

INDUSTRY AND RETAIL INDUSTRIES

Industry

Industry in Kenya is made up of the manufacturing, construction and mining & quarrying. The manufacturing industry is the fastest growing industry contributing 14 % of GDP between the years 2009-2012; construction contributes 25% whereas mining has only 3%.

Manufacturing sector

In 2014, this sector registered an increase in both real and volume outputs by 4.5 and 3.4 % respectively. This can be attributable to reduced oil prices and a stable inflation rate during that year. Levels of formal employment in this sector increased significantly too by 2.9 %. Export Processing Zones also grew in terms of exports, imports, employment, local expenditure in terms of goods and services and number of gazette zones.

The manufacturing sector has a variety of subsectors in it. They include the food products, beverages & tobacco and rubber and plastic materials. Food industry is the biggest one; includes meat & its products processing, fish processing, animal and vegetable fats and oils, dairy products, grain mill products, sugar, cocoa, sugar confectionary& chocolate, food products and animal feed.

Construction and Building sector

This sector is taking over the economy with the growing interest in real estate. Casual laborers are shifting from the agricultural industry because construction is better paying. Private

building works index increased significantly by 20.1 from 321.3 even though public works declined significantly. This sector provided for increased employment levels of 12.3 % in the private sector and 1.1 % in public sector by the end of the 2014 financial year. Cement consumption also increased to 5197 thousand tones.

Mining and quarrying sector

The mining sector increased by 16.7% due to titanium mining operations. All mining operations in the financial year 2014 declined except for fluorspar and salt. The decline in gold and gemstones is attributable to low prices in the export markets. Titanium, salt and fluorspar contributed to the 6.1% increase in mineral production of salt doubling.

Retail

According to a report published on 9th Nov 2015, Kenya is the second largest market for foreign investment in the retail market. 30% of Kenyans prefer to shop under retail shops, as compared to 60% in South Africa. Kenyans have developed a culture of having to shop everything under one roof. The leading retail markets are Nakumatt, Tuskys, Naivas and Uchumi supermarkets. These markets continue to expand in the region and across borders. Although this is so, 70% of Kenyans still shop in traditional shops such as table tops, kiosks and market stalls. This is because of convenience in terms of accessibility and close range to most homes. Retail outlets are mostly preferred by people with their own means of transport. Traditional outlets are expected to stay a while according to Nielsen Report. The retail industry has greatly been

boosted by the robust economic growth contributing to high disposable incomes in addition to regional expansion.

1. Multi Line Retail

This mainly focuses department stores and general merchandise. Department stores are large stores stocking a variety of goods in different departments while general merchandise stores sell a wide array of goods which are neither non-grocery nor non-food.

Some of the biggest department stores in Kenya are: Nakumatt, Tuskys, Uchumi, and Naivas. Foodplus, Cleanshelf and Maathai supermarkets are some of the upcoming department stores in Kenya.

General merchandise stores in Kenya are uncommon. The few, among others, include:

- African Arts Products(East Africa)
- Africa EmarketPlace
- RankXerox Kenya Limited
- Unity Auto Hardware and Stores

2. Distributors

There are types of distributors; selective, intensive and exclusive. Selective distributors are those instructed by the manufacturers of the products they distribute to supply only those products and sometimes to specific retailers so as to maximize the profit margin.

Intensive distributors, on the other hand, sell to different vendors and the manufacturers require a huge stock turnover. This results in low profit margins.

Exclusive distributors have a niche market with specific consumers for their products.

Other types of distributors are direct and indirect consumers. Direct ones distribute directly to consumers whereas indirect distributors use a chain of wholesalers, retailers and even resellers. Some of the big distributor companies are DHL, MAERSK, CMA CGM and Evergreen Marine.

3. **Internet and catalogue retailing**

Internet retailing is generally e commerce i.e. selling online whereas catalogue retailing entails selling a variety of household goods and personal products mostly jewelry.

Most Kenyans now prefer to shop online as it is convenient and time saving. Big online stores such as Jumia, OLX, Rupu among others are doing very well.

In catalogue retailing, most items are not displayed; customers select items from the catalogue list and fill an order form. This type of trade is common in Kenya with engagement rings, wedding rings, and electronics.

4. **Specialty**

These types of retail stores focus on selling specific product categories. The range of products they offer rather than what they sell is what determines if it is a specialty store. These stores could include office supplies, men's and women's clothing among others.

- **Apparel retail**

This is generally clothing stores. This is a major sector in Kenya. Such shops include Woolworths, Truworths, BabyShop, Little Red, Mr Price, Nairobi Sports House among others. Most people in Kenya though are well conversant with the 'mtumba' or second hand clothes.

- **Computers and electronics retail**

There are shops in Kenya that specifically specialize in the sale of computers and other electronics such as radio, TVs, microwaves, washing machines among others. Such shops are Dixons, Hotpoint, Shopit, PC World.

- **Home improvement retail**

Home improvement deals with residential improvements including a make-over. These stores deal with materials that include building materials, interior décor, flooring material, paint etc. Some of the stores include The Elegant Store, ViMark, CTM and others.

- **Auto motive retail**

Many international manufacturers are penetrating the Kenyan market. The increase in demand for automobiles is due to improved infrastructure, higher amounts of disposable incomes and easy access to credit facilities. The dominant brand is Toyota followed closely by Nissan. Recently, more people are embracing the European cars such as the BMW, Volkswagen, Mercedes, Audi, Ford and others.

- **Home Furnishing retail:**

This includes furniture and fittings such as tables, chairs, beds, office furniture. Dealers in furniture vary from traditional to modern ones. Some of the popular furniture stores in Kenya are Furniture Palace,