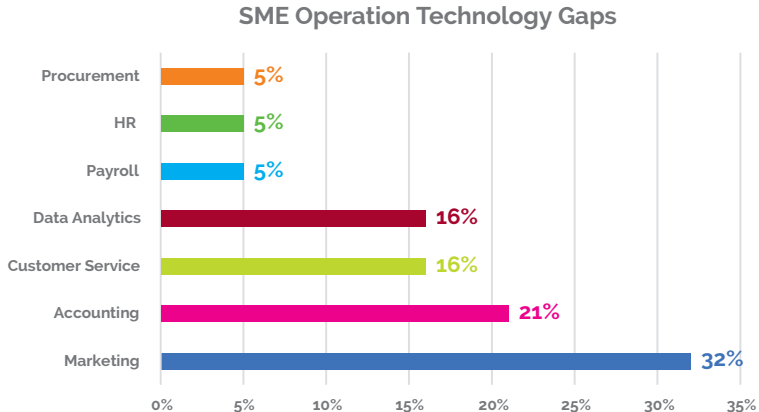
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**40%** of SME respondents indicated they sold product/ service online via social media with payment received on personal telephone lines as well as delivery done with support of local boda boda and matatu.

**3%** of SME respondents indicated using third party ecommerce platform with payment and logistic integration.

## SME Operation technology gap

### Business area of operations that could benefit from technology



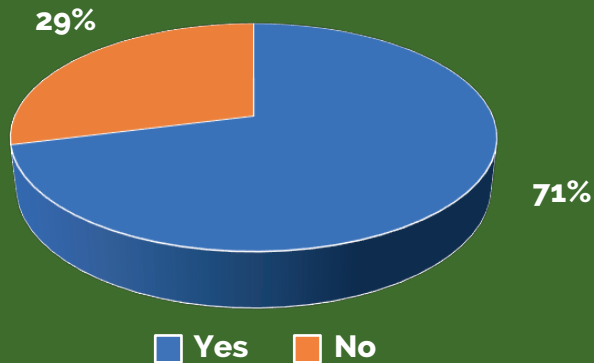
### Insight

Although SMEs are using social media and website as channels for marketing, most still are not optimizing with challenges of; lack of branding, inefficient payment infrastructure that doesn't cater for SMEs who don't have bank accounts hence can't pay for online marketing services and sub optimal logistics.



## Usage of cloud-based services

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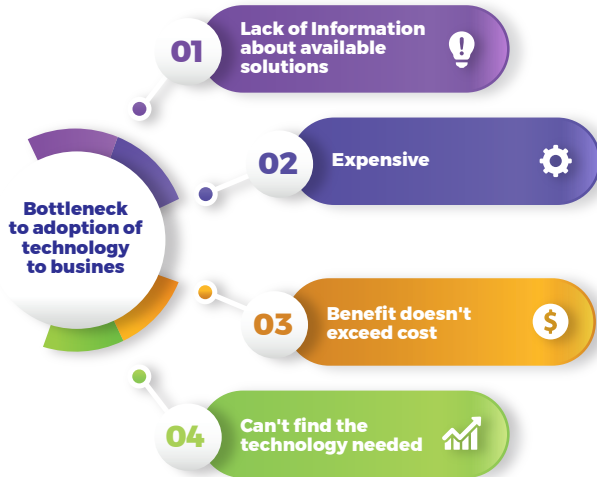
## Insight

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**71%** of SME respondents indicated they used cloud services that ranges from Gmail, yahoo, dropbox and amazon services among others while **29%** indicated they had not used such services. SMEs that used cloud services over **60%** indicated they used these services both for personal use as well as for their business.

## Bottleneck to adoption of technology to business

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### Insight

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The challenges of adoption of technology by SMEs forms a strong case and market opportunity for Kenyan startups to develop effective and cost friendly products to solve marketing, accounting, tax, customer service among others.

## **Conclusion**

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The covid 19 pandemic has forced the hand of SMEs especially in wholesale-retail to adopt and accelerate uptake of various aspects of technology in order to survive.

The current SME sector distribution of wholesale, retail, motor vehicle and cycle report, food service and accommodation (KNBS 2016) is not optimal in terms of capturing significant value in the market leading to low pay even with adoption of technology for efficiency as well as innovation. Further with formal retail penetration less than 30% as well as ecommerce below 2% (UNCTAD) coupled with reduced disposable income adoption of technology by SMEs may not have significant impact on their income levels during or even after covid 19 pandemic.

SMEs therefore must strive to exploit agriculture and manufacturing which have the potential of capturing greater value in the market if well executed and integrated with technology due to sustained demand for products in the respective sectors.

Example of market opportunities in these two sectors are; Kenya's top food import are Rice, Palm oil and wheat (Kentrade 2018) as well as Government top import between 2013-2017 were furniture, textile, machinery totaling Ksh 38bn (Central Bank of Kenya).

SMEs can tap into these marketing opportunities in agriculture as well as manufacturing by either directly engaging in the complete value chain or outsourcing inputs to third party contractors and managing the customer facing side underpinned on technology.



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