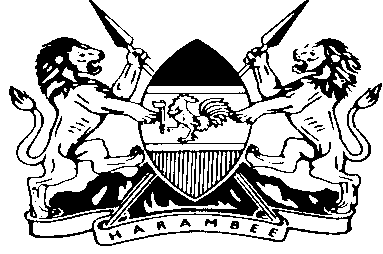
**REPUBLIC OF KENYA**





**A CONCEPT PAPER**

***ON***

***THE ESTABLISHMENT OF “TIER 1” RETAIL MARKET FOR ATHI RIVER***

**SUBMITTED TO**

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# ACRONYMS & ABBREVIATIONS

CBD Central Business District

CCN City Council of Nairobi

EIA Environmental Impact Assessment

ERS Economic Recovery Strategy

FPEAK Fresh Produce Exporters Association of Kenya

GDP Gross Domestic Product

GTZ Deutsche Geseilschaft fur Technische Zusammenabeit

HCDA Horticultural Crops Development Authority

KEBS Kenya Bureau of Standards

KENFAP Kenya National Federation of Agricultural Producers

KEPHIS Kenya Plant Health Inspectorate Service

KEPSA Kenya Private Sector Alliance

KfW Kreditanstalt fur Wiederaufbau

KNBS Kenya National Bureau of Statistics

MOA Ministry of Agriculture

MOLG Ministry of Local Government

MOT Ministry of Trade

MT Metric Tonnes

NEMA National Environment Management Authority

PCPB Pest Control Products Board

SMEs Small and medium sized enterprises

TORs Terms of Reference

USAID United States Agency for International Development

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We look forward to a continued professional relationship for the mutual benefit of ourselves and the Ministry as we strive to achieve the goals of Vision 2030

We wish to stress that the opinions expressed in this concept paper

are purely those of Solarmart Consultants.

## EXECUTIVE SUMMARY

Kenya’s 2030 vision for the retail market sector is to “move towards a regulated formal sector that is efficient, multi-tiered, diversified in product range, and innovative” to utilize the vastly untapped potential and be a key driver in boosting formal employment opportunities. Retail trade will be one of the key sectors in the economic development of Kenya, given its important link with production and consumption, both of which are expected to expand substantially as the economy heads to a 10 per cent growth rate. Informal and formal trade in Kenya accounts for approximately 10 per cent of GDP and 10 per cent of formal employment. It is further anticipated that in formalizing the sector, the government will be able undertake the following interventions, among others:

* To strengthen the capacity of informal retail sector operators so that they can gradually become integrated into the formal sector and can grow into sustainable small- and medium-sized businesses.
* To strengthen retail activities through an improved business environment, provision of quality infrastructure, and certification of products; and
* To establish a duty-free zone to create a business hub for the Eastern Africa region and to take advantage of Kenya’s geographical position; “to bring Dubai to Kenya”.

The main objective of this consultancy was to formulate a detailed Concept Paper that will give guidance on the establishment of a model “Tier 1” retail market in Kenya, beginning with Athi River Town as a pilot that will be capable of being replicated in the rest of the country.

In line with the terms of reference for this assignment, the consultants have prepared the Athi River retail market site master plan that consists of two key components:

(i) an overall layout of infrastructure and individual buildings **and,**

(ii) a written statement of the plan's intentions including its phasing and costs.

The proposed master plan synthesizes all the factors that influence the management and operation of a retail market, such as planning objectives, , physical location and size of plot factors, demographic factors, environmental management and climate factors among others. The concept paper reviews relevant waste management factors within the framework of sustainable environmental management and makes appropriate recommendations for inclusion in the project design stage of the Athi River model and subsequent ones to be developed in the rest of the country. The concept paper also reviews and proposes available business model options for consideration by the Ministry of Trade to consider for adoption for subsequent implementation,

The role of Private Public Partnerships (PPPs) is discussed generally with specific reference to its application in areas such as infrastructural development and other development and/or operational parameters ; reference has been made to the relevant applicable legislative measures and their inherent implications for the implementation of these proposals.

An appropriate exit strategy is proposed in the concept paper, to be based on the model to be adopted for implementation as a Tier 1 retail market model, to be replicated country-wide.

The highlights of the major recommendations include the following:

* That the Ministry of Trade (MOT) engages the relevant stakeholders in validating the proposals made in this concept paper
* That MOT engages the relevant authorities and/or agencies in identifying and finalizing the allocation of the site for project implementation
* That MOT urgently carries out a retail business census in the wider catchment area of the proposed Athi River Tier 1 Model 1 retail trade market site to determine potential demand for the products and/or services proposed for the model market
* That MOT adopts the proposed concept paper that outlines the Athi River retail market site master plan ( with the associated layout of proposed infrastructure and the anticipated phases and costs indicated for replication in other Tier 1 model retail markets as appropriate, country-wide
* That MOT considers partnership with the private sector under the Private Public Partnerships to facilitate the construction, ownership and management of the proposed modern Tier 1 model retail market at Athi River Town.
* That the Ministry considers various options of an exit strategy after 10 years through offering its shares to the public through an Initial Public Offering (IPO) of shares to interested and affected stakeholders among other options

# CHAPTER ONE: INTRODUCTION AND BACKGROUND

**1.1 The Ministry of Trade: Vision and Mission**

The Ministry of Trade is vested with responsibility for the development and implementation of the trade policy, the promotion of retail and wholesale markets, the development of micro and small businesses, fair trade practices and consumer protection, private sector development and international trade affairs. In order to attain this mandate effectively and efficiently, the Ministry is involved in championing the promotion of both domestic and foreign trade through creation of an enabling environment for business both for local and international investors.

**Vision and Mission of the Ministry of Trade**

The Ministry’s vision is “***to be a global leader in promoting trade, investment and private sector development...”*** Its mission statement is: “***to facilitate trade and investment by championing an enabling environment for domestic and export business to thrive”.***

Resulting from the launch of the Economic Recovery Strategy in 2003 and the subsequent adoption by the government of Vision 2030 as its blue-print in spearheading the country’s development into a globally competitive and progressive country with a high quality of life by the year 2030, the Ministry of Trade has made significant progress in adapting itself to meet the challenges involved. More specifically, the Ministry has embarked on three key flagship projects within the framework of the Economic Pillar component of Vision 2030 with a view to the provision of ***a better and more inclusive wholesale and retail sector****.* They include the following:

1. The construction of at least 10 wholesale Hubs and 1,000-1,500 Producer Business Groups (PBG), starting with a pilot one in Maragua, Central Kenya
2. The building of at least 10 “Tier 1” retail markets (starting with a pilot in Athi River Town).
3. The Building of One Free Trade Port in Mombasa in order to “bring Dubai to Kenya”by creating a duty free port*.*

In order to address the objectives of flagship project no 2 above, the Ministry therefore commissioned the Solarmart consultants ltd to **“Formulate a Detailed Concept Paper of a Model “Tier 1 “Retail Market for Athi River Town** to serve as a model pilot for the entire country with a view to attaining the building of the ten Tier 1 model retail markets.

**1.2 Rationale for the Concept Paper**

Some of the inherent challenges around retail trade sector revolve around capacity to facilitate the integration of formal and informal sector in order to enhance sustainable businesses management practices; other challenges include an inadequate business environment, fragmentation, inadequate legal framework, inefficiencies along the supply chain, lack of coordination, limited (and unsatisfactory) tenure arrangements, lack of research and development and training and numerous other challenges.

The main rationale for the concept paper study was to consider the main constraints and challenges facing the agricultural sector (particularly agribusiness) with respect to retail marketing and infrastructure in as far as retail trade is concerned, with a view to facilitating the achievements of the following benefits, among others:

* Increased marketed volume of produce generating additional incomes to farmers and traders, coupled with increased production and earning capacity
* Increased employment and income earnings at the various levels of the value chain right from inputs supply to consumption;
* Financial savings resulting from improved marketing efficiency
* Increased revenue collection on the part of county government as a result of increased volume of produce from various market centres,
* Reduced cost to consumers as result of improved marketing efficiency
* Increased exports as a result of improved hygiene conditions in products/produce markets, and,
* Improved health on the part of products/producers and consumers
* Better quality products and stable prices for consumers
* Facilitation of market linkages (networking) among a diversified range of farmers/producers

**1.3 Objective of the Consultancy**

The main objective of this consultancy was to formulate a detailed Concept Paper that would give guidance on the establishment of a model “Tier 1” retail market in Kenya, beginning with a pilot one at Athi River Town, capable of being replicated in other parts of the country.

**1.3.1 Specific objectives**

1. To carry out a situational analysis on existing retail markets within the country.
2. To determine the appropriate space required for a model retail market.
3. To propose waste and refuse management systems.
4. To advice on simple value addition processes.
5. Propose an appropriate exit strategy.
6. Advice on Public Private Partnerships and legal implications.

**1.4 Tasks and Deliverables**

These have been included in the main report. They included the process of data collection, analysis and the production of a concept paper for consideration for implementation by the Ministry of Trade.

**1.5 Approach and Methodology**

A detailed approach and methodology has been submitted in the final report; it included debrief meetings, literature review, interviews, field visits, website/internet searches. Stakeholder consultations and a site visit.

# CHAPTER TWO: SITUATIONAL ANALYSIS OF RETAIL MARKET SECTOR

**2.1An overview of the Retail sector**

The **retail trade** subsector comprises of enterprises generally engaged in retailing goods and services without transforming the physical nature of the product except bulk breaking. These enterprises fall into various categories which include the general retail shop or specialized retailers such as food, beverages and tobacco; butcheries; oil and Petrol/gas dealers; building materials, timber, and domestic hardware. Others deal in textiles, soft furnishings, clothing and shoes; photography; pharmaceutical goods; restaurants, cafes and other eating and drinking places etc.

These enterprises comprise the bulk of the small and medium enterprises in Kenya, especially small shops and stores. There are emerging retailing trends where supermarkets, shopping and “exhibition” malls are springing up in major urban centres. It is also notable that retail trade enterprises are mainly based in urban areas and their products are seemingly dominated by export products originating from China etc.,

In most cases, the *modern retail trade* includes hypermarkets, supermarkets, grocery stores, convenience stores, and independent specialized stores that are either independent businesses or parts of retail networks. Examples of retail sale outlets vary depending on the nature of their business which cover a spectrum of provision of goods, services and/or products. They include hypermarkets, supermarkets, discounters, independent grocers, free-standing food specialists, some of which exist in Kenya such the Uchumi chain, Nakumatt among others.

The retail trade sub-sector has great potential for employment creation due to its relative ease of entry. Retailing accounts for approximately 40% of all sales worldwide but, with time, most traditional food retailers have expanded their businesses to include non-food retailing; it is anticipated that the same trend will occur in Kenya.

This concept paper focuses predominantly on agricultural produce retailing; it, however, attempts to cover other major retail product categories (non-food products) such as home furniture and related household goods, leather wood, building and construction, textiles, food processing, ICT and other categories drawn from within the SME cluster groups within the Ministry of Trade. This is mainly on the premise that the retail sub-sector faces a number of constraints and challenges that require to be addressed holistically for the sector to thrive.

**2.2 Retail Markets in Kenya**

These are categorized into public and private retail markets. Some of them operate strictly as retail outlets, others as both retail and wholesale, and others on an informal basis as small and/or medium scale while some operate on an individual basis (including hawkers) in different parts of the country, as the structure (including characteristics) below indicates:

**Structure of Kenya’s Retail sector**



***a Public retail markets***

Public retail markets are often managed by respective local authorities in designated and non-designated areas and include tenant purchase stalls, rental public stalls, open air markets, self-constructed markets and open air markets, typical of the retail markets visited by the consultancy team in Nairobi, as shown below:

**Types of Public Retail Markets in Nairobi** *(Source: Nairobi City Council)*

|  |  |  |  |
| --- | --- | --- | --- |
| **Type of Market** | | **Total number of markets** | **Total Number of stalls** |
| a | Tenant Purchase Scheme | 5 | 1,227 |
| b | Rental Stores | 16 | 3,318 |
| c | Self -Constructed | 5 | 2,409 |
| d | Open Air Markets | 22 | N/A |
| **Total** | | **48** | **6,954** |

### Among the retail /wholesale markets visited in Nairobi, the Wakulima market emerged as a significant one given the ultimate ramifications the recommendations made in the concept paper are likely to have by way of enhancing the role of agricultural sector in Vision 2030 (both in enhanced food security, provision of employment among other benefits) and its emerging importance in the retail trade sector. The market serves both as a retail and wholesale outlet to a varied clientele ranging from institutional consumers, street vendors, individuals and retailers based in residential areas within and outside the city and beyond. The sources of agricultural produce sold in Nairobi alone were noted to include all parts of the country extending beyond the border to include Tanzania and Uganda, as shown in the figure below:

### Sources of Agricultural Produce Sold in Nairobi Retail Markets

|  |  |  |
| --- | --- | --- |
|  | NOTHERN REGION (over 50%) |  |
|  | * Bananas (ripening): Murang’a, Kirinyaga, Embu, Meru, Maragua, Nyeri |  |
|  | * Pineapples – Thika |  |
|  | * Irish Potatotes – Meru |  |
|  | * Cabbages – Nyeri, Meru Laikipia East (Naro Moru); & Kiambu |  |
|  | * Tomatoes – Embu, Kirinyaga, Nyeri, Maragua, Murang’a |  |
|  | * Kales – Kiambu |  |
|  | * Mangoes – Meru Central & South, Embu |  |
|  | * Avocados – Meru, Kirinyaga, Murang’a, Thika, Maragua |  |
|  | * Paw Paws – Embu, Meru Central & South, Mbeere |  |
|  | * Onions – Meru South & Central, Nyeri |  |
|  | * Carrots – Kiambu, Nyeri, Meru |  |
|  |  |  |
| WESTERN REGION | **Northern Corridor** | EASTERN REGION |
| * Bananas (cooking)-Kisii |  | * Mangoes – Machakos, |
| * Kales – Kiambu, Nyandarua | **South & South East Corridor**  **Western Corridor**  **Eastern Corridor** | Kitui, Malindi, Kwale, Kilifi, Mombasa, Tana River |
| * Irish Potatoes – Nyandarua, Nakuru | * Paw Paws – Machakos, Makueni |
| * Cabbages – Nyandarua (Kinangop) | * Citrus – Machakos, Makueni |
| * Tomatoes – Narok, Nakuru | * Asian Vegetable – Makueni & Machakos |
| * Green Maize – Nakuru, Narok |  |
| * Carrots – Nakuru |  |  |
| * Onion – Narok, Bungoma * Maize –Kitale, Eldoret, Bungoma |  |  |
|  |  |  |
|  | SOUTH AND SOUTH EASTERN REGION |  |
|  | * Pineapples – Malindi, Kilifi |  |
|  | * Mangoes & Paw Paws – Machakos, Kitui, Makueni |  |
|  | * Tomatoes – Loitokitok |  |
|  | * Onion – Tanzania (70%), Loitokitok |  |
|  | * Citrus – Kwale, Kilifi (Export from Tanzania) |  |

***b Private Retail markets***

These fall into the proposed integrated retail trade concept and generally operate as hypermarkets, supermarkets, or specialty/department stores, free-standing food specialists, vending machines, light industries, etc. often dealing in agricultural as well as non-agricultural products and other non-food items; they include Nakumatt Holdings, Tuskys and Uchumi supermarkets among other examples.

The team noted that despite the rapid growth of private retail supermarkets in the country, they seem to have no significant impact or any major effect on the marketing of agricultural produce like fruits, vegetables, cereals or on fresh meat; neither is there a large presence of goods originating from the typical informal Kenyan market such as food processing, ICT, automotive, building and construction among other examples. In contrast, it was noted that whereas in Latin America and the Middle East, supermarkets dominate the trade in agricultural fresh produce, agribusiness and other small and medium enterprises, this is less apparent in Kenya.

## 2.3 Retail Marketing Channels

The retail marketing channel has various closely woven and integrated key players each having distinctive and integrated roles in the chain; the channel starts from the production stage(the farmer/producer) through retail and wholesale and/or to the processor (of the final product, marketers and the consumer (product and/or service) in the following diagrammatic representation:

**A Generic Marketing Channel**

**Source: Study Team**

The channels are as self-explanatory and include the following:

* Farmer/Producer-wholesale trader-retail trader channel
* Producer-broker-wholesale trader channel
* Producer-contracted retailer-institutions channel
* Producers-processors channel
* Producer retailer channel
* Farmer-Retailer-Consumer channel
* Farmer-intermediary-Supermarket System
  1. **Challenges and Constraints to retail trade sector**

**2.4.1 Policy and Legislative framework**

Retail trade is managed by a number of Acts of Parliament which in turn affect the effective management and coordination of the retail trade sector. References have been made to various Acts and some bye laws which have a direct link to the retail trade sector, for example, land allocation (Lands); agricultural produce, farming and marketing (Agriculture, Cooperatives), management of retail trade (Local authorities, MOT), environment (Environment), to mention just a few.

The team also noted that the current legislative framework/s, have made no provision for the other stakeholder participation including the private sector, other governmental and non-=governmental agencies at the grassroots level in some programmes that are have inherent overlaps across retail trade and agribusiness, among other programmes. Such programmes are diverse and are aimed at basic income generation, poverty alleviation, employment creation, slum upgrading, agribusiness, construction of markets etc. The more typical examples include the Ministry of Agriculture, The Ministry of Livestock Development, GTZ, UN-HABITAT, and USAID among others.

* + 1. **Infrastructure**

The team considered the following factors as impacting on infrastructure: market design and planning; physical location of the market, available facilities, provision of basic amenities(water, electricity, security) waste management(storage and/or disposal issues) and communication/transport.

A large number of markets visited by the team exhibited lack of and/or inadequate design of their structure/s; those that existed were based on outmoded designs and architectural designs. Lack of planned structures with the resultant overcrowded markets were common, not to mention the extent to which these have impacted on expansion plans, health and waste management challenges.

Coupled with inadequate planning of the facilities, there are no adequate preventive maintenance programmes; the local authorities to a large extent manage these markets in a reactive crisis-management style, further aggravating an already bad situation/s, which then impacts on quality service delivery standards. However, some markets, it was noted, seemed to be in better conditions, particularly those established under the Economic Stimulus Programme.

Some of the reasons given for the lack of planning and subsequent challenges resulting from lack of planning and outmoded designs of some markets was lack of consultation between respective local Authorities and stakeholders and non-enforcement of bye-laws regarding planning and design and development of the retail markets. Some open markets visited had no permanent structures, resulting in inadequate provision of basic amenities like water and electricity, sanitation and drainage, inadequate garbage disposal, poor hygiene conditions and also provision of effective security arrangements. It was noted that these and other pertinent challenges ought to be adequately catered for in the planning process which should be integrated and holistic in approach.

Poor road networks, particularly in rural areas have been identified to be a challenge in terms of hindering accessibility to markets, thus contributing to post-harvest losses and increased transportation costs. Appropriate modes of transport should be also be established to enhance a more active involvement of farmers/producers in the supply chain management.

### Management Systems and Processes

***a Organisation Structure and Capacity Building***

Most markets under Local Authorities have weak management structures and systems in place. There are no clear-cut roles and delineation of functions aimed at enhancing organizational effectiveness. Some of the markets are managed by market masters, some of whom have very low academic and professional qualifications. There are weak management linkages between the market management and other important stakeholders such as farmers, traders and/or producers of goods and services.

The majority of the retailers lack business management and entrepreneurial skills and as a result they are unable to expand; they do not maintain basic books of accounts, cannot sustain local and international business opportunities, and often make business decisions without adequate information. There is need to capacitate this group to enable them to participate more actively in the sector; the specific skills would revolve around business management trainings, access to business information and to inculcate entrepreneurship skills to retail traders.

***b Financial Management and Access to Business Finance***

There are inadequate systems of financial control and management (including records management) in many retail markets visited by the team, in turn resulting in low revenue earnings, thus limiting the ability of these markets to be financially viable. It was noted that the existing statutory guidelines are not flexible enough to allow ploughing back of revenue earned to be utilized for further growth and development of the retail markets. Although small and/or medium scale retail trade has grown tremendously, it is still beset by problems such as access to credit and/or business finance and human capacity to manage businesses professionally.

### *c Resource Management*

Besides poor records management due to the absence of effective management information systems in many markets, most equipment is also obsolete, for instance, data capture and storage equipment; there are no mechanisms for effective monitoring and evaluation, thus having negative implications for accountability and impeding on effective revenue collection and other aspects of financial management.

The equipment used by most of the visited municipal councils to capture and store data are obsolete.

## Marketing and agribusiness

The team noted the absence of information on marketing generally, especially with regard to agribusiness which is expected to play a significant role across both the agricultural sector and the retail trade sector is as far as Vision 2030 is concerned, more so given the anticipated make-up of the proposed tier 1 model market. As has been mentioned, a number of institutions, (public and private) are involved in a diverse range of agribusiness programmes which have inherent similarities and overlap with the anticipated ultimate goal/s that the retail trade is expected to achieve. These programmes involve horticultural marketing, construction of markets for farmers, promotion of value chains for specified products (e.g. crops, poultry etc.), dairy sector development among other examples. The team noted the absence of representation of the SME sector, particularly in the larger so-called hypermarkets visited, apart from small pockets of imported goods from other countries such as China. This is an area of great opportunity for the retail trade sector that cannot be overemphasized. The proposed model retail market will include components specifically originating from the Kenyan market in an attempt to enhance “build Kenya, buy Kenya” promotion.

A stakeholders’ analysis should be conducted in order to facilitate the development of systems to collect and disseminate market information from the markets to production areas in respective areas and to enhance effective collaboration and networking. This will go a long way towards strengthening the marketing strategy for the proposed tier 1 market/s in the long term. Other forms of price discovery and dissemination of marketing information should be encouraged.

* + 1. General Challenges

1. *Distortions in wholesale and retail trade sectors*

The high level of informality which characterizes Kenya’s wholesale and retail sector can result in several kinds of market distortions, particularly those relating to taxation, labor employment and produce marketing, as shown in the table below:

*Table: Informality distortions in wholesale and retail trade*

 *Source: Vision 2030,*

***b Value Chain supply constraints***

The table below summarizes the potential inefficiencies in the supply chain of Kenya’s wholesale and retail trade sector, specific to various categories ranging from food to non-food items; they include fruits and vegetables, meat and poultry, consumer goods, apparel, electronics and others.

*Table: Examples of supply chain constraints in the informal retail trade*

**Category**

**Supply chain structure**

•

Very fragmented supplier base

•

Many retailers get supply directly from farmers causing

significant transportation and coordination problems

**Fruits and**

**vegetables**

**Meat and**

**poultry**

•

Few suppliers for packaged meats with regional/

national reach; In the case of poultry, most retailers get

supply directly from farmers or small wholesalers

**Milk and dairy**

•

About 5 major suppliers with regional/national reach;

most local distributors obtain milk directly from farmers

**Beverages**

•

Branded beverages (e.g., soft drinks) have relatively

well organized distribution systems

**Consumer**

**goods**

•

Organized, tiered distribution structure, especially for

brands; mostly managed by producers

**Apparel**

•

Import large amounts of new and second

-

hand

garments

•

Many small suppliers

**Electronics**

•

Predominantly imported goods with about 2

intermediaries (importer and wholesaler) between

producer and retailer; well organized

Source: *Vision 2030,*

markets in Nairobi

•

**Too many small food**

**suppliers that**

**operate at sub**

**-**

**scale**

**levels resulting in**

**significant**

**wastages and**

**low productivity**

•

**Beverages and**

**consumer goods,**

**especially brands**

**have well organized**

**distribution systems**

•

**Not enough large**

**wholesalers with**

**regional or large**

**reach**

1. The team noted the inefficiencies as largely caused by structural problems along the supply chain, for example, a fragmented supplier base, too many /too few suppliers, insufficient suppliers available, predominance of imported goods among other problems. This may in turn affect pricing of commodities, encourage unfair competition and directly affect the performance of the retailer and/or wholesaler trade and in effect the consumer. More involvement of the SME is crucial.

**2.5 Political, Economic, Social, Technological, Legal and Environmental (PESTEL) Analysis**

|  |  |  |
| --- | --- | --- |
| **Political** | **Economic** | **Social** |
| * current political goodwill and trend towards favourable legislation | * Fiscal and monetary policy vis-à-vis resource allocation to the sector; * increase of interest rates and cost inputs, * economic incentives for the sector | * Effect of cultural beliefs and values on policy decisions (e.g. participation of women in “perceived” men’s activities) |
| **Technological** | **Environmental** | **Legal** |
| * Technological change e.g. computerized systems * Need for more resources etc. * Emergence of e-business * Impact on labour intensive industry. | * Environmental management challenges * EIAs for model 1 tier markets. | * Review of existing laws to enhance improved performance of the sector * Streamlined and consistent enforcement and compliance requirements |

**2.6 A SWOT Analysis Matrix of the Retail Trade Sector**

|  |  |
| --- | --- |
| **Strengths** | **Weaknesses** |
| * Clearly structured; informal; easy to participate in; * more employment creation opportunities, * flexibility-more adaptable to sudden changes etc. | * Fragmented legislation; prohibitive costs of doing business * Inadequate infrastructure-maintenance, services, congestion unhygienic conditions etc.; * Marketing infrastructure and management; weak management and marketing capacity/ skills |
| **Opportunities** | **Threats** |
| * Government policy of increased participation in informal sector in national economic development; participation in Vision 2030; * Improved legislative and policy framework and improved governance structures under the new Constitution * Possible participation in regional and international forums | * Loss of political goodwill to the sector-negative impact on investment opportunities * Inadequate access to credit/finance * Competition by supermarket chains particularly in urban regions |

In order to address the SWOT challenges the following measures are proposed:

|  |  |
| --- | --- |
| **Strengths** | **Weaknesses** |
| * maintain the status quo and improved performance in the specific sector programmes, e.g. continued enhancing legislative framework to enable the sector to thrive * active engagement with stakeholders | * address capacity and infrastructural inadequacies through appropriate capacity building programmes, * improved preventive maintenance,   Note: must be needs-based and demands-driven. |
| **Opportunities** | **Threats** |
| * create an enabling environment capable of encouraging local and international investors in the sector, * collaboration with regional and international retail trade sector stakeholders to enhance cross fertilization of ideas for enhanced improvement and participation of the local retail sector on an international platform | * develop risk management plans to facilitate improved management of the sector at all times, * ensure compliance with established governance structures to enhance equitable development, wealth creation etc. |

In summary, the government should facilitate the growth of a vibrant retail sub sector supported by well-established and functioning infrastructure and social amenities through the following measures:

1. Accelerate the ongoing efforts to remove barriers to retail trade;
2. Accelerate the ongoing initiative to reduce multiple licences;
3. Enhance measures to curb insecurity;
4. Improve economic infrastructure.

## 2.7 Global Retail Trade trends

The share of the top ten world retailers in global retail trade continues to increase, according to Deloitte & Touche consultants/analysts.

The expansion of retail formats such as convenience stores in many developed countries has been supported by restrictions on the development of large scale outlets due to concerns about the environment and competition. As a result, even “big box” retailers such as Wal-Mart and the Home Depot have started to develop new, smaller store formats for urban areas.

Europe and North America are the two most important regions for retail sales, generating about 60% of all world retail sales. As a single country, the United States has the largest retail market in the world. Ninety-three out of the 250 largest retailers are US-based companies. Examples of some of the global retail leaders as at the end of 2009 are shown below:

**Examples of Global Retail Leaders**

| **Name of company/ Country of origin** | **2009 retail sales (M USD)** | **Formats** | **Country of operation** | **% age retail business/country** |
| --- | --- | --- | --- | --- |
| Wal-Mart  Stores, Inc./  United  States | 344,992 | Cash & carry/warehouse  club, discount department  store, hypermarket/  supercenter/superstore,  supermarket | Argentina, Brazil, Canada,  China, Costa Rica, El Salvador,  Guatemala, Honduras, Japan,  Mexico, Nicaragua, Puerto Rico,  United Kingdom, United States | 11.10% |
| Carrefour  S.A./France | 97,861 | Cash & carry/warehouse  club, convenience/forecourt  store, discount store,  hypermarket/supercenter/  superstore, supermarket | Algeria, Argentina, Belgium, Brazil,  China, Columbia, Dominican  Republic, Egypt, France, French  Polynesia, Greece, Guadeloupe,  Indonesia, Italy, Malaysia,  Martinique, Oman, Poland,  Portugal, Qatar, Romania,  Saudi Arabia, Singapore, Spain,  Switzerland, Taiwan, Thailand,  Turkey, Tunisia, United Arab  Emirates | 2.30% |
| The Home  Depot, Inc./  United  States | 90,837 | Home improvement, non store | Canada, China, Mexico, Puerto  Rico, United States, Virgin Islands | 1.9% |
| Tesco plc. /  United  Kingdom | 9,976 | Convenience/forecourt  store, department store,  discount department store,  hypermarket/supercenter/  superstore, supermarket | China, Czech Republic., Hungary,  Japan, Republic of Ireland,  Malaysia, Poland, Slovakia,  Republic of Korea, Thailand,  Turkey, United Kingdom | 1. 25% |
| Metro AG/  Germany | 4,857 | Apparel/footwear specialty,  cash & carry/warehouse  club, department store,  electronics specialty,  hypermarket/supercenter/  superstore, other specialty,  supermarket | Austria, Belgium,  Bulgaria, China, Croatia, Czech  Republic, Denmark, France,  Germany, Greece, Hungary,  India, Italy, Japan, Luxembourg,  Republic of Moldova, Morocco,  Netherlands, Poland, Portugal,  Romania, Russian Federation,  Serbia and Montenegro, Slovakia,  Spain, Sweden, Switzerland,  Turkey, Ukraine, United Kingdom, United States,  Viet Nam | 0.65% |

**Source: the internet**

Although Africa does not appear among the major actors in retail trade sector, the team noted that some of the trends in terms of extension of franchise/s, expansion and/or diversification challenges would obviously be relevant to the retail sector in Africa generally, For Kenya, more specifically, these would be issues revolving around franchises as well as opportunities these would avail as a way of attracting international/foreign investors, the formation of joint ventures etc. At the government level, as far as retail trade is concerned, these would impact on efforts aimed at creating a conducive and vibrant investment market for retail trade.

## CHAPTER THREE: PROPOSED BUSINESS MODELS OF THE RETAIL MARKET

**3.1 Proposed Business Models: An Overview**

The cornerstone of all business models for inclusion of farmers and other small scale manufacturers is organizing them in order to reduce the costs they face in doing business as retail market traders. The retailers often prefer to work with organized farmers and/or small scale manufacturers rather than individuals, despite the increased bargaining power that groups can enjoy, to overcome problems such as dispersion of producers, diseconomies of scale, poor access to information, technology and finance, inconsistent volume and quality, lack of traceability, and management of risk. Producers may be organized by groups themselves, by the companies buying from the producers, or by an intermediary such as brokers.

The business models of the retail markets is proposed to be based on collaboration, co-investment and knowledge sharing between producers, suppliers, processors and retailers in order to achieve the multiple objectives of quality, safety and consumer assurance, reliability of supply, lower prices and sustainability,. Ultimately, the extent of collaboration and co investment depends on the nature of the product and the nature of the end buyer, but there is a general trend in most sectors and locations towards increased collaboration and co-investment among all chain participants. The most collaborative supply chains are for perishable commodities such as fresh vegetables, and certified products such as organic products.

All the models to be used seek to improve farmers’ other small/medium scale retail traders’ technical and managerial skills, to ensure consistent volume and quality of supply to buyers, and to develop stable trading relationships.

**3.2 Types of Business Models**

Popular models include the following: (i) Producer organization Business models; (ii) Buyer driven Business models; (iii) Intermediary Business models.

**i Producer organization Business models (POBM)**

These are models that are established in order toprovide members with economic benefits in terms of access to dynamic markets; they include co-operatives and/or SACCOs. These differ from social organizations in their entrepreneurial focus, and may build on existing informal networks of farmers and traders as well as inputs and support from buyers or other chain actors. The POBM is driven and owned by small-scale producers – like Githunguri Dairy Cooperative in Kiambu County – allows producers to market collectively despite widely differing farm assets. Various specific arrangements include clustering around lead farmers, whereby financially independent growers create market opportunities for small-scale farmers.

**ii Buyer driven Business models (BDBM)**These models seek efficiencies in the chain to the benefit of processing plants and retail markets as they aim to “cut out the middleman” and guarantee supply. There are some very promising cases where organizing supply from a small farm/industry base has led to sustained inclusion of small farms/industries. This kind of contract business approach can be successfully used by businesses to link small producers to modern markets where capital, technology and market access constitute

However, they can have high transaction costs in dealing with individual farmers/small scale businessmen; for example, the need for significant “on-the-ground” presence of retail staff or agents, negative effects of “side-selling” etc., demand for “exclusivity” and often require farmers and/or other producers to make changes just to stay in the market.

**Buyer-driven** models can provide clear incentives for market-driven product and process upgrading. However, additional benefits tend to accrue to buyers and steps are needed to ensure transparent assessments and sharing of gains. Where a buyer organizes a network of producers from a corporate responsibility ethic, the risk is more of paternalism and dependence.

**iii Intermediary Business models** **(IBM)**  
These models include a strong emphasis on service provision – usually by the intermediary organization - specialized business service providers in order to balance the needs of small farmers and SMEs with the realities of emerging modern markets, in terms of quality and volume. Other key aspects include increased knowledge management, closer links to buyers, and incentives for product and process upgrading. This can be an important new role for service providers/NGOs, though there also is a growing appreciation that intermediation can be a commercial business service.

**Intermediary** models drive change through processes of negotiation among actors. They achieve improved efficiency through greater organization, improved information flows and shared standards along the chain. While it is tempting to want to “cut out the middleman,” /service provider, chain intermediaries are often vital in linking smallholders to dynamic markets and are of particular importance to the poorest farmers and small scale manufacturers to those located further away from markets. Working with a new generation of “doubly-specialized intermediaries” (business-oriented *and* development-motivated), such as FPEAK is an area that appears to offer great potential for linking business with small scale producers.

***a The Role of Intermediaries/Service Providers***

Past literature has tended to discredit the role of intermediaries/service providers operating in the retail and other wholesale markets. This has been based on the argument that neither the wholesale traders nor the consumers need such intermediaries and that their presence only ends up in increasing consumer prices, and thus ends up increasing consumer prices, lowering traders profit margins, consequently forcing them offer lower farm gate producer prices. For example, intermediaries, who in general are paid an average Ksh. 50 per bag of produce, or Kshs 800-1,500 per truck depending on the tonnage and the commodity, are commonly found in major wholesale markets. Contrary to the expectations of the study team regarding the role and relevance of intermediaries, those retail traders interviewed indicated that they indeed need them and that their association with these actors is voluntary and of value to them. Generally the traders see these intermediaries as being necessary for three main reasons:

* That they assist to reduce unnecessary travel time for the businessmen
* That the intermediaries/service providers have a much broader network of consumers than the retailer/wholesaler;
* That due to long term establishment of business relationships and acquaintance of between the intermediary and service provider and most of the regular customers; especially from hotels, restaurants and institutions, the latter are able to sell on short term credit.

***b Intermediaries/service providers vis-à-vis the Value Addition Process***

Some negative aspects were disclosed for instance, negative impact on the value chain, causing unnecessary hikes in prices, generally. The other is that the presence of the intermediaries inhibits free participation of farmers and non-regulars willing to sell directly to wholesalers and retailers at the markets.

**Note**: None of the above business models is inherently superior for farmers and/or small scale entrepreneurs. In models driven by private businesses, small scale farmers and/or small scale manufacturers have less say in the governance of the chain and there is less capacity building of small-scale suppliers.

## CHAPTER FOUR: PRIVATE PUBLIC PARTNERSHIPS (PPPS)

## 4.1 Private Public Partnerships: An introduction

Infrastructure and the related services are the engine or the wheels of economic production. While government is expected to play a major role in provision of infrastructure, there is evidence that dominant and pervasive interventions by government have failed to promote efficiency or responsive delivery of infrastructure services in sub-Saharan African. Given that Kenya faces a daunting challenge of provision of infrastructure due to lack of adequate public sector resources, there is need for other alternative options to consider, particularly in partnerships for sustainable socio-economic growth.

Increasing participation of private sector in provision and financing of infrastructure services is now common all over the world, in areas such as capital development projects, roads construction, new oil and gas power plants, toll roads, telecommunications facilities, markets, ports and airports. During the 1990s there was rapid and widespread move by governments round the world to involve the private sector in provision and financing of infrastructure. While South East Asia and Latin American nations have enjoyed large investments in infrastructure by the private sector, sub-Saharan Africa has attracted very little private sector financing, with exception of South African.

Present budget deficits and reduced funding from development partners has precipitated a big financing and investment gap in infrastructure. According to Vision 2030, the largest share of investment is expected to go to the following: road transport, water and sanitation, power, and railway transport. Of the total resource requirements, the Government will provide Ksh 51 billion while development partners are expected to provide Ksh 35 billion, while it is expected that the private sector will step in to meet a financing gap of Ksh 117 billion.

*Rationale for involving the private sector in infrastructure development*

* The need to improve the efficiency of the utility providing public services by reducing inputs costs, increasing billing and collection, and adjusting tariffs to reflect production costs.
* To reduce the fiscal burden on the state, caused by deficit-ridden public utilities.

## 4.2 Legal Framework for Private Public Partnerships

In order to institutionalize the participation of the private sector in government programmes, the government has taken steps to develop appropriate policies and bills for enactment.

Examples of these include the Private Public Partnerships Bill, 2011, and the Public Procurement and Disposal (Private Public Partnerships) Regulations, 2009 under Legal Notice No 38 of 2009, which were anchored in the Public Procurement and Disposal Act, 2005 and Public Procurement and Disposal regulations 2006. While the former is meant to attract private sector to participate in financing, building, equipping, and operating infrastructural facilities and projects for a minimum of 24 years, the latter covers disposal of public assets, an important aspect of the exit strategy for the proposed model retail market.

It is anticipated that under the Private Public Partnerships, the investors will approach development fiancé institutions such as industrial Development Bank, (IDB) or Industrial Credit and Development Corporation (ICDC) to provide long term capital lending facilities while the commercial banks will provide working capital, overheads and term loans until the retail markets become self-sustaining.

The other legal frameworks with implications for the PPP include the Constitution of Kenya, 2010, The Kenya Investment Promotion Act, 2004, the Immigration Act, Cap 109 and Foreign Investment Protection Act, Cap 518,etc.

**4.3 Private Public Partnership options for the model retail market**

Four key options within the PPP framework are recommended: (i) build, operate and transfer, (ii) lease, operate and contract, (iii) management/corporation contract, and (iv) privatization.

**i Build, Operate and Transfer(** **BOT)**

Under this arrangement, the Government will invite expressions of interest for a private investor to fund, construct, own and operate the retail market infrastructure for a limited period of approximately 30 years, at the end of which the infrastructure is transferred at no charge to the, Government as the concessioning authority .

**ii Lease/Operate, Contract** **(LOC)**

The government will be responsible for developing the appropriate infrastructure for a retail trade facility and lease it. The lessee will operate the facility under specific terms agreed with the government.

**iii Management/Corporatization Contract**

The government will be ultimately responsible for the provision of adequate service delivery and retrial overall ownership, but managers of the facility would handle day-to-day management of the facility. New Zealand and Chile are two examples of countries where this model has been implemented with success. While substantial efficiency gains are possible, these gains turn out to be difficult to sustain over time.

**iv Privatization**

Privatization generically means transfer of assets of a public entity including the shares in a state corporation, operational control of assets of a public entity and operations previously performed by a public entity to an entity other than to a public entity. A number of privatization options are available depending on the goals that the government wishes to achieve.

Privatization has several variants based on specific government strategic priorities, which are determined by factors such as the nature of ownership, capital investments, duration, risk analysis factors etc.

The team considered other institutional arrangements besides the proposed business models which are intended to address retail outlet ownership challenges. Among those considered included (a) forming a parastatal, (b) a private corporation/ company, (c) a cooperative group,(d) local authority-managed, (e) a development board among other institutional arrangements. Thechoice will determined by local socio-economic and political factors; however, joint ventures have been found to be most appropriate.

1. ***Marketing corporations/parastatals*** A traditional approach to the problem is to establish a marketing corporation or authority**.** However, there are now pressures to reduce ratherthan increase the number of parastatal corporations since their performances are frequently poor and their operations bureaucratic. Because retail markets involve politically sensitive basic food commodities, such corporations cannot avoid government participation in much of their decision-making. This might lead to excessive control and interference. For a public corporation to implement new operational regulations commonly requires legislation, for which legal drafting and legislative processes may be protracted. For these reasons, management by a state corporation is not generally recommended.
2. ***Limited-liability companies****.* For the establishment of a limited-liability company, shareholders need to be identified and the directors would require a shareholding qualification. This might not be feasible in a management structure where it is necessary to have a broad spectrum of expertise gathered together from both the private and public sectors. Private companies are flexible institutions, but their formation does not completely free a venture from detailed procedures, as it will still need to comply with the provisions of legislation.

Although a retail market may be set up on an alternative institutional basis, when it is fully functional and operating at a profit there may be pressure to pass the operation to the private sector. In the short term, when there are marginal financial returns, it may not be possible to attract willing investors. The registration as a limited company may be the long-term aim, but not necessarily a practical solution to immediate management demands.

1. ***Cooperative societies*** *A* cooperative society is another possibility for establishing a market, but must be viewed critically as it may not answer the need for effective management. Kenyan cooperatives often have a poor record in the management of markets, although it must be stressed that this varies substantially between countries, to the extent that some of the most successful markets in the world are cooperative-run. A cooperative of retail consumers is the most common form, but may be counter-productive; self-interest dictating behaviour which is detrimental to the needs of both producers or consumers. Again, there are exceptions to the rule and some of the mostefficient markets in Europe are run by wholesalers themselves. The cooperative format is often the most appropriate method for a grouping of producers. It facilitates the concentration of produce at collection centres and the organization of joint transport to market. Other examples of cooperative ventures include markets established and run by religious organizations, friendly societies, charities and ex-servicemen' organizations such as AFCO.
2. ***Local authorities:*** The most usual form of retail market ownership in Kenya is by the municipal authority. It often has the power to establish and regulate markets, to lease space, charging fees as necessary, and to clean the market area. Although there are a number of significant exceptions, control solely by a local authority is unlikely to be the best management system for an urban retail or wholesale market. Experience has shown that the main motivation of many local authorities is to maximize local revenues. They lease space often to retailers of commodities quite unrelated to agricultural and/or other products, thus defeating the objective of a retail market. However, as the relevant local authority, the municipal government will need to be represented on any proposed management forum.

***e Development board****.* Legislation often exists for the establishment of a development board. This particular institutional format offers greater administrative flexibility in the management of specific projects. The principal advantage of this form of institution is that the authority has to be self-accounting, but with staff appointed in accordance with government rules. This can allow management to remain closely tied to government for an interim development period while, in the light of experience, the final format of the market management system is evolving.

***f By special statute:*** A retail market can also be created under Special Statute, which enables an institution to be created exactly matching particular local requirements. Such a measure could be used to establish a market authority and define the area within which it would be the sole authorized location for retail market produce transactions. The main conditions under this arrangement could be a definition of the board representatives and their powers, the establishment of a self-accounting fund, the setting of regulations and the prescribing of penalties. This approach is often an ideal mechanism because it can accommodate the most appropriate mixture of private and public participation, allowing a mixed form of ownership, and equally importantly, a system for joint financing.

**4.5 Exit Strategies**

In analyzing global retail trends this study, it has been established that market attractiveness in terms of entrance and exit generally follows the same consistent pattern, that certain formats are most appropriate for certain stages of market development, and that modern retail contributes to a market’s overall success. Markets progress through four stages as they evolve from an emerging to a mature market, usually over the course of 5 to 10 years. The four stages are o**pening, peaking, declining** and **closing**. This model is particularly useful for the Ministry of Trade as it plans the retail market-specific strategies, giving Government insight into timing and allowing for better strategic decision-making. Retailers can use the window of opportunity analysis to formulate specific actions on entry timing, entry strategy, entry format and human capital strategy across the four stages of development. This analysis can also be tailored to specific retail segments.

The **opening** is the entry stage intothe market during which the retailers monitor the market , plan entry strategies etc. **Peaking** involves opening sourcing office, testing the market, deciding supermarkets, hiring and training etc. **Declining** involves scaling up openings, such as discounter models etc. **Closing** is the determination of market position, reevaluation of strategy etc.

Having considered the various business model options and possible institutional arrangements, any exit strategy would obviously be according to the model adopted by the MOT.

However, key to any decision is the provision in the Privatization Act, 2005 of the laws of Kenya, which prescribes the methods of privatization in Kenya through any of the following approaches:

* Public offering of shares to producers, trader and other Kenyans retailers to take up government shares in the retail market
* Concessions, leases, management contracts and other forms of public private partnerships;
* Negotiated sales resulting from the exercise of pre-emptive rights;
* Sale of assets, including liquidation;
* Any other method approved by the Cabinet in the approval of a specific privatization proposal.

It is therefore recommended that the Ministry of Trade (the Government) employs an exit strategy by offering its shares to the public through an Initial Public Offering (IPO) of shares to farmers, small and medium scale entrepreneurs and other Kenyan investors to take up government shares.

## CHAPTER FIVE: THE DESIGN OF THE SITE MASTER PLAN

## 5.1 The Tier 1 Retail Market Design Overall Concept

The Athi River retail market site master plan consists of two components: an overall layout of infrastructure and individual buildings and a written statement of the plan's intentions including its phasing and costs. The Master Plan is a physical representation of the retail market's development programme, broadly setting-out the space and circulation requirements related to the proposed site. It synthesizes all the factors that influence the management and operation of a retail market.

The retail market facility is designed to provide retail marketing services for the main agricultural produce (food items) in ten (10) main halls of over 30,000 square feet and also anchor a line of over 100 specialty shops (nonfood items) of about 300 square feet each. The specialty shops will cater for a wide range of non- foods items ranging from electronics to beauty products, furniture, mobile phones, restaurants, banks, cybercafés, forex bureaus, banking and utility services, entertainment facilities parking facilities on ground floor and basement, cold storage, loading and offloading zones and as well as road infrastructure. Agribusiness and locally manufactured products will be given preference over imported products in order to promote the SME through “buy Kenya build Kenyan” promotion campaign. A representative diagram of the model retail market master plan is shown below:

**The Athi River Tier 1 Retail Market Site Master Plan**



In drawing up the master site plan, due consideration has been made with regard to pertinent opportunities and constraints, the need to rationalize land issues in relation ensuring the provision of the most efficient access and traffic circulation among other activities in the proposed tier 1 model market.

Other important aspects include various phases of the project, including provision for permanent as well as transient use to enhance necessary adjustments during project implementation stage; for instance, roads and parking area being of a permanent nature and a main capital cost item, should take precedence as a major consideration.

**5.2 Main Components of the Proposed Model Retail Market**

The retail market will comprise of 3 distinct blocks which will be connected by a twin arcade. The central block which will be storied is designed exclusively for services, general utilities and offices; it will mainly be an area that offers visual and traffic connection together with support services like banks, information desks etc. It will also house the elevators, washrooms etc. on the ground floor, general merchandise shops etc. on the second floor, with the upper floor replicating the first floor design, offering more space and support for the proposed retail market.

Among other physical facilities proposed to be within the model tier 1 market area include a police post; a dispensary or clinic; banks or credit facilities; a post office and public telephones; space for grain millers (e.g. rice and maize mills); cooked food stands and other facilities deemed to be essential in providing necessary services to the retail market clientele and other stakeholders including the SME cluster groups.

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Sample photo of a the proposed Athi River Retail Market

**5.3 The Retail Market infrastructure**

This proposed design places emphasis on the technical and or construction suitability of a specific chosen site; as such, the proposed site should cover approximately 20 acres broken down as follows:

|  |  |
| --- | --- |
| **Activity** | **% of site** |
| Buildings | 30 |
| Driveways, road and railway line | 10 |
| Loading and offloading | 15 |
| Gardening and landscaping | 10 |
| Loading and offloading bays, parking (customers and delivery trucks) | 30 |
| Miscellaneous activities | 5 |
|  | **100%** |

**5.4 Model Retail Market Features**

***a Retail halls***

Ten (10) retail halls are proposed for main agricultural produce and auxiliary facilities to cater for bulk storage and long-term storage with refrigeration and cooling systems, another group of retail outlets will cater for the SME and other non-food products; a Trade Fair pavilion and a rail post for rail freight handling.

In designing the model market support services such as banking, insurance transport brokerage and agency and restaurants should also be taken into consideration as they provide a critical support service back-up.

***b Traffic Flow***

Smooth traffic flow will be attained through provision of features including wide arcades, ramps, covered walkways; strategic loading, wheeling, folk lifts and unlimited access and pulley-belt conveyor carriage

***c Storage, Refrigeration and Cooling Facilities***

It is proposed that this facility be located at the back of the retail market, with the showrooms measuring 24 meters wide and 24 metres long. They will be categorized as follows: (i) Short- term perishables, (ii) and (iii) bulk storage for long-term perishables (cereals; animal products), (iv) nonperishable

**Note:** provision has also been made for a fully operated open shade with a roof cover for vegetable sorting and repackaging.

***d Working Drawings***

The working drawings for the project will be comprehensive and include adequate and relevant specifications for the following, among others: item plans (including spreadsheets), electrical and plumbing plans, refrigeration drawings , walk-in shop (and curb) drawings, exhaust hood drawings, interior décor plans, floor cover plans among other drawings necessary for the project.

***e Support Facilities***

The team had identified some of these which will include the following: LCD display screen for auctions, advertising and information provision; labeling, packaging and automation equipment, refrigeration and cooling system and Point of sale display support. It is anticipated that professional expertise will be sought to develop these facilities.

***f Environment Management***

The design stage will also take into consideration factors affecting environmental degradation such as Industrial waste and refuse processing and disposal, Storm water drainage and surface management, and noise pollution.

***g Recreational Services***

This will be provided by way of a staff canteen complete with indoor games facilities.

***h Control Systems***

These will essentially be aimed at providing adequate security and enhancing customer experience at the proposed model market. They include Entrance and exit point inspections; Tare weight check and weighing; CC TV 24 hour’s surveillance; International standards laboratory testing; Municipal council inspectorate and security perimeter fence among others.

**6. 5 Site Selection Factors**

***(i) Variable Factors***  
These include the geographical location, topography, distance from the source of materials, the development plan-physical planning aspects.

***(ii) Technical Considerations***

These include the size (square area) of the project; Scope of the project; Material specification for the project, and the technical competence and efficiency of the project implementing personnel.

**Other Site Selection factors**

1. ***Population to use the proposed Retail Market***

Athi River town situated in the Municipal council of Mavoko, is about some 20 km. southeast of the capital city Nairobi and is currently the fastest growing municipality in Kenya, as the capital city's industrial activities are expanding in the direction of Athi River along the Nairobi-Mombasa highway corridor.

In addition, real and perceived employment opportunities in this expanding industrial area have drawn people from all over the country without a commensurate housing development scheme in place. As a result, some 25 rapidly expanding informal settlements have emerged in and around Mavoko over recent years. A number of development partners and some local and international NGOs are engaged in various activities aimed at slum upgrading programmes as well as income generating activities which are likely to increase the population considerably.

Although at the last census (2009), the Municipal council of Mavoko had a population of 453,000 people, it is anticipated that this will increase due to the rapid growth of these and other industrial activities, including the upcoming Konza City project.

***(iv) Size of plot site***

The draft master plan layout has taken into consideration the detailed range of facilities and/or activities anticipated to be accommodated in the proposed model market, which has been used to calculate the plot size.

***(v) Location***

The model market’s location will follow the current pattern analyzed for existing retail markets situated in urban periphery market sites. It catchment area will be the Kitengela, Kenya Meat Commission, the Daystar University, and residential neighborhoods and several industries situated in the area municipality.

In reviewing the proposed model market, the team has considered the following factors into account: proximity to a main road, or a major highway, availability of transport, acceptability by potential retailers and wholesalers and other pertinent factors. Physical characteristics as far as they impact on gradient and subsequently on overall site development costs have been underscored by the team in its deliberations with the local authority management of Mavoko municipal Council

***(vi) Site plot, turnover and market area***

The site should, ideally, already be provided with public services, particularly water and electricity and also have a regular and compact shape, as irregular shapes will be wasteful. The surrounding development should be compatible with the market. A location close to a residential area or public hospital, for example, is likely to lead to nuisance problems from the heavy traffic using the market and the long hours of operation. An ideal location of a market is on the edge of a light industrial area, with easy access to existing and future retail areas.

***(vii) Space requirements estimates***

As already indicated the table below should serve as a guideline in forecasting space requirements:

|  |  |
| --- | --- |
| **Activity** | **% of site** |
| Buildings | 30 |
| Driveways, road and railway line | 10 |
| Loading and offloading | 15 |
| Gardening and landscaping | 10 |
| Loading and off-loading bays, parking (customers and delivery trucks) | 30 |
| Miscellaneous activities | 5 |
|  | **100%** |

# CHAPTER Six: CONCLUSIONS AND RECOMENDATIONS

## 6.1Conclusions

We have analyzed and compared the Kenyan and global retail trade markets situation from which the general principles of what an “ideal" retail market was conceptualized. Using the general reality of an "ideal" retail market in Kenya, most of these principles have not been fulfilled, with inherent challenges identified and subsequent proposals made to address them adequately. The concept paper has reviewed the current situation with regard to the policy and legislative framework, appropriate partnerships, infrastructural challenges, institutional mechanisms, business model options and made pertinent recommendations aimed at revitalizing the retail trade sector through the development of a model tier 1 retail market to be based at Athi River to be replicated across the country,

Subsequently, we have prepared a retail market master-plan for the market facilities that is deemed to be both functional and efficient, as well as meet budgetary constraints. In the design, the government will partner with the private sector under the Private Public Partnerships arrangement to construct, own and manage the modern model retail market at Athi River Town for 10 years after which it will sell its share to the public through an Initial Public Offer.

The findings are that the retail trade sector in the rest of Kenyan markets is predominantly informal and is characterized by the presence of many players who operate at different market levels; individual producers/farmers or groups, a large number of small and /or medium-scale retailers, and a few large supermarket chains located mainly in urban areas. Most of these facilities are poorly managed with little or no maintenance with the facilities in these markets overstretched due to the increased human population. Water supply and garbage collection facilities are in urgent need for maintenance and upgrading to cope with increased trading activities. Agricultural produce is not cleaned before it is brought to the market, different qualities of the produce are not sold separately, the produce is not graded before being sold and the produce is not sold by standard weights or in standard packages, but it is sold with a lack of price information, creating an atmosphere of uncertainty; and storage facilities are not used or are not available, thus immediate sales have to be made, otherwise the produce becomes a post-harvest loss. Further, a SWOT analysis of the current retail; markets indicate that the levels of user satisfaction will be high with the construction of the proposed new retail markets are particularly because of the improved hygiene conditions expected, the opportunity to sell inside shelters and to store safely the commodities that decrease product losses. The presence of poorly designed and constructed sheds, or use of open air markets makes the marketing process inefficient and inhibiting customer flow which is considered a major weakness of the current retail market.

Due recognition has also been made of the significant role of small and medium enterprises (SMEs) and agribusinesses to the future of retail trade in enhancing an inclusive retail and wholesale sector as envisaged in Vision 2030.

We have prepared the Athi River retail market site master plan that consists of two components: an overall layout of infrastructure and individual buildings and a written statement of the plan's intentions. The master plan synthesizes all the factors that influence the management and operation of a retail market.

## 7.2 Recommendations

At the time of the study, no land site had been set aside for the Tier 1 retail market by the Athi River (Mavoko) Municipal Council. However, the town clerk informed the team they are looking for a suitable 20 acre site for the market within the Municipality. It is therefore recommended that, as a matter of urgency, the Ministry of Trade engages the ministries of Local Government and Lands as well as the Mavoko Municipal Council to be allocated suitable land for this project.

It is recommended that a modern retail market facility be constructed at Athi River to provide retail marketing services for the main agricultural produce in ten (10) main stalls of over 30,000 square feet and also anchor a line of over 100 specialty shops of about 300 square feet each. The specialty shops will cater for a wide range of non- foods items ranging from electronics, to beauty products, aesthetics, ICT, building and construction industry, furniture, restaurants, banks, cybercafés, forex bureaus, clothes etc. to include banking and utility services, entertainment facilities and food outlets, parking facilities on ground floor and basement for over 500 vehicle parking bays, cold storage, loading and offloading zones and as well as road infrastructure.

The retail market will comprise of 3 distinct blocks which will be connected by a twin arcade. The central block is designed exclusively for services, general utilities and offices which include two blocks of retails halls one that shall handle food items composed of agricultural produce of crops, fish, livestock and livestock products, the other block shall handle non- food item products. The other facilities on the ground floor include elevators, lifts, stairs and washrooms. Other facilities will include; police post; dispensary or clinic; banks or credit facilities; a post office and public telephones; space for grain millers (e.g. rice and maize mills); cooked food stands; a bus stand; dormitory accommodation for farmers and traders who need to make an overnight stay and other facilities. The total investment for this design of Tier 1 Retail market is approximated to in the tune of Ksh 250 Million exclusive of land**.**

It is also recommended that the Ministry partners with the private sector under the Private Public Partnerships to construct, own and manage the tier 1 model retail market at Athi River Town. It is anticipated that the Ministry ((on behalf of government) will after ten years employ an exit strategy by offering its shares to the public through an Initial Public Offering (IPO) to producers and other Kenyan investors to take up government shares.