# Consumer Lifestyles - Kenya

Euromonitor International

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# CONSUMER LIFESTYLES IN KENYA

## STRUCTURE OF THE REPORT

This report forms part of the report series that complements the Euromonitor International Countries and Consumer Database. Each country profile is structured under the following primary headings:

- Consumer Trends
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The information in this report was gathered from a wide range of sources, starting with national statistics offices. This information was cross-checked for consistency, probability and mathematical accuracy.

As well, the report seeks to fill the gaps in the official national statistics by using private-sector surveys and official pan-regional and global sources. Furthermore, Euromonitor International has undertaken an extensive amount of modelling in order to generate unique datasets that complement the available national standards.

The wide range of sources used in the compilation of this report means that there are occasional discrepancies in the data, which were not reconcilable in every instance. Even when data are produced on specific parameters by the same national statistical office, such as total population in a particular year, discrepancies can occur depending on whether the data was derived from a survey, a national census or a projection and whether the data were based on mid-year or January figures.

To identify recent past trends, data are presented for 2005, 2006, 2007, 2008 and 2009. For projections, data are presented for 2010, 2015 and 2020.

## CONSUMER TRENDS

### Increased Urbanisation and Declining Traditionalism

The number of urban dwellers is increasing rapidly in Kenya. In 2005, 7.4 million Kenyans lived in cities. By 2009, that number had risen to 8.9 million, an increase of 17%. Nairobi's population swelled to 3.2 million in 2009, an increase of 17.6%, while the population of Mombasa reached 961,000.

Kenya's growing youthful population is increasingly migrating to urban areas in search of better employment and education opportunities. Over the review period, the population was relatively young: 42.8% of the population were aged 14 years or younger in 2009, when the median age was 18.3 years. The population is also growing (albeit at a decreasing rate), possibly because of reduced infant mortality, improved health awareness and better health care. Due to increased rates of rural-urban influx, the proportion of younger adults (18 to 34 year-olds) has surged from 53% of the urban and peri-urban population in 2005 to 91% in 2009. This group is steadily driving consumption patterns. The young immigrants into urban areas are helping to create large population and consumption centres, raising demand for manufactured products, utilities and housing.

As more and more young people leave their ancestral lands for cities and abandon their traditional tasks, they are becoming more assertive and more aware of their rights. With their general preference for hip-hop culture, the youth are contributing to a fast and steady decline of traditionalism. In urban areas, many parents have not been in a position to teach their children their ethnic languages, preferring English which is one of the two official languages along with Swahili. Consequently, many young urban people are left to experiment with the languages picked up from the neighbourhood and school. This has resulted in the development of Sheng, an urban youth "sociolect" that combines English, Swahili and local languages and is popular among those aged below thirty in Kenya.

Young people also have more pocket money thanks to fewer children being born into many households as well as the result of their own entrepreneurial activities. They have increased purchasing power and are not only seeking but now also buying more youth-specific goods and services. Concern with personal appearance and fashion consciousness among young urban dwellers are driving demand for clothing, footwear, skin care and beauty products. Skirts and long dresses are now becoming the exception rather than the rule since they are being replaced by ladies' trousers and shorts.

The number of couples with dual incomes has increased as a growing number of educated women take up jobs. More women are entering into formal employment including in professions that had previously been considered 'men-only'. These career women have more income which gives them power to decide what to buy for themselves and their families. Women have become more active in household purchase decisions, including decisions on buying high-price items like cars, housing and in-home consumer electronics. At the same time, this trend has tended to delay marriages, further reducing fertility rates. The increase in the number of women pursuing careers has meant that more women have sufficient money to buy their children non-essential but desirable goods, such as toys, games and fashion accessories. The increasingly educated urban women are also not sparing any opportunities to beautify themselves, whether that be through the use of cosmetics or even in some cases cosmetic surgery.

The number of newly built dwellings in the country, especially in urban areas, has not kept pace with the runaway demand. Whereas the demand for property in exclusive, high-income residential areas has been driven by Kenyans in the diaspora seeking to invest at home, high rates of urbanisation have driven demand for housing in low-income and medium-income residential areas. This has greatly contributed to increases in the prices of real estate as well as increases in rental rates in the middle- and low-income residential areas. New arrivals unable to afford the higher rents have resorted to living in informal housing units as a temporary measure before they secure a stable income. This influx into informal settlements has compounded the slum problem in Kenyan urban areas.

## Outlook

The rate of urbanisation is not projected to slow over the forecast period. In fact, by 2020 13.8 million Kenyans (26% of the population) will be urban dwellers compared with 22% in 2009. The increasing urbanisation can be seen clearly in comparisons of population density (people per square kilometre) over time. In 2005, Kenya's population density was 63; by 2009 that had risen to 70 and by 2020 it is projected to be 91 people per square kilometre.

## Impact

As seen during the review period, an increased number of urban dwellers influences consumer spending patterns and this trend is expected to continue over the forecast period as more Kenyans, particularly young Kenyans, move to the country's cities. It's expected that there will be increased demand for products and services for professionals, particularly women (for example, grooming products and services, cosmetics, skin and hair care products, clothing and footwear). As well, the growing number of working women will drive demand for the "outsourcing" of household tasks as well as products that make housework quicker and easier. For instance, there is likely to be an increased demand for vacuum cleaners, dishwashers and packaged foods that require minimal preparation. Home-cleaning services are also likely to benefit from the increased number of working women and their changing urban lifestyles.

With the greater number of dual-income households in urban areas, it's expected that there will be greater participation in social activities like dining out, visiting bars and clubs and taking vacations. With couples working and children attending school, there is likely to be longer periods of time when no one is at home, driving demand for home security products.

Rapid urbanisation is expected to continue to benefit the country's construction and housing industry, which has seen business boom over the review period, albeit with varying intensities as the proportion of urban dwellers grows. Over the forecast period, the population of Nairobi is projected to increase by more than 52%, reaching 5.1 million inhabitants in 2020. At the same time, the population of Mombasa is projected to reach 1.5 million in 2020.

## Middle Class in Kenya Shrinks But Is Poised To Bounce Back

As in most developing countries, income distribution in Kenya is unequal, confirmed by the country's Gini coefficient (a measure of inequality in a country's wealth distribution) score of over 42% in 2008. Between the high-income and low-income groups, there has been a relatively elastic group made up of middle-income earners. In periods of economic growth, this Kenyan middle class constitutes around 30% of the population, but in low growth periods the share tends to decline below 20%. The middle class thinned out slightly during the review period as more households dropped into lower-income brackets, thereby further widening the gap between the rich and the poor. By the end of the review period, the low-income groups constituted 80% of Kenya's households, up from 73% five years ago, squeezing the middle-income segment to a mere 18%, down from 27% in 2005. This situation has been attributable to the effects of the global financial crisis, the disruptions caused by the recent post-election violence and the failure of the benefits of recent growth (in 2006 and 2007) to trickle down to lower-income groups, members of which had poorer skills and generally low capital-goods ownership, leaving household incomes to lag far behind the rate of inflation and the cost of living. Due to the declining household incomes, expenditure on non-essentials such as eating out, going on holidays and leisure and recreation products and services shrunk.

### Outlook

The ongoing economic recovery is expected to improve the situation, driving increased household incomes and, in turn, driving increased consumer demand. With the ambitious Vision 2030 programme in place along with increased government spending on infrastructure, education, health, tourism and agriculture, it is expected that the middle class in Kenya will regain its place and grow further. The Kenyan government and central bank have adopted strategies to encourage borrowing and investment, including cautious government borrowing, fair interest rates and comfortable reserve ratios. These strategies are meant to leave adequate funds in the commercial banking system for borrowing and while interest rates are likely to stabilise at affordable levels. A number of development projects and new business opportunities are expected to be generated through the government's youth and women funds, the constituency development fund and local authority transfer funds. At the same time, several NGOs have emerged to promote private enterprise and personal development. With such direct steps being taken, there is considerable optimism among business people and consumers that the forecast period will bring with it better economic times and higher earnings.

### Impact

After sluggish improvements in sales even in periods of moderate recovery, during the review period manufacturers and retailers developed smaller product package sizes and introduced less expensive options for services like air time for mobile phones. This was a response to the declining numbers of middle-class consumers. Whereas expenditure on basic food commodities like maize flour was only slightly affected, spending on items like margarine and tomatoes declined as less affluent consumers cut their household expenditures, particularly around 2008. Ordinarily, urban residents move to outlying residential areas as soon as their incomes stabilise and a good number purchase homes but, with a decreasing middle class the movement to better and slightly more expensive housing units slowed. The product category most affected by the declining expenditure was clothing and footwear. Not only did consumers cut their expenditure but when they did buy clothes many resorted to second-hand items. Less affluent consumers also scaled down from relatively expensive body care products to cheaper alternatives. However, demand from the fashion-conscious youth of Kenya, Kenyans pursuing careers and the more affluent consumers cushioned the blow of declining sales of trendy and fashionable clothing and footwear.

The Kenyan economy is projected to grow by 4% or more in 2010. In line with that growth, disposable incomes and purchasing power are expected to gradually improve. In particular, it is projected that there will be increased consumer expenditure on communications equipment and services and other technology-related products, as well as increased consumer expenditure on health products and medical services as a growing number of Kenyans seek to raise their health status so that it is on a par with the rest of the world.

Planned expansion into regional markets is likely to boost sales as the country moves into the forecast period. The East African Common Market which came into effect in June 2010 is a timely development and it will allow manufacturers to further diversify their markets and expand their client bases throughout the region, hopefully leading to job growth and increased household incomes.

## Increasing Household Demand for Education and Training

During the review period, many Kenyans displayed a keen interest in education and training and they put more emphasis on the quality and flexibility of that training. Intensified competition in the job market, reduced teacher-pupil ratios and inadequate facilities in many public primary schools have driven increased demand by consumers for the services of private (and significantly more expensive) educational institutions. With fewer children and higher incomes, an increasing number of parents are devoting larger portions of their disposable incomes to give their children what they believe will be a better start in life through a quality education. Over 80% of Kenyan parents said that they were willing to pay for private tuition for their children during the review period.

Students who pass the national primary school examinations with good grades get admission to high-performance national and provincial secondary schools. Attending these schools give them a better chance of qualifying for admission into a several university degree courses as well as publicly subsidised tertiary education. Over the years, the Joint Admissions Board (JAB) has annually established the cutoff points for admission into the regular, government-sponsored programmes in public universities and these have been rising due to improved performance at the secondary-school level. However, this has occurred in the face of stagnating public financial support for universities. This has meant that secondary-school leavers from less affluent households who have passed the national secondary school exams and qualified to study at the university level but missed the JAB cutoff points for public sponsorship have been prematurely entering the labour force at lower levels. The cheapest four-year university degree course costs at least KES 500,000 while the average non-graduate salary is KES 15,000. After working for some time, an increasing number of those “left out” of university saved and took study loans and registered for courses at various tertiary institutions and universities. With the introduction of parallel (module II/open learning/distance learning) degree programmes for self-sponsored students and the growth in the number of private universities and other tertiary level institutions, an increased number of adults have been finding their way to lecture halls. New flexible market-oriented courses are being introduced and the demand for education-related products has been growing fast and steadily.

### Outlook

The increased demand for private schools and home tuition services seen during the review period (particularly in urban areas) is expected to continue to grown over the forecast period. Being too busy and unable to dedicate enough time to help their children with their homework, urban parents will be more willing to either enrol their children in neighbourhood tuition centres or employ professional home tutors.

During the review period, the higher education sector witnessed a significant increase in the number of people over 30 years-old enrolling for university courses. This is expected to continue over a large part of the forecast period but it is likely to stabilise towards 2020 as the institutions that will have been established or expanded by

2015 will be maturing and bringing the market to equilibrium. Further growth opportunities will thereafter exist for services related to international networks and affiliated organizations as an increasing number of Kenyans set their sights on meeting international standards.

### Impact

Demand from most parents who were willing and ready to pay for better secondary school services went largely unmet during the review period. Investment in secondary schools has remained low partly due to their higher financial requirements. The forecast period is, therefore, expected to offer irresistible opportunities for entrepreneurs who might be able to offer products and services that cater to parents' demand for educational and tuition services.

At the lower levels, the increased demand for quality primary school education is likely to continue prompting the opening of more private schools and these will need qualified teachers. At the higher levels, the increased demand for highly qualified instructors and professors seen during the review period is likely to continue in the forecast period as universities, colleges and other tertiary education institutions continue to expand. The market was already keen on international education standards and so the process of seeking accreditation or affiliation with international centres of excellence is likely to continue. Moreover, there is likely to be an increased demand for communications products and services and other high-technology products to facilitate more efficient learning and studying. Computers, software and other learning aids are likely to see increased demand over the forecast period as studying at home becomes popular.

## Information and Communications Products and Services Set To Grow

One of the biggest ideas in the developing world occurred in Kenya when, in 2007, Safaricom enabled Kenya to be the first country in the world to use mobile phones for cash transfers via the M-PESA service. In a country where access to financial services has been weak, particularly in rural areas, and where remittances play an important role in bridging expenditure gaps, this service was godsend and its uptake has been exceptional. Within three years of operation, M-PESA has won global awards and has managed to register close to nine million customers.

Over the years, access to desktop computers and laptops has been reserved for middle- and high-income consumers and, to a lesser extent, for university students. However, during the review period there was an increase in the rates of computer ownership and in the use of smartphones (GPRS- or UMTS-enabled) as these goods become more affordable. Universal Mobile Telecommunications System (UMTS) is one of the third-generation (3G) mobile-telecommunications technologies increasingly being adopted, while the General Packet Radio Service (GPRS) is a packet-oriented mobile data service available to users of the 2G cellular-communication systems, the global system for mobile communications (GSM), and for users of the 3G systems. A further boost for the increasing use of the internet information and data transfer has come with the introduction of fibre optic cable into Kenya, thanks to the efforts of The East African Marine System (TEAMS) and the Eastern Africa Submarine Cable System (EASSy), among others. Fibre optic cable has enabled communication companies like Safaricom to focus on data services as the foundation of their next level of expansion and growth.

There has been a growing household penetration of mobile phones. From teens to members of the older generations, almost all Kenyans are using mobile phones in new and exciting ways. Those with smartphones can easily get instant updates from social networking sites, enquire about market commodity prices, order new supplies, restock, pay utility and hospital bills, receive wages, transfer school fees and pay for a haircut. In 2010 mobile banking moved to the next level as Safaricom and Equity Bank announced a partnership to introduce M-KESHO, a product enabling registered users and bank account owners to transfer monies into their bank accounts and ask for small loans at very minimal cost from any location. Safaricom and Family Bank have also announced plans to offer Pesa Pap, a product similar to M-KESHO. Given that the outreach of banking services remains limited in Kenya, with only an estimated 10%–18% of the rural population having access to financial services, such innovations promise a huge social impact and have immense growth potential.

### Outlook

The use of information and communication technology is bound to increase as it becomes more and more affordable to the growing middle class. The percentage of households possessing a mobile phone is projected to increase from nearly 53% in 2010 to 73.3% in 2020. An increasing number of businesses are also offering technology-based products and this will also serve to stimulate consumer demand. According to the Central Bank of Kenya's Bank Supervision Annual Report 2009, 33 out of the country's 44 commercial banks provided electronic banking services in 2009.

The other mobile phone companies are following suit in the provision of products targeting internet users and people who frequently transfer money. Acquiring a top-of-the-range BlackBerry or the latest laptop has become the mark of technological sophistication among young adults and the market for such products, together with their associated software, looks very bright over the forecast period.

### Impact

SMS messaging has expanded the range of cheap communication tools available to less affluent Kenyans, with air time being available in denominations as small as KES 10 (US$0.14) to KES 500 (US$7). The new developments in information and communication technology have also improved the purchasing power in rural areas since members of isolated communities now know how to quickly and cheaply receive remittances by using M-PESA and their relatives or friends can now regularly send them remittances at their convenience. Communities have also realised the advantages of using their mobile phones to develop early warning and security alarm systems.

The widespread uptake and use of the M-PESA service and the increasing use of mobile phones for browsing on the internet have driven sales of airtime, mobile phones and software over the review period. Numerous service providers have emerged and all of these changes are affecting nearly every aspect of life in Kenya. These trends are likely to continue over the forecast period, particularly as tech-savvy kids and tweens get older and demand for technology increases. As well, as disposable incomes rebound there are many older Kenyans not currently using information and communication products who are likely to join their friends who so use them so as not to be left behind.

## the Bottle, the Screen and the Buddies for Recreation

During the review period, Kenyans spent their free time in a variety of ways. Children enjoyed playing video games and toys with their neighbours. Among the most popular toys purchased were automobiles with battery-driven engines, teddy bears and dolls.

Many adolescents and college students not only watched games like basketball and football during their free time but also enjoyed playing them. Others preferred to watch movies with friends, listen to music or read novels. For their part, young women and middle-aged women often enjoyed spending time with their friends shopping (often for beauty, hair care and skin care products), visiting hair salons or watching popular soap operas on television. Some women attended 'merry-go-rounds', regular meetings of groups of women who pool funds and give or lend one member part or all of the funds at each meeting. This form of investment compensates for the impossibility of many women to access credit from commercial banks.

Men are more likely to spend their spare time watching football matches in their favourite pubs with friends over alcoholic drinks. Family free-time activities include visiting national parks, arboretums or restaurants. Younger couples occasionally go dancing in popular discos and clubs.

### Outlook

Expenditure on products and services for children, including traditional toys and games and video games, is likely to increase over the forecast period as disposable incomes increase. Games, particularly football, are likely to hold a high spot amongst the activities of Kenyan males (and amongst an increasing number of females, too). Demand for products related to leisure time, such as food and beverages, sports clothing and footwear, video game and DVD movies and even beauty products is likely to grow significantly over the forecast period as population growth rates and urbanisation rates rise. At the same time, a significant and growing number of Kenyans are likely to adopt healthier lifestyles and undertake fitness activities during their free time, particularly as the level of awareness and information on the dangers of sedentary lifestyles increases.

### Impact

Kenyans' tendency to enjoy their leisure time in the company of friends contributed to growth in demand for a number of consumer products during the review period, including toys and games, video games, video recorders, mobile phones and branded sportswear. By using their free time to meet with others and develop pools of funds which can be lent to members, women have been able to afford relatively expensive household durable goods, holidays, clothing and footwear, beauty care and fragrances. As well, they have been able to make more frequent visits to salons without much damage to the household budgets. During the review period, there was an increase in the number of beauty salons and hair stylists in Kenya, many of whom also stocked beauty, hair, skin and body care products. Over the forecast period, it is expected that there will be increased demand for such products.

Men's preference for watching matches involving European football teams in pubs while drinking drove increased sales of on-trade alcoholic drinks. Pub owners and club owners have made efforts to lengthen the drinking sessions by incorporating huge flat-screen television sets and this is expected to help drive sales growth over the forecast period.

Television sets are popular because of their versatility. Children who use them to play video games, adolescents watch movies, women watch soap operas and men watch news and sports. Expenditure on bigger flat-screen television sets and home cinema equipment is expected to increase over the forecast period.

# CONSUMER SEGMENTATION

## Babies and Infants

The share of this consumer group increased slightly over the review period from 9.4% (3.7 million) in 2005 to around 10.5% (4.2 million) in 2009. Its share of the population is expected to decrease to 9.5% by 2015, and to 8.6% by 2020. Compared to the previous years, the increase observed over the review period was only slight, a trend which is attributable to falling fertility rates, increased urbanisation, improvement in the education of women (enabling them to make informed decisions), and wider availability of effective birth-control methods. Over the review period, there were high levels of knowledge of modern family-planning methods among married women aged 15–49, with 95% having acquired the relevant knowledge. Those whose demand for family-planning products were reportedly effectively satisfied made up 63% of the total population of married women aged 15–49.

Previously, children in Kenya were seen as a source of security in old age; hence, more was preferable to fewer. Currently, people prefer to give birth to fewer children and take better care of them (materially and otherwise), since they then have relatively more resources to invest in their children's development. According to the United Nations Children's Education Fund (UNICEF), total fertility rates in Kenya had dropped to 4.9 by 2009. Increased urbanisation has also meant that more and more couples are taking up jobs away from home; this has reduced the total amount of time available for bringing up children, leading many couples to decide to have fewer children. The high costs of bringing up a child in a society characterised by a steady decline in communal ways of living and which is becoming increasingly capitalistic and individualistic, also dissuaded a number of people from having many children. However, even though fertility rates declined over the review period, the overall population of babies and infants rose by 12.5% over the review period due to the hidden momentum of population growth. Consequently, the overall population of this group is expected to grow by 4.9% over the forecast period. The annual increases in the numbers of babies over the forecast period are expected to decrease given the change in attitude in favour of fewer children per woman.

### Impact

Demand for such products as baby powder, baby oils, clothes, food, drink, diapers, toys and games increased in line with increases in the overall population of babies and infants over the review period. Where there are competing needs, expenditure on baby products almost always has priority over other items in the budget of many Kenyan households.

With the population of babies and infants expected to grow in the forecast period, sales of goods and services used by this group of people will continue to grow. Over the years, better-informed working parents have been moving from the previously widespread use of reusable cotton nappies to improved (disposable) nappies. As a result of the improved demand, the market for products has continued to attract new suppliers in the Kenyan economy. In May 2009, for instance, Proctor and Gamble (P&G) launched its improved Pampers Magic brand in Kenya, a development that was highly welcomed by a number of consumers. Being aware of parents' efforts to offer their babies the best, producers like P&G intensified their informative advertisements efforts and emphasised the need for babies to play freely and sleep longer to enhance their cognitive and physical development. Such efforts were boosted by the Kenya Paediatric Association (KPA), which endorsed Pampers as the most effective diaper brand in the market.

For its part, Johnson and Johnson – one of the key players in the market for baby products such as powder and skin-care products – has engaged in community development services, such as sponsoring the training of nurses in an effort to improve children development. Such activities have also been popular and effective in promoting products used by babies and infants.

Elsewhere, the prevailing increase in rural-urban migration will further increase demand for day care as increasing numbers of young couples take up employment in urban areas. Previous patterns of having younger relatives as child-minders have been curtailed by, among other things, the decline in communal ways of life and the reintroduction of free and compulsory primary education, leaving only the options of day care or employing house helps. Service providers are already responding to the growing demand for child care as witnessed in the emergence and growth in the numbers of house girls' bureaus and day-care centres in many urban and some rural areas. The house girls being offered are, however, not optimally trained to care for babies, and many of the day-care centres are still ill-equipped. This therefore offers a market niche for service providers who can inject the appropriate level of quality desired by the market.

## Kids

Accounting for 17.8% of the whole population in 2009, those aged 3–8 years constituted the second-largest consumer group over the review period. This group is expected to grow in size and form 17.9% of the total population (the largest consumer group) by 2015 as the babies born over the review period grow up, before falling to 16.7% by 2020, when the group will be second in size to that of people in their twenties. These are Kenyans born in the early years of the 21st century, and most of them are in the early stages of primary-school education. Despite falling fertility and fluctuating but generally decreasing birth rates over the recent years, the size of this group increased throughout the review period due to the hidden momentum of population growth.

For many low- and middle-income households, the presence of babies often decreases the spending on kids, tweenagers, teenagers and adults (proportionately in the order in which they are listed), since the babies have priority. When a list of priorities has to be drawn, products for newborns often rank at the top. The higher the frequency with which newborns arrive into the households and the higher the number of babies, the lower the expenditure on everyone else. At a higher level, the higher the number of infants, the lower the expenditure on products for kids is likely to be. Although kids often try to persuade their parents to buy them certain items, the ultimate decision often rests with the parents, who reserve the final say in whatever expenditure occurs for the kids. Among the middle- and high-income households, children often accompany their parents during main (monthly) shopping occasions and help choose their clothes, sweets and toys. Subject to their parents' opinion on what clothes are appropriate for their age, the items chosen by the children are often bought, albeit within reasonable price limits. Among low-income households, however, children rarely have the chance to choose their clothes and toys; instead, parents purchase and present such products to them and, on the few occasions when children do, budget considerations often overrule their choices. Clothes, shoes, digital wrist watches, toys and, to a much lesser extent, bicycles are the main items traditionally purchased by or for this group.

A great majority of Kenyan parents still have an overly paternalistic attitude towards their children and prefer to maintain control over the choice of products used by them. Even among the fairly liberal (high-income) elite, the allowance for choice is often limited to toys' colour, brand and source. The decision on the shape, size, design, number and price is almost always made by the parents or with their approval, especially when it comes to clothes. Besides, kids are rarely given cash (beyond a reasonable amount of pocket money) or debit/credit cards with which to independently shop.

Spending on advertising to children has been on the rise over the review period. The main consumer items targeted by advertising at children include clothing and footwear, learning items (pens, exercise, drawing and story books), breakfast foods (beverages such as Milo, Cadbury's Cocoa; milk; cereal foods and margarine) and baked/packed foods, shoe polish (such as Kiwi), and toothpastes. Others are chocolate bars, candies, cold drinks, video games and game cubes, films and soap operas. Manufacturers have also incorporated a type of marketing in which kids aim at obtaining product packs with certain numbers printed on them with which they win their friends and schools certain benefits, for example, educational tours.

### Impact

Whereas mobile-phone use among Kenyan children is rising, it is digital-sound products such as MP3 players, video and computer games, and game cubes that have featured prominently among the new types of products purchased for kids. However, a majority of Kenyan parents are still reserved when it comes to purchasing such types of products, since they consider them as distractions from the all-important school work. Some parents also have reservations when it comes to children acquiring access to video equipment, for fear of their children accessing pornographic and violent material. On the other hand, kids in Kenya are also becoming increasingly vocal, relative to recent decades. Moreover, guilt has a potential role in spending decisions as time-stressed parents substitute material goods for time spent with their kids.

Demand for quality pre-primary and primary-school education increased over the review period, since an increased number of parents could afford better-quality educational and day-care services. Over the forecast period, there is likely to be a sustained increase in demand not only for food (especially fast foods such as French fries), clothing and footwear but, more importantly, for quality educational and day-care services besides toys (including bicycles), as more and more working time-stressed parents aim for the best in their efforts to substitute material goods and services for time spent with their kids.

Marketers have come up with various strategies to target children, tweenagers and teenagers. These entail: the exploitation of the ‘pestering power’; appealing to the specific psychological, emotional and social needs of kids; and relying on the ‘coolest’ kids to help promote their products as ‘must-haves’. In addition, they make efforts to instil brand loyalty from an early age and even donate certain branded equipment used by kids in educational institutions.

The combined effects of these trends has been to drive sales of products used by this group of the population, with market niches appearing in quick succession depending on what is deemed ‘cool’ by the children at various points in time. These trends will continue driving growth in the forecast period as spending powers improve in tandem with improvements in economic growth, urbanisation and employment figures.

## Tweenagers

This consumer group (aged 9–12 years) constituted 9.9% of the total population by 2009, and its share is expected to grow in the forecast period, reaching 10.3% by 2015, albeit with a small decrease to 10.1% by 2020. These are children who were born towards the end of the last decade of the 20th century and at the beginning of the 21st century, when significant attitude shifts in favour of fewer children had just begun to be noticed. The use of contraceptives was just gaining popularity and the level of knowledge about them among women was still relatively low. Just coming from a period fraught with economic mismanagement, during which career perspectives were relatively bleak, giving birth to many children was still preferable to bearing a few. As such, the number of tweenagers increased over the review period and a further increase is expected in the forecast period as the infants born in the review period grow up.

In Kenya, just like in most of the other parts of the world, the tweenagers are fast copying teenagers and are aiming at increasing sophistication. At this age, most Kenyan tweenagers are in the upper primary school and have an improved voice in the household since parents expect them to have a better understanding. Though their parents make most of the major decisions, they have some leeway in decision-making, for instance what to buy with their pocket money. Besides using their pester power, this group use rational arguments to convince their parents to purchase them certain products (priced beyond their monthly pocket monies). Besides, some high- and middle-income parents simply want to pamper their little princesses and princes.

However, Kenyan tweenagers almost always want to belong to their peers, to do almost everything their peers do, and to have almost everything their peers have. Compared to previous generations, they have more access to magazines, favourite television programmes and favourite pastimes, most of which they have in common with their friends. They influence each other’s views and co-operate in designing strategies for getting whatever it is they want from their parents. Most Kenyan tweenagers, for instance, go shopping together, watch television programmes together, and share dressing tastes with their favourite friends. They are not left out in the endeavour to be seen as being trendy or ‘cool’. Most parents start giving their children pocket money once they reach this age group to shop for and purchase items of their liking.

The prevailing trends in favour of fewer children have also meant that tweenagers receive more pocket money and improved purchases from their parents. Whereas tweenagers receiving pocket money were the exception rather than the rule in the 1980s, Kenyan tweenagers currently have pocket money on average of approximately KES300 (US$4) per month. They have therefore experienced an improvement in their own spending power. Whereas items like air time, MP3 players, beauty products, packs of playing cards, bangles, ear rings, fast foods, popcorns, finger rings and bars of chocolate are often bought from pocket monies, other major ones like clothing, footwear, cell phones besides obligatory ones like school items and sanitary pads are still often purchased for them by their parents. Changing lifestyle patterns have also contributed to the importance of this consumer group. Whereas the tweenagers of the 1980s would be engaged in cattle-feeding and domestic chores such as water and firewood collection, decline of herding as a key economic activity in many areas of Kenya and the adoption of new ways of water and energy supply have been changing the lifestyle patterns of tweenagers. Increased urbanisation has also meant that over the review period, a significantly high number of tweenagers spent more hours watching television, watching films or listening to their favourite radio shows.

Playing football with neighbourhood tweenagers, cycling, visiting friends, watching films and television programmes, playing video games or cards and playing with family pets are among the popular leisure time activities among Kenyan tweenagers. After excitedly sending short messages to each other via mobile phones, they like spending time with their friends while catching up on the latest trends and happenings in the school or neighbourhood. A packet of French fries shared with friends at the nearest McDonald’s while admiring fashions and hair styles in a fashion magazine (girls) or watching the latest action movie with friends (boys) is valued quite highly among the Kenyan tweenagers. When out of the sight of adults, a number of mischievous tweenagers experiment with cigarettes and/or alcohol. This has largely been blamed on aggressive advertising by cigarettes and alcoholic drink companies, peer pressure, demonstration effects from adults and (street) children being used as traffickers, for they raise little suspicion. Over the review period, tighter regulation on advertisement of cigarette and alcoholic drinks were introduced.

### Impact

The widespread habit of sending short messages to friends via mobile phones contributed to the high growth rates witnessed in the communication industry over the review period. Expenditure on trendy pairs of shorts, pairs of trousers, tops, T-shirts, sports shoes, school items and skin-care and beauty products also benefited significantly from the prevalent trends, especially given the improvements in disposable incomes as parents chose to have fewer babies. As witnessed by the portioning of buildings in Nairobi’s central business district to set up smaller shops (exhibition stalls), numerous retailers emerged to meet the growing demand not only for popular music but also for electronic equipment, beauty products, clothing and footwear. As such, trendy items seen by the tweenagers on television the previous week, become readily obtainable in the following week.

Urban youths largely influence the consumption patterns of their rural counterparts, who have lower access to the media and other sources of information. Besides, parents observe the types of products other tweenagers possess and try to purchase the same for their own tweenagers. The increased expenditure on products used by tweenagers is therefore likely to continue into the forecast period. Education services, communication services, clothing and footwear as well as expenditure on portable sound devices are likely to attract some of the greatest growth in consumer expenditure over the forecast period.

## Teens

The fact that birth and fertility rates were higher in the period 1990–1996 was reflected in the population of the teenagers, which accounted for 15.4% of the total Kenyan population over the review period. The fertility rate in Kenya was 5.4 children per woman by 1993. The population of this group grew by 3% over the review period and this group is expected to constitute a reduced proportion of 15.0% of the Kenyan population in 2015 as the effects of falling birth and fertility rates witnessed in the run-up to the review period and in its course become more manifest. Nevertheless, this decline in the share of this group will however constitute no reductions in their population as there will be positive growth.

In Kenya, teens form a very important and critical consumer group whose significance has been growing every year. This is a group of adolescent and young adult people who are either in the last year of their primary school level, in secondary school or in the initial stages at tertiary institutions of learning. Some have left school and engaged in micro- and small-enterprise activities, while a few are employed. Apart from changing lifestyle patterns away from the traditional manual chores such as herding, the review period saw increased entrepreneurial activities initiated and executed by teens, who mostly engaged in income-generating retailing and services business such as hair-cutting and bicycle taxi services (Boda Boda) immediately after leaving school and even while still studying. There was an added impetus to youth entrepreneurship when the government rolled out the National Youth Fund to improve access to start capital for the teens and other young persons. Kenyan teenagers also increasingly and aggressively pursuing and engaging in part-time work, and these trends complement the pocket monies they receive and boost their own purchasing powers.

By 2009, teens were obtaining an average of KES525 (US$7) in monthly pocket monies from their parents and/or guardians. Teens in boarding schools as well as those from middle- and high-income households obtained significantly higher amounts of pocket money. Besides partaking in some spheres of general family decision-making, teenagers have more freedom for personal decision-making, with parents playing more guidance and advisory roles besides providing financial support for the decisions being made by teens. Most teenagers freely choose their hairstyles, clothing, footwear, subjects studied at secondary school, as well as courses taken at the tertiary level of education. In terms of when to go out and when to return, female teens are more tightly controlled and monitored by their parents than their male counterparts.

Favourite pastimes include watching football games in the British Premier League, EUFA Cup, La Liga, Bundesliga or CAF cup. Other popular pastimes for male teenagers are watching Kenyan Rugby matches and American Basketball games (NBA). Over 60% of the male teenagers in Kenya have a favourite European football club and footballer whose number or name the teens often like to have printed on their T-shirts. Girls, on the other hand, prefer to spend most of their free time watching beauty pageantry, reality-TV shows and celebrity functions. From these favourite pastimes, the teenagers identify with certain personalities whom they greatly admire, and the manners and dressing of such personalities influence their choices and habits. Besides sportsmen and models, the hip-hop sub-culture has deeply infiltrated into the dressing patterns of teenagers.

Teens also like to party and (especially those over 18 years) drink in their free time and during school holidays. Among the most enjoyable out-of-home events are hanging out with friends of the opposite sex, going to discos or attending sports events with friends. The large supply of alcoholic drinks, loud music and dance and the presence of many people of the opposite sex have been found to be the overriding reasons why many teens (and even adults) attend sports events such as the Safari Sevens rugby event. Musical concerts by leading reggae, hip-hop or rhythm and blues musicians are also popular. Such events give teens a chance to show off their trendy clothes, hair styles and shoes. These preferences and habits have been noted by advertisers, who target teens with designer and branded clothing and footwear such as Tommy Hilfiger, Calvin Klein, Levis, Adidas and Puma. Other products targeted at teenagers include low-cost ones like canned beers, spirits packed in sachets, take-away fast foods, men’s necklaces and earrings, studs and deodorants.

Apart from those in their twenties, teenagers are probably the single-largest section of the Kenyan population actively using the internet (chatting, browsing for the latest news, downloading music and ring tones), with the latest big thing being Facebook, Twitter and YouTube, through which teens make more friends, share experiences, get updates on latest fashions and news and recommend products to each other. The use of such websites as Facebook and YouTube has grown in popularity to such an extent that many politicians were using them effectively during campaigns for the 2007 presidential, parliamentary and civic elections. Markets have also noticed the potential of internet advertising and exploited it. It has also been challenging to effectively regulate the advertisements carried through the internet, with some blaming it, together with the aggressive advertisements and the inconsiderate retailers who easily sell age-restricted products to teenagers, for the rise in teenage substance abuse. According to the National Campaign Against Drug Abuse Authority, teenagers are experimenting with drugs, cigarettes and alcoholic drinks from a very young age, and substance abuse among this group is on the rise. A private survey carried out in 2009 also showed that alcohol and cigarette use was common and began as early as before age 11. The survey also found out that mothers’ education had a significant but negative correlation with abuse. Addicted teenagers frequently resort to criminal activities to support their consumption of khat (miraa), alcoholic drinks (the traditional beer chang’aa, bottled beer and spirits), Cannabis sativa (bhang), cocaine, morphine and heroin. Abuse of alcohol has also been linked to the faster spread of HIV/AIDS among teenagers, since their decision-making ability and power of restraint become impaired.

## Impact

Video and computer games such as Sudoku, Karaoke and Nintendo have experienced a rise in popularity among the youth recently. In response to the increased numbers of internet users, numerous private commercial cyber cafés emerged during the review period. Since teens are very fashion-conscious and easily influenced by trends from the media, popular habits and mannerisms among celebrities (such as international and local football stars, actors, singers and models) were increasingly adopted by Kenyan teens, leading to increased demand for and expenditure on items admired by the teens. By way of example, expenditure on haircuts, hairstyles, tattoos, piercing, jeans, caps, earrings, necklaces, nail vanish, hair pieces and bangles rose significantly over the review period. This group of consumers increased in number and is projected to increase further during the forecast period.

## Twenty-somethings

Accounting for 18.9% in 2009, this group of consumers constituted the largest section of the population over the review period. The population of these individuals, most of whom were born during the relatively high birth rate years of the 1980s, is growing but at a decreasing rate, and so they are expected to make up a slightly reduced proportion of 17.8% of the total population by 2015 and 17.1% by 2020.

Many people in this population category are just completing their college education, settling into careers or setting up families and having their first few kids. Whereas those in their early twenties are still typically carefree given their lack of responsibilities, those in their middle and late twenties are beginning to get quite focused in life. Around half of these people are married, while most of the rest are either cohabiting with partners with the intention of settling down into marriage, or engaged in serious relationships with a potential life partner. It is the group with the highest level of migration into urban areas. Among those living in rural areas, the wives often take up crop farming, teaching or trading, as well as home making, while the husbands engage in technical jobs like plumbing, welding, masonry, in addition to cattle keeping. Members of this group who reside in urban areas are often employed in entry-level positions in the manufacturing, construction or service industries. Most people in this group are middle-income-earners at best. In cases where children are already present, couples engage the services of baby minders or day-care institutions to take care of their children while they work. This group of people are consciously deciding to have fewer children in their lifetime due to the improvements in their levels of information, access to birth control methods and busier lifestyles, as well as an enhanced ability to earn and save for old age. They want to give their children the best that the careers can enable them to. They spend significant amounts on baby products, food, rent and fares (since most still commute). Many of those in urban areas do major shopping together as a family with each one picking the necessary and desired items from supermarket shelves.

As seen over the review period, some of the older members of this group enrol in colleges for further qualifications or to acquire an education that they could not afford in their earlier years. The younger members of this group, having just left their teenage years, are still quite fashion-conscious but with a more improved touch of sophistication or professionalism. They still pay a lot of attention to their appearance so as to project a professional image at their work places, feel good and also impress those around them. As may be expected, the aim to dress and appear cool is still fresh among those in their early twenties while the aim to dress and appear focused in the chosen line of career is stronger among those in their late twenties. Business-casual clothes, designer suits, skin and hair care products and footwear attract a significant amount of their total expenditures. However, it is mostly those in their mid- and late twenties who have a strong spending power, since the younger members of this group have just or are just finishing college education and their income streams are still unstable. Those in their mid-twenties tend to spend on household items, furniture and fittings, while those in their late twenties tend to spend on themselves and their few kids. A few of those in their late twenties have taken car loans and mortgages. People in this group also support other relatives and parents in rural parts of the country through remittances and occasional purchases. This group accounted for the largest increases in the overall number of households in Kenya and there is an increasingly popular desire (especially among the females) for spending extravagantly on high-profile weddings.

In their free time, young men in this group prefer to have weekends out of town with friends, team up in local pubs after work to watch football and catch up over alcoholic drinks (with roast meat – Nyama choma), while their female counterparts meet up to share experiences and go shopping for the much talked-about latest movie or beauty product.

Many women in this group open their first bank accounts and explore markets for health insurance, life policies, investment products, mortgages and pension schemes. Banks are expanding products targeted at women with reported success. The Standard Chartered Bank Kenya Limited introduced an appropriately named bank account, ‘Diva’, specifically designed to cater for the woman’s changing lifestyle and needs, in addition to the Diva Chamma (club) account to target the funds frequently raised by women’s groups. Mostly to mitigate unforeseen effects in cases of divorce, many women secretly keep some money aside for a rainy day. The Chamas (women’s merry-go-round investment groups), have continued to thrive because they enable women to buy land and property as well as save money independently from their husbands.

### Impact

Growth in expenditure on alcoholic beverages, tobacco, beauty products, skin and hair products, as well as banking products, is expected to continue among this population group. Partly due to their love for adventurous escapes (which they could afford), domestic tourism experienced significant growth over the review period. The forecast period is expected to witness further growth (albeit at a reduced rate) in the demand for these and other products as employment and incomes grow and as more and more Kenyans afford products previously beyond their reach. The increasingly popular trend of spending extravagantly on high-profile weddings has led to the emergence of specialised one-stop wedding service providers, which are highly likely to realise tremendous growth in the forecast period.

Elsewhere, the growth in the population of this group and the increased number of rural urban immigrants contributed to housing shortages witnessed in many urban areas such as Nairobi and Kisumu cities over the review period. Private developers have intensified their investment in the urban housing sector, but the demand for affordable housing still outstrips the supply by far, hugely increasing rents and property prices. As this group increases, the current shortage is likely to persist into the forecast period.

## Thirty-somethings

This group of consumers had a share of 11.8% of the total population by the end of the review period. As the twenty-somethings grow older, the share of the thirty-somethings is expected to increase to 13.1% by 2015 and 13.6% by 2020. Just like the twenty-somethings, people in this group were born at a time when many parents favoured having many children and mortality rates were still relatively high. More specifically, they were born in the 1970s and matured during the 1990s, when Kenya was implementing a set of structural adjustment programmes recommended by the Bretton Woods institutions. With poor economic management, sometimes negative economic growth, much-reduced donor funding and frozen multilateral aid, those were certainly tough times for a maturing people seeking entry into careers. The introduction of multi-party politics in the 1990s found this group in their teenage and early twenties. The major effects of HIV/AIDS acquired more attention during their teenage years, and use of contraceptives began to be widely accepted. Contraceptive use has grown from 7% in 1978 to over 30%.

A majority of the females in this group have more than three children. Just like the twenty-somethings, many of those in their thirties have decided in favour of fewer children, for which they can have more disposable income. Over 80% are married or have had their first marriages. On the other hand, a significant number of urban females in their thirties are remaining single, whether with or without children. Having settled in occupations, thirty-somethings tend to have relatively stable and regular sources of income, most of which is spent on rent, mortgage servicing, food, children’s school fees, transport and clothing (mostly for their children). They value stability and predictability in their lives, with set routines and patterns of daily, monthly or annual activities. Most of the people in this group who live in urban areas undertake major shopping from supermarkets around month ends, while their rural counterparts do the same from open-air markets once or twice a month. Since a majority are married or cohabiting in a long-term stable relationship, the women do most of the shopping for the whole family, although most men purchase their own clothing, footwear, alcoholic drinks and cigarettes. Most have dual incomes and roles have been shared, with the husbands often taking care of rent and major school fees expenditures while the wives take care of regular housekeeping and children’s medical bills. A number have taken car loans and mortgages.

Over 50% of those in their thirties and forties are either living with and/or financially supporting other relatives within their (mostly) urban areas of residence. Contrary to past practices whereby newly married couples lived in the homesteads of the man and bore them grandchildren who helped them take care of their ageing parents, the younger people nowadays tend to move to urban areas as soon as possible, where they temporarily stay with their relatives as they look for employment. In the rural areas, they leave behind middle-aged and old people in need of support. In addition to these, the number of HIV/AIDS orphans left in the care of grandparents has also tremendously increased in the last two decades, although the Kenyan government is yet to establish proper public support structures for such people. The guilt of leaving helpless ageing parents in the rural areas follows a number of the younger people and boosts expenditure on support for such people.

Save for their children's school events, weddings and burials, the frequency of husbands' and wives' going out together is significantly reduced among this group of people as they are preoccupied with their careers and bringing up children. The youthful craze with hip-hop has in many cases been replaced with a higher interest and pride in the African way of life. For pastimes, most men frequent bars with their friends before driving home after work. Women's free time activities are greatly reduced at this age to around two key monthly meetings in their women or prayer groups, in addition to the monthly visit to the hair stylist. Regular church attendance with the children is an important ritual in the weekly activities of religious women in this group, with some attending crusades and/or overnight prayer meetings (keshas). Most of the parents in urban areas make a point of travelling with their children to visit their parents in rural ancestral lands at least once a year. They also regular remit money or send shopping to their parents in rural areas using relatives, bus companies and money transfer services such as M-PESA. An increasing number of those who had not achieved their desired level of tertiary education in their teenage years enrol in various tertiary-level institutions, where they attend lessons in the non-working hours and on non-working days. Some also improve their skills and levels of education for improved productivity and promotions at work. As such, over the review period, the government, colleges and universities were appropriately responding to the great thirst for education and training that was witnessed among those in their twenties and thirties over the last two decades.

This consumer group has a relatively high and stable purchasing and spending power, given that both men and women tend to be gainfully employed. Moreover, they have improved access to investment and education loans from an increasing number of financial institutions (savings and credit co-operative societies and banks) and employers. Over the review period, marketers have specifically targeted them with mortgage products, business loans and education loans with moderately better terms, as the government reduced domestic borrowing and reduced its crowding-out effect in the market for borrowable funds. Colleges and universities have also targeted this group with a myriad of popular certificate, diploma, bachelor's and master's degree courses flexibly structured to fit into their work lives. Premium cosmetic products and exclusive fragrances have also been targeted at the women in this group.

### Impact

Demand for tertiary-level education among this population group increased during the review period. Human resource management, supplies and procurement, information technology, sales and marketing, accounting, (business) administration and management are some of the courses that proved popular, with institutions such as the Kenya Institute of Management (KIM) as well as public and provide universities attracting many working students. With the sustained emphasis laid by employers on educational qualifications, the increased demand for tertiary-level education is likely to prevail further into the forecast period.

This working, learning and family-developing group of people are time-stressed and therefore will require more processed and conveniently packaged food for themselves and their school-attending children, for which they are willing to spend more. Already in the review period, there was an increased demand for quality private (boarding and/or day) primary schools, a trend that is likely to continue into the forecast period as the government takes time to solve the acute shortage of teachers in public schools. Day care, kindergarten services, as well as other products used by children, such as packed foods, clothing and footwear, will also benefit from this group's readiness and ability to spend more on their children. Since the family unit will continue to be a central concern to many women, products with appeal for the whole family will continue to attract, for instance, foods that the whole family crave for, vehicles that can carry the whole family in comfort and safety, and restaurants that cater to family needs.

Over the review period, the market for real estate and, to a lesser extent, mortgages realised tremendous growth in Kenya's cities and urban areas. With population growth and urbanisation, the increased demand is likely to intensify in the forecast period, with those in their thirties driving much of the growth. In tandem with this, demand for loans, personal covers and money-transfer services is expected to grow mildly over the forecast period.

A market niche may develop over the forecast period for the care of the elderly within their own homes (homes for the elderly still being relatively popular). With this, there may also be an increased demand for the products used by the elderly.

## Middle-aged Adults

The proportion of the Kenyan population aged 40–64 was 13.0% in 2009 and was projected to rise slightly to 13.7% by 2015 and then to 14.8% by 2020, as others born in the high-fertility periods of the early 1970s join this group and as the average age of the whole of the Kenyan population grows. The middle-aged adults form the group of people who were born within the independence decade when the total fertility rate was around eight children per woman (compared with 4.9 in 2009). During the youthful years of the people in this population group, Kenya realised high economic growth figures and made significant progress in a number of human development issues.

This consumer group has the highest spending power and the most stable disposable income, even though their purchasing powers fluctuate with the fluctuations in economic growth. While some have retired, most of them are at the peak of their careers and they concentrate more on investment goods. Those in rural areas have become established rural traders or farmers. Around 50% have grandchildren in addition to their own children, and they are often willing to spend more on businesses and issues of long-term benefit to their children and grandchildren, as well as considering their pension years. This group of people are fairly conservative in their views on dressing and fashion. They prefer suits, full dresses, and long or at least knee-length skirts worn with non-revealing loosely fitting blouses. Designer suits or long African robes/dresses with a headscarf (for women), together with moderate use of make-up, are hallmarks of acceptable and responsible dressing in the eyes of most middle-aged people. Many of them have children in secondary schools, colleges and universities, while some of them have sons and daughters who are already gainfully employed. They give their children more pocket money than in previous years and even send them to supermarkets and open-air markets to shop for the family. Although they are gradually accepting that their children are growing in changing times, most of them still have reservations about certain modes of dressing and sub-cultures preferred by their children, and this often leads to some misunderstanding in the families.

In their spare time, many of those employed and living in urban areas attend to their private (mostly trading) enterprises, while those employed in rural areas dedicate their free time to improving their farming activities. A large number of them, mostly women, also engage in voluntary church activities. Entertainment and leisure activities for women in this category are greatly reduced, while men still spend time with friends drinking alcoholic drinks and eating roast meat. They cherish their culture and tradition: local benga tunes in their ethnic languages, hits of yesteryears, and organic and non-processed foods feature prominently in their lives. Traditional beers like Busaa and Chang'aa are also popular among middle-aged people.

Partly due to their slightly changed lifestyles during the course of their lives (more sedentary lives in cities compared to formerly more active lifestyles as farmers and modified nutrition), the incidence of hypertension and diabetes has been increasing among this group of people over the last two decades. Increasingly stressful career lives in urban areas have made the situation worse.

Over the review period, marketers of automobiles (pick-up trucks, public transport vehicles and lorries), motor cycles (useable in taxi businesses), real estate products, business loans and children's education policies have targeted middle-aged people due to their enhanced purchasing power, fairly good credit ratings, and their interest in investment ventures for their future (in retirement) and that of their children.

### Impact

The health needs and habits of middle-aged people created demand for new products and establishments over the review period, such as foods using less refined ingredients, restaurants offering traditional foods, clubs offering more music in ethnic languages, herbal medicine clinics, wellness studios and fitness centres. Thanks to the spending power of people in this population group, domestic tourism also increased significantly over the review period. These trends and preferences will slightly drive the growth in demand for health and wellness products in the forecast period.

Demand for quality health-care services in private hospitals and clinics also grew over the review period. Long queues in sub-optimally equipped public health institutions prompted middle-aged people with high spending power to seek treatment in the more expensive but better-stocked health facilities. Consequently, private health practitioners, pharmacists and chemists realised sustained growth figures throughout the review period. The future looks very bright for private health care providers as the emerging health challenges will also need to be dealt with in old age.

## Older Population

The proportion of people aged 65 and above was 2.7% of the total population in 2009, and it is expected to marginally rise to 2.8% by 2015, before reaching 3.1% by 2020. People who currently fall in this group were born before 1960 and have survived the ups and downs of life in Kenya for more than half a century. After migrating into cities and urban areas in search of jobs and educational opportunities, most men and women in this group retired between the ages of 55 and 65 and moved back to their ancestral lands (if they were living elsewhere), where they are spending the rest of their lives as pensioners and farmers. The mandatory retirement age for civil servants was raised from 55 to 60 years in 2009, and retirement age is higher in some cases, for example, for university professors and some private-sector employees. Even though an increasing number of old people are remaining in urban areas till their deaths, spending one's sunset years near the 'spirits' of one's ancestors is still highly valued by many Kenyans in this group. This group is very conservative in their views on most aspects in life. They prefer to dress in cultural attire, maintain short hair, eat traditional dishes at home, and enjoy drinking traditional beer while playing traditional music.

The usual health problems afflicting the elderly like arthritis, osteoporosis, heart conditions, kidney problems and general physical weaknesses have set in. Kenyan older people have been experiencing revolutionising moments as the old structures of taking care of the aged have been consistently destroyed by urbanisation and changing societal preferences. The previous systems of daughters-in-law and grandchildren taking care of ageing parents have been disrupted by the rural-urban influx in search of jobs and improved opportunities. To complicate matters further, over the last two decades increasing numbers orphans with HIV/AIDS have been left in the care of ageing grandparents.

Apart from their pensions, incomes from farming activities and profits from their running business investments, some older Kenyans receive remittances and shopping from their children who are gainfully employed (often in urban areas). As such, they have a significant, albeit diminished spending power. Health care, food and alcoholic drinks are the key items in their regular budgets. During their spare time, they prefer to meet with their contemporaries in market squares to read newspapers, discuss recent and past occurrences and share a moment with alcoholic drinks and tobacco. Since they have more time in retirement, they also enjoy visiting former colleagues, old school friends and their grandchildren.

### Impact

The increased number of retirees contributed to the increased growth of expenditure on health-care products, alcoholic drinks and tobacco over the review period. However, an increased incidence of diabetes, arthritis, osteoporosis and poor eyesight meant that expenditure on herbal and modern medical clinics increased. The greater amount of free time with friends enjoyed by this section of the population raised their expenditure on alcoholic drinks and tobacco over the review period. Demand for and expenditure on solar panels, water tanks, water pumps, spectacles and minor surgeries to install artificial teeth also increased. Vehicle-owners also realised improved business moving people from cities and urban areas back to rural areas. These trends are likely to intensify in the near future.

In the forecast period, most retirees are likely to spend more of their pension income for improved comfort in old age. However, old people's homes are still largely unpopular in Kenya. Consequently, one supply gap that is likely to be filled over the forecast period is the provision of home-based care for the old, complete with regular visits by doctors. Working sons and daughters are likely to pay for such services in the near future.

**Table 1 Consumer Segmentation: 2005-2009**

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| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Babies/Infants (0-2 years) | 3,724 | 3,840 | 3,961 | 4,081 | 4,189 | 12.5 |
| Kids (3-8 years) | 6,247 | 6,438 | 6,639 | 6,849 | 7,067 | 13.1 |
| Tweenagers (9-12 years) | 3,618 | 3,681 | 3,760 | 3,852 | 3,957 | 9.4 |
| Teens (13-19 years) | 5,957 | 6,008 | 6,048 | 6,087 | 6,138 | 3.0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| People in their twenties | 6,686 | 6,909 | 7,123 | 7,323 | 7,508 | 12.3 |
| People in their thirties | 4,016 | 4,167 | 4,333 | 4,514 | 4,709 | 17.2 |
| Middle-aged Adults (40-64 years) | 4,588 | 4,731 | 4,877 | 5,027 | 5,183 | 13.0 |
| Older Population (65+ years) | 980 | 997 | 1,013 | 1,031 | 1,051 | 7.2 |

*Source: National statistics, Euromonitor International*

**Table 2 Consumer Segmentation: 2010-2020**

'000

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| Babies/Infants (0-2 years) | 4,278 | 4,416 | 4,488 | 4.9 |
| Kids (3-8 years) | 7,291 | 8,313 | 8,685 | 19.1 |
| Tweenagers (9-12 years) | 4,073 | 4,793 | 5,466 | 34.2 |
| Teens (13-19 years) | 6,208 | 6,943 | 8,149 | 31.3 |
| People in their twenties | 7,674 | 8,276 | 8,872 | 15.6 |
| People in their thirties | 4,915 | 6,062 | 7,090 | 44.2 |
| Middle-aged Adults (40-64 years) | 5,347 | 6,343 | 7,678 | 43.6 |
| Older Population (65+ years) | 1,076 | 1,286 | 1,605 | 49.2 |

*Source: National statistics, Euromonitor International*

# PEOPLE

## Population

With more than 39.8 million people in 2009, Kenya had the second-largest population in the East African region. The country has an ethnically diverse population with more than 40 ethnic groups. In 2009, the five most populous ethnic groups were the Kikuyu (8.8 million), the Luhya (5.7 million), the Kalenjin (5.3 million), the Kamba (5.1 million), and the Luo (4.5 million). The population density was 70 persons per square kilometre. Over the review period, the population was relatively young (42.8% of the population were aged below 14 years, while the median age was 18.4 years) and growing (albeit at a decreasing rate). Generally, death rates fell from 11.6 per thousand in 2008 to 11.3 per thousand in 2009 and birth rates also declined from 38.8 per thousand in 2008 to 38.4 per thousand in 2009. The adult literacy rate was over 85% by 2005. The World Bank estimated the population growth rate at 2.64 per annum in 2008, while the Kenya Demographic and Health Survey (2008) found that the total fertility rate (TFR) declined from 8.1 births per woman during 1977/8 to 4.7 in 1998 and rose slightly to 4.9 in 2003, and to 5 in 2005, before declining again to 4.6 in 2008 and rising to 4.9 in 2009. Currently, the United Nations estimates future total fertility rates as follows: 5.0 in 2010, 4.5 in 2015, and 4.0 in 2020. The UN provides projections for further declines in annual population growth rates as follows: 2.6% by 2015 and 2.3% by 2020.

The possible reasons for the falling fertility rates over the review period include better health care, reduced infant mortality, improved awareness, better access to birth-control products, increasing age at first birth and better livelihood prospects, which reduce the need for more children. The rising cost of maintaining many children may also have played a role. The falling fertility rates led to a reallocation of consumption expenditure in favour of other consumer products such as birth-control items. The ageing rate was 0.3 over the period 2005–2009, indicating a slight ageing of the population; this was expected to increase to 1.0 over the period 2010–2020. Though a majority of the population live in rural areas, there is increasing urbanisation, which is turning urban areas (cities, municipalities and towns) into major population and consumption centres.

The Kenyan ethnic diversity mentioned above is significant to the extent that certain cultural practices and habits have led to diverse population trends and significantly different spending patterns. The practice of wife inheritance among the Luo (and to some extent, the Luhya) may have contributed to a more rapid spread of HIV/AIDS and therefore a higher mortality over the years and a slackened population growth. Members of the

Kikuyu ethnic group tend to be more industrious and more investment-oriented, whereas people from the Luo ethnic group have displayed a liking for good living and therefore a tendency to spend more on trendy and fashionable items.

### Impact

Demand for products used by young and middle-aged people increased over the review period, and further growth is expected in the forecast period. Demand for beauty and skin-care products rose With increasing awareness about some long-term side effects of chemical products like skin-bleaching creams, there was also a significant rise in the demand for herbal products and cures over the review period. In response, a number of companies enhanced the marketing of various brands of herbal products, for instance, herbal soaps and toothpastes. A number of firms, such as like Makini Herbs and Bagika Herbal Clinics, also came up with herbal clinics targeting patients seeking alternative treatments. These trends are expected to continue into the forecast period, and as the large youthful population enter middle age it will further raise the demand for consumer products such as baby foods and packed foods for school and work days. Moreover, the high-fertility groups of the Kenyan population are the medium- and low-income earners, who have been observed to display a larger marginal propensity to consume out of their disposable income. They will further push up the consumer spending on products such as margarine, refreshment drinks and processed foods over the forecast period. Given the gradual ageing of the Kenyan population, demand for health-care products is bound to rise only slightly over the forecast period.

Whereas there is no particular ethnic group that influences consumer trends, there is a section of the population that does this to a significant extent. Consumption trends for most consumer products are often driven by the younger people (in the 15–30 age brackets) residing in urban areas. Realising this, advertisers have tended to appeal to this age group by incorporating elements of the youth sub-culture into advertising messages, for example, the Sheng mixture of English, Swahili and ethnic-group languages. Products well-received by this age group are soon popularised by word of mouth, the internet and text messaging. Except for products like lipstick and short tight dressing (which are frowned upon by the relatively conservative rural dwellers), the general consumption trends set by the urban youth are often adopted by their rural counterparts. Disposable income is also projected to rise in tandem with increased outlets for products over the forecast period.

## Marital Status

Over the review period, the proportion of the married was consistently above half of the total population and the number of married people increased by 11%. This increase was only slight because more years spent in education and the frequent incidences of hard economic times meant that couples were taking longer to achieve economic stability before settling down in marriages. The population of the married is expected to grow by 27% over the forecast period.

In Kenya, most people have a positive attitude towards marriage and view it as a desirable, necessary and crucial stage in life. Consequently, a majority of people of marriageable age strive to find the right partners and settle down into family life as soon as their economic situations allow. Because of the changing social and economic environment, individual relationships have gained popularity, and marriage has gradually ceased to represent ties between social groups and it has rather become an alliance between individuals. The non-extended family system has become widespread, with the most common form being the monogamous nuclear family found in both urban and rural areas. On the other hand, cohabiting has become common in urban areas, although much of society views this practice as an undesirable (and preferably very temporary) one.

As at 2009, the average age at first marriage was 26.3 years for men and 21.6 years for women. During the review period, increasing numbers of Kenyans obtained higher education, and correspondingly increasing numbers of Kenyans deferred marriage. (Whereas those who leave active education at secondary-school level tend to marry by age 20, those who go through higher education tend to marry between the age of 26 and 30.) Other factors aside, the more intense the level of professional engagement and the higher the level of education attained, the greater the tendency to defer marriage. There are also differences between urban and rural areas, with the average age at marriage higher in the former.

In accordance with the moral sense of many Kenyans, child-bearing generally – and for many, automatically – follows marriage. Over the review period, the average age for women to have a child (age at first birth) was 21.5, up from around 20 years in 2003. This change has occurred due to factors similar to those that have tended to delay marriage, such as longer periods spent in education and pursuit of career. With many school and college graduates chasing after a few job opportunities, women delay child birth until they are convinced that their economic situations would support a baby. Another factor is the increased use of contraceptives, which has reduced early pregnancies and therefore increased the average age at first birth.

Although divorce is viewed very negatively by most Kenyans, the number of divorced individuals grew by 15.6% during the review period, and it is expected that the numbers will grow by double that proportion (31.2%) during the forecast period. Lack of children is associated with high divorce rates; conversely, the more children one has, the more sense it makes to stick together and rear them. Increased economic independence of women is another factor associated with higher divorce rates, since economically independent women are less likely to stay long in abusive marriages.

### Impact

Since most Kenyans nowadays prefer flashy church weddings, demand for catering and products used in social gatherings will increase over the forecast period. Demand for day-care, kindergarten places and packed food (for children) may increase over the forecast period in line with increases in the numbers of working mothers.

The increase in the numbers of separations and divorces is leading to positive and negative results for certain products. More consumer durable goods will continue to be required as the financially stable but separated or divorced couples set up separate homes. Moreover, the increasing numbers of those filing for divorce will call for more legal services and the growing numbers of divorcees will probably need affordable apartments. The country might see a rise in juvenile delinquency as single parenthood increases and as such, there will be increased demand for guidance and counselling services besides increased demand for facilities for handling children from broken homes.

## Town Or Country

Although a large proportion of Kenyans still live in rural areas, the population of those living in urban areas is growing. Just under 22% of the Kenyan population was living in urban centres by 2009, and almost 27% will be living in urban centres by 2020. The number of urban dwellers grew by 17% over the review period, and is expected to grow by 53% over the forecast period. Whereas the population growth in rural areas has largely been driven by new births and only slightly by immigration, the growth in urban area population has been driven by the twin factors of increased immigration and more births. Rural-urban influx in search of better economic and educational opportunities has turned cities such as Nairobi, Mombasa, Kisumu, Nakuru and Eldoret into major population centres. The population in all these cosmopolitan cities grew by over 15% over the period 2005–2009; further rises of over 50% are forecast for the period 2010–2020. Most people who migrate from rural areas into urban ones are young, and do so in the hope of being employed in the construction, manufacturing and service sector industries; this trend is not expected to stop soon.

Urban and rural dwellers exhibit differences when it comes to the types of products consumed. Most rural area residents do not purchase the most important components of their diet, since most of them cultivate their own potatoes, maize, beans and vegetables. Most urban area residents have to buy almost every component of their diet because they do not have farms in their areas of residence. The expenditure of urban area residents on processed/manufactured foods (such as margarine, baked foods, canned foods, health products) and on beauty and lifestyle products is greater than that of their rural area counterparts. Occupations are also different, with most rural dwellers being self-employed small-scale farmers, while most urban dwellers are employees of manufacturing, construction and service companies.

### Impact

The increased urbanisation and the growth in urban population have led to different products coming into the market. For example, the cities of Nairobi and Kisumu have been experiencing acute shortages of affordable housing and clean drinking water since 2000. In the last two decades, Kenya has seen heightened activity in the business of bottled water with brands like Dasani (from Coca Cola), Aberdares and Aquamist. There has also been an improved market for soft drinks, fresh fruit juices and dairy products. More than ten new brands of yoghurt have strongly emerged in the market.

The growing urban population lays more emphasis on convenience, comfort and time-saving features. As such, there are bound to be further increases in demand for processed foods over the forecast period. Demand for health, diet, skin care, beauty and herbal products is likely to increase because of improved awareness of health issues. Since it is the Kenyan urban population that largely sets the national trends, the expected increased demand for some products is bound to assume a nationwide dimension over the forecast period.

Another well-received pattern has been the effort by manufacturers to come up with low-priced brands and produce smaller packs of products to accommodate low-income earners in rural areas and in informal settlements in urban areas. Transport and communication, education and energy are the other sectors that are also likely to see improved growth over the forecast period.

**Table 3 Population by Age: 2005-2009**

'000/as stated

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| 0-14 yrs | 15,329 | 15,710 | 16,128 | 16,574 | 17,036 | 11.1 |
| 15-64 yrs | 19,508 | 20,065 | 20,614 | 21,161 | 21,715 | 11.3 |
| 65+ yrs | 980 | 997 | 1,013 | 1,031 | 1,051 | 7.2 |
| TOTAL | 35,817 | 36,772 | 37,755 | 38,765 | 39,802 | 11.1 |
| Median age of population (years) | 18.0 | 18.1 | 18.2 | 18.2 | 18.3 | 0.3 years |

*Source: National statistics, UN, Euromonitor International*
*Note: As of 1st January*

**Table 4 Population by Age: 2010-2020**

'000/as stated

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| 0-14 yrs | 17,504 | 19,671 | 21,183 | 21.0 |
| 15-64 yrs | 22,283 | 25,475 | 29,246 | 31.2 |
| 65+ yrs | 1,076 | 1,286 | 1,605 | 49.2 |
| TOTAL | 40,863 | 46,433 | 52,034 | 27.3 |
| Median age of population (years) | 18.3 | 18.6 | 19.3 | 0.9 years |

*Source: National statistics, UN, Euromonitor International*
*Note: As of 1st January*

**Table 5 Male Population by Age: 2005-2009**

'000/as stated

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| 0-14 | 7,713 | 7,905 | 8,115 | 8,339 | 8,571 | 11.1 |
| 15-64 | 9,713 | 9,998 | 10,279 | 10,558 | 10,841 | 11.6 |
| 65+ | 457 | 463 | 469 | 476 | 484 | 5.9 |
| TOTAL | 17,883 | 18,366 | 18,862 | 19,372 | 19,895 | 11.3 |
| Median age of male population (years) | 17.9 | 18.0 | 18.0 | 18.1 | 18.2 | 0.3 years |

*Source: National statistics, UN, Euromonitor International*
*Note: As of 1st January*

**Table 6 Male Population by Age: 2010-2020**

'000/as stated

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| 0-14 | 8,805 | 9,891 | 10,646 | 20.9 |
| 15-64 | 11,133 | 12,776 | 14,713 | 32.2 |

| | | | | |
|---|---|---|---|---|
| 65+ | 494 | 582 | 714 | 44.6 |
| TOTAL | 20,431 | 23,249 | 26,073 | 27.6 |
| Median age of male population (years) | 18.2 | 18.5 | 19.2 | 1.0 years |

*Source:* *National statistics, UN, Euromonitor International*
*Note:* *As of 1st January*

**Table 7 Female Population by Age: 2005-2009**

'000/as stated

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| 0-14 | 7,615 | 7,805 | 8,013 | 8,235 | 8,466 | 11.2 |
| 15-64 | 9,795 | 10,067 | 10,335 | 10,603 | 10,874 | 11.0 |
| 65+ | 524 | 534 | 544 | 555 | 568 | 8.4 |
| TOTAL | 17,934 | 18,406 | 18,892 | 19,393 | 19,907 | 11.0 |
| Median age of female population (years) | 18.2 | 18.3 | 18.3 | 18.4 | 18.4 | 0.3 years |

*Source:* *National statistics, UN, Euromonitor International*
*Note:* *As of 1st January*

**Table 8 Female Population by Age: 2010-2020**

'000/as stated

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| 0-14 | 8,698 | 9,780 | 10,537 | 21.1 |
| 15-64 | 11,151 | 12,699 | 14,533 | 30.3 |
| 65+ | 582 | 705 | 891 | 53.0 |
| TOTAL | 20,432 | 23,183 | 25,961 | 27.1 |
| Median age of female population (years) | 18.5 | 18.7 | 19.3 | 0.8 years |

*Source:* *National statistics, UN, Euromonitor International*
*Note:* *As of 1st January*

**Table 9 Population by Ethnic Groups: 2005-2009**

'000

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Kikuyu | 7,921 | 8,138 | 8,359 | 8,584 | 8,814 | 11.3 |
| Luhya | 5,138 | 5,266 | 5,398 | 5,533 | 5,672 | 10.4 |
| Kamba | 4,541 | 4,672 | 4,806 | 4,941 | 5,078 | 11.8 |
| Kalenjin | 4,701 | 4,842 | 4,985 | 5,129 | 5,275 | 12.2 |
| Luo | 4,117 | 4,207 | 4,302 | 4,400 | 4,502 | 9.3 |
| Kisii | 2,162 | 2,214 | 2,269 | 2,324 | 2,382 | 10.2 |
| Meru | 1,797 | 1,841 | 1,886 | 1,933 | 1,981 | 10.3 |
| Mijikenda/Swahili | 1,588 | 1,624 | 1,661 | 1,700 | 1,740 | 9.6 |
| Somali | 1,470 | 1,545 | 1,615 | 1,684 | 1,751 | 19.1 |
| Masai | 1,030 | 1,072 | 1,113 | 1,154 | 1,194 | 15.9 |
| Embu | 543 | 562 | 580 | 598 | 616 | 13.4 |
| Taita/Taveta | 492 | 511 | 529 | 547 | 565 | 14.8 |
| Other | 316 | 278 | 252 | 239 | 231 | -26.9 |
| TOTAL | 35,817 | 36,772 | 37,755 | 38,765 | 39,802 | 11.1 |

*Source:* *National statistics, UN, Euromonitor International*

**Table 10 Population by Ethnic Groups: 2010-2020**

'000

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| Kikuyu | 9,049 | 10,278 | 11,514 | 27.2 |
| Luhya | 5,815 | 6,576 | 7,351 | 26.4 |
| Kamba | 5,217 | 5,942 | 6,666 | 27.8 |
| Kalenjin | 5,423 | 6,188 | 6,948 | 28.1 |
| Luo | 4,608 | 5,182 | 5,778 | 25.4 |
| Kisii | 2,441 | 2,757 | 3,080 | 26.2 |
| Meru | 2,031 | 2,295 | 2,565 | 26.3 |
| Mijikenda/Swahili | 1,782 | 2,006 | 2,238 | 25.6 |
| Somali | 1,817 | 2,138 | 2,434 | 33.9 |
| Masai | 1,234 | 1,433 | 1,622 | 31.4 |
| Embu | 635 | 728 | 820 | 29.2 |
| Taita/Taveta | 583 | 673 | 760 | 30.4 |
| Other | 228 | 236 | 258 | 13.1 |
| TOTAL | 40,863 | 46,433 | 52,034 | 27.3 |

*Source: National statistics, UN, Euromonitor International*

**Table 11 Population by Marital Status: 2005-2009**

'000

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Married | 18,063 | 18,536 | 19,024 | 19,527 | 20,043 | 11.0 |
| Divorced | 1,528 | 1,588 | 1,648 | 1,707 | 1,767 | 15.6 |
| Widowed | 1,310 | 1,351 | 1,392 | 1,433 | 1,475 | 12.6 |
| Single | 14,915 | 15,297 | 15,691 | 16,098 | 16,517 | 10.7 |
| TOTAL | 35,817 | 36,772 | 37,755 | 38,765 | 39,802 | 11.1 |

*Source: National statistics, UN, Euromonitor International*

**Table 12 Population by Marital Status: 2010-2020**

'000

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| Married | 20,572 | 23,356 | 26,163 | 27.2 |
| Divorced | 1,826 | 2,120 | 2,399 | 31.4 |
| Widowed | 1,518 | 1,737 | 1,953 | 28.7 |
| Single | 16,947 | 19,219 | 21,518 | 27.0 |
| TOTAL | 40,863 | 46,433 | 52,034 | 27.3 |

*Source: National statistics, UN, Euromonitor International*

**Table 13 Average Age at First Marriage: 2005-2009**

Median age at first marriage (25–49 years)

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Women | 18.5 | 18.9 | 19.5 | 19.7 | 21.6 |
| Men | 25.1 | 25.5 | 26.1 | 26.5 | 26.3 |

*Source: National statistics, UN, Euromonitor International*

**Table 14 Population by Urban/Rural Location and Population Density: 2005-2009**

As stated

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Urban ('000) | 7,429 | 7,720 | 8,028 | 8,354 | 8,699 | 17.1 |
| Rural ('000) | 28,387 | 29,052 | 29,727 | 30,411 | 31,103 | 9.6 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Population density (people per sq km) | 63 | 65 | 66 | 68 | 70 | 11.1 |

Source: National statistics, UN, Euromonitor International

**Table 15 Population by Urban/Rural Location and Population Density: 2010-2020**

As stated

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| Urban ('000) | 9,063 | 11,190 | 13,826 | 52.5 |
| Rural ('000) | 31,800 | 35,242 | 38,208 | 20.2 |
| Population density (people per sq km) | 72 | 82 | 91 | 27.3 |

Source: National statistics, UN, Euromonitor International

**Table 16 Population by Major Cities: 2005-2009**

'000

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Nairobi | 2,715 | 2,825 | 2,941 | 3,063 | 3,192 | 17.6 |
| Mombasa | 821 | 853 | 887 | 923 | 961 | 17.1 |
| Kisumu | 419 | 437 | 457 | 477 | 498 | 18.9 |
| Nakuru | 259 | 268 | 278 | 288 | 299 | 15.4 |
| Eldoret | 208 | 217 | 225 | 235 | 245 | 17.4 |

Source: National statistics, UN, Euromonitor International

**Table 17 Population by Major Cities: 2010-2020**

'000

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| Nairobi | 3,327 | 4,110 | 5,074 | 52.5 |
| Mombasa | 1,002 | 1,236 | 1,525 | 52.2 |
| Kisumu | 520 | 647 | 802 | 54.2 |
| Nakuru | 311 | 380 | 467 | 50.4 |
| Eldoret | 255 | 315 | 389 | 52.6 |

Source: National statistics, UN, Euromonitor International

# HOUSE AND HOME

## Households by Annual Disposable Income

According to the Ministry of Finance and National Planning's official data, household incomes grew at the rate of 6.4% in 2005, 7.6% in 2006, 8.7% in 2007, 8.3% in 2008 and 8.7% in 2009, although the then-prevalent high inflationary pressure eroded much of the purchasing power. The overall increase in income per household was 37.6% between 2005 (when average income was KES 84,5000) and 2009 (when it stood at KES 116,300).

Kenya has had a high inequality in the distribution of incomes among households: the highest 10% of the earners account for over 37% of the total income, while the bottom 10% earns only 2% of the income, with incomes being lowest among the rural farming households and urban informal settlement dwellers. Whereas high-income households receive monthly incomes above KES 500,000, medium-income households receive KES 50,000–500,000. Earnings below KES 50,000 are classifiable as low. Kenya's middle class slightly thinned out over the review period as more households dropped into the low-income brackets, thereby widening the gap between the rich and the poor and slightly slowing down growth in the market for consumer goods. By the end of the review period, the lower-middle and bottom-class income groups constituted 80% of Kenya's households, up from 73% five years before; the middle-income segment constituted a mere 18%, down from 27% in 2005. This situation has been attributable to the negative lag effects of the global financial crisis, the disruptions caused by the post-election violence, and the failure of the benefits of recent growth (in 2006 and 2007) to trickle down to lower-income groups, leaving household incomes to lag far behind the rate of inflation and the cost of living.

The recent economic growth witnessed in 2005–2007 benefited mostly the upper-middle class and the rich (top 20%). This was attributable to the fact that the upper-middle- and the top-income groups have, over the years, invested in capital goods and businesses and some of them have accumulated immense stocks of marketable skills, as opposed to the lower-middle- and low-income categories, which is made up of fresh graduates, low-skilled workers, small and micro-level businessmen, peasant farmers and unemployed persons.

The ongoing economic recovery is expected to improve the situation. Incomes are forecast to grow by over 50% in the forecast period as Kenyans become more educated, better trained and more entrepreneurial. However, meaningful nationwide benefits are only realisable in cases of sustained high economic growths of around 10% over five to ten years. Such uninterrupted high economic growth rates have eluded Kenya over the last two decades, as internal conflicts associated with elective politics in an ethnically diverse society, economic mismanagement, great reliance on rain-fed agriculture, volatility in the global markets for Kenya's exports and unfavourable world trade conditions have often intervened.

### Impact

After observing sluggish improvements in sales even in periods of moderate recovery over the review period, companies have had to develop smaller pack sizes and introduce cheaper denominations of service products like air time for mobile telephony. A number of companies (among them, Safaricom and Equity Bank) have successfully targeted the lower-middle class and low-income households to supply the alternative engine of growth. Products that are increasingly being targeted at the lower-income consumers include mobile phones, radios, television sets, newspapers, bread, and bathing soaps. A number of businesses employed measures such as cost-cutting, freezes in capital spending and restructuring during months of reduced sales; however, product and service innovation and expansion into regional markets are likely to be the favourites in the early part of the forecast period as concerted efforts are made to lift consumer demand.

There is considerable optimism among business people that the forecast period will bring with it better economic times and earnings. Areas of low consumer expenditure like leisure, entertainment and holiday-making may gain as consumers seek to enjoy the efforts of their improved productivity, given the recent tendency to copy the conspicuous expenditure habits of the rich and the foreign expenditure patterns of international tourists. Decreasing family sizes will also help the expected trend towards increased expenditure on luxury and recreation products.

## Households by Number of Occupants

There was a decline in the number of large households over the review period: the numbers of households with eight members and above decreased by 25.5%. The numbers of smaller-sized households (of three members and below) increased by almost 50%. The forecast period is likely to see further declines in the numbers of large and medium-sized families – by 48.4% and 8.5%, respectively. Over the review period, the typical household size was seven, having fallen slightly from eight in the late 1990s. With falling fertility rates and busy working couples, small household sizes will gain in popularity, even though medium-sized households (4–7 members) are likely to remain the most common size even in the forecast period.

Ordinarily, Kenyan males in rural areas tend to operate within their parents' households until age 20, while females tend to stay with their parents until they get married. However, in urban areas, young people tend to live with their parents until they secure regular incomes (between about age 20 and 26), after which they move out and establish their own households. A trend that has gained significant popularity over recent years is for young people to move out of the parent households as soon as they migrate to urban areas, join college or earn their first wages or make their first profits, and then team up with other young people to share the rent of studio apartments.

### Impact

The increase in the number of small-sized households over the review period came with an increase in expenditure on smaller apartments, as well as smaller pack sizes of a number of consumer goods (such as margarine, hot beverages and cooking fats), a trend that is likely to continue into the forecast period. As such, demand for large pack sizes may slightly decline over the forecast period as the frequency with which smaller households purchase such items decreases because of the increased number of people who are marrying late and having smaller household sizes, in addition to the rising divorce and separation rates.

Having noticed the tendency towards apartment sharing over the review period, real estate developers, estate agents and housing companies began marketing shareable housing units with rooms designed to accommodate the privacy needs of two or three unrelated persons who could share a two- or three-bedroom apartment. This supply trend is likely to continue in the forecast period. However, despite such supply-side responses and the rapid expansion in the number of high-rise apartments in low- and medium-income neighbourhoods as witnessed over the review period, the demand for affordable housing units continued to outstrip supply by very wide margins. This high demand is likely to obtain further into the forecast period.

## Single-person Households

Changing lifestyles, an increase in the numbers of divorces and instances of separation, deaths of spouses (at older ages or due to HIV/AIDS) and economic factors have led to a slight increase in the number of single-person households over the review period. Young people (mostly men) seeking jobs in urban areas often resort to single rooms in the initial years, as their financial situations are often too weak to support families in urban areas. The review period also saw a significant increase in the number of youthful, busy career people who were staying longer in single-person households before they eventually settled down with their chosen partners; a small number of affluent urban households also remained single for life. An increasing number of young career women deliberately have been choosing to stay single, and this could also have contributed to the increase in the number of these types of households. Over the forecast period, increased independence among women (among other factors such as increases in the numbers of widowers and, especially, widows) is likely to drive the growth in the numbers of single-person households, which are expected to increase by over 74% from 2010 to 2020.

### Impact

Single-person households (especially those in urban areas) have tended to engage indulgently in the purchases of house furnishings that require great care and expensive and delicate decorations. Expenditure on furnishings and decorations is likely to increase over the forecast period. Household electronic and electrical appliances that make work easier and enhance the enjoyment of leisure time (for example, home cinemas, televisions, vacuum cleaners and ovens), have attracted increased expenditure from single-person households, and their cumulative spending on such items is likely to continue rising. Ready-to-eat foods, takeaway foods and restaurant services are also likely to gain from increased expenditures by the increasing number of solo households.

On other fronts, since single-person households are more vulnerable to crime, there is likely to be an increase in the demand for victim-support services and home-security systems. Increasing solo living may also lead to greater isolation and declines in wellbeing and mental health for some groups. Counsellors, psychologists and rehabilitation centres are therefore likely to realise improved business if they respond with the appropriate services over the forecast period. Insurance and pension products are also likely to gain marginally from increased demand.

If the housing market fails to respond adequately to the changing profile of household types as well as the overall growth in the number of households, there are likely to be further shortages of affordable housing in urban areas over the forecast period. This scenario presents immense growth opportunities for innovative housing companies able to supply appropriately designed affordable housing units for the growing numbers of single-person households in the forecast period.

## Couples Without Children

Generally, Kenya has had very few couples without children. Lack of children has even been a leading cause of divorce and separation, hence the historically low chances of finding couples without children staying together. The number of households without children increased between 2005 and 2006, but decreased towards the end of the review period, when they constituted 0.9% of all households. The number of couples without children is forecast to increase by almost 93% from 2010 to 2020, when they are expected to constitute 1.3% of all households. One reason for this rise is increased indifference towards having children, as the perceived importance of marriage wanes and the pressure and motivation to have children eases slightly among a number of people. A significant number of people are likely to prefer to cohabit rather than be 'bound' in a marriage.

### Impact

Couples without children tended to frequent restaurants and eateries more often than those with children during the forecast period (perhaps only second to single individuals). This is attributable to the fact that a majority of their nutritional needs could easily be met by food kiosks and restaurants, which saved them time and effort. They also tended to spend more on non-essential commodities such as beauty products, partying and higher-value purchases like cars and houses. This applies mainly to urban childless couples. Couples without children also helped sustain the demand for smaller affordable apartments in urban areas over the review period, while those among them who had secured stable income sources contributed to the growth in the market for mortgages.

The forecast gradual rise in the number of couples without children will create potential demand for smaller apartments. Demand for luxury products, household machines, ready-to-eat foods, insurance products and pension schemes are also likely to increase over the forecast period as childless couples will be making efforts to secure their welfare in their final years.

## Couples With Children

Over 65% of households in Kenya have been made up of couples with children. In Kenya, crude birth rates gradually declined as follows over the review period: from 40.13 births per 1,000 persons in 2005 through 39.72 in 2006, 38.94 in 2007, 37.89 in 2008, and finally to 36.64 births per 1,000 persons in 2009. With such falling birth rates, the proportion of households made up of couples with children has been decreasing, given that fertility rates have also been gradually falling over the review period. The proportion of households made up of couples with children is forecast to decrease over the forecast period from 60.2% in 2010 to 54.1% in 2020.

### Impact

No major impacts of the declining birth rates on the market for consumer goods and services have been observed. Expenditures on consumer goods per customer have risen slightly since fewer births have meant more disposable income for use on the existing family members. Also, new consumers moving to urban areas purchase more 'mother-and-child' products compared to when they were in rural areas. The increasing number of new mothers choosing to give birth in modern medical facilities rather than at home has driven demand for maternity services. More generally, there has been a steady rise in demand for the services of medical clinics, pharmaceutical products (such as analgesics and antibiotics) and nutrition items. An increasing number of better-informed couples are laying more emphasis on preventative and early-detection strategies rather than remedial or curative strategies in ensuring that their children develop as well as possible. Cleaning and hygiene brands that have been targeting couples with children by highlighting antibacterial effects, effective cleaning powers and comfort include Roberts, Protex, Dettol, Jik and Omo, as well as Pampers. Milk and margarine manufacturers have not been left behind as they emphasised the importance of certain elements contained in their products such as calcium (milk) and vitamins (margarines) in the growth of children.

Over the forecast period, couples with children will continue driving demand for health services and personal hygiene/cleaning products as they seek to provide better health and a secure environment for the growth of their children. The trend towards increased expenditure on professional medical services and quality nutrition is also likely to continue.

## Single-parent Families

The most rapidly growing type of household is the single-parent household. This group grew by over 30% from 2005 to 2009. Major causes included improved education and career opportunities among women and economic diversification. The growing independence of women is a positive development, but there exists another reason for the increase in the numbers of people belonging to this population group: high incidences of teenage pregnancy and premarital/extramarital sex due to a deficiency in sex education and poverty.

Single-parent households are likely to have an increased share in the total number of households in Kenya over the forecast period as an increasing number of career women choose to conceive when and with whom they want. In the course of the forecast years, the share of this household type is likely to increase to 42%, since the number of single-parent households is expected to increase by 48% from 2010 to 2020.

## Impact

Many of the independent career women with children who choose to be single have adequate resources to run their single-parent families, and spend significantly more on items like ornaments, beauty and skin care products than do married women. Single-parent households have tended to spend more on their children, perhaps to partially compensate for the effect of the missing parent. Among middle- and high-income households, single parents tend to excessively pamper their kids with expensive toys, clothing and footwear, as well as high-end electronic goods. Demand for such products is likely to increase over the forecast period in line with the increase in the number of single-parent households.

**Table 18 Annual Disposable Income per Household (Current Value): 2005-2009**

KES

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Income per Household | 84,500 | 90,900 | 98,800 | 107,000 | 116,300 |

*Source: National statistical offices, Euromonitor International*

**Table 19 Annual Disposable Income per Household (Constant 2009 Value): 2010-2020**

KES

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| Income per Household | 121,700 | 149,700 | 183,600 | 50.9 |

*Source: National statistical offices, Euromonitor International*
*Notes: Constant value at 2009 prices*

**Table 20 Households by Number of Persons: 2005-2009**

'000

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| 3 and below members | 1,454 | 1,602 | 1,790 | 1,934 | 2,175 | 49.6 |
| 4 – 7 members | 4,247 | 4,464 | 4,689 | 4,968 | 5,166 | 21.6 |
| 8 members and above | 2,313 | 2,201 | 2,048 | 1,891 | 1,723 | -25.5 |
| Total households | 8,014 | 8,267 | 8,527 | 8,793 | 9,064 | 13.1 |

*Source: National statistics, UN, Euromonitor International*

**Table 21 Households by Number of Persons: 2010-2020**

'000

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| 3 and below members | 2,243 | 4,306 | 6,395 | 185 |
| 4 – 7 members | 5,326 | 5,490 | 4,874 | -8.5 |
| 8 members and above | 1,770 | 969 | 913 | -48.4 |
| Total households | 9,339 | 10,765 | 12,182 | 30.4 |

*Source: National statistics, UN, Euromonitor International*

**Table 22 Households by Type: 2005-2009**

'000

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Single-person households | 160 | 161 | 163 | 170 | 171 | 6.9 |
| Couples without children | 80 | 82 | 82 | 78 | 78 | -2.5 |
| Couples with children | 5,209 | 3,263 | 5,297 | 5,291 | 5,461 | 4.8 |
| Single-parent households | 2,565 | 2,761 | 2,985 | 3,254 | 3,354 | 30.8 |
| Total households | 8,014 | 8,267 | 8,527 | 8,793 | 9,064 | 13.1 |

*Source: National statistical offices, Euromonitor International*

**Table 23 Households by Type: 2010-2020**

'000

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| Single-person households | 175 | 237 | 305 | 74.3 |
| Couples without children | 85 | 135 | 164 | 92.9 |
| Couples with children | 5,625 | 6,194 | 6,596 | 17.3 |
| Single-parent households | 3,454 | 4,199 | 5,117 | 48.2 |
| Total households | 9,339 | 10,765 | 12,182 | 30.4 |

*Source: National statistical offices, Euromonitor International*

## Home Ownership

In Kenya, it is common for people in rural areas and urban upper-middle income and high-income residential estates to live in their own homes, but over 80% of low- and lower-middle-income groups in urban areas rent apartments. Over 70% of the national population live in their own houses, homes or homesteads in various urban and rural areas. An increasing number of young people are moving out of the parent households and then teaming up with other young people to share the rent of studio apartments.

Annual shortages of housing have recently become common. At the beginning of the review period (2005), Kenya's average urban annual housing demand was estimated at 150,000 units and supply was in the range of 25,000 units, resulting in a shortage of approximately 125,000 units. Moreover, 50% of the existing structures in urban areas were in need of repair or renovation, while 300,000 units required improvement in rural areas.

### Impact

The severe shortage of housing in urban areas has sustained high growth rates in the Kenyan capital-intensive construction industry. The housing market is very lucrative in Kenyan urban centres, with rural-urban immigrants driving or maintaining high demand for affordable small- to medium-sized apartments (in high-rise buildings) and single rooms, while the upper-middle class and the diaspora community drive demand for homes in urban areas. Rental apartments have experienced phenomenal growth due to the increased urbanisation rates whereby younger people move away from their rural homes to start lives in towns and cities.

House prices have increased over the review period as many middle-income earners sought beautiful homes (aided by increased availability of mortgage products) and as immigrants and the diaspora community raised the demand for real estate in cities like Nairobi, Mombasa and Kisumu. The expansion of higher learning institutions has also driven demand for housing as staff and students seek accommodation around university campuses. Depending on the location, two-bedroom private apartments went for between KES 3 million and KES 15 million in middle-income residential areas in the key cities and towns at the end of the review period.

A number of financial institutions such as commercial banks, mortgage institutions, and savings and credit co-operative societies have been offering various forms of loans and mortgage products to permanent employees of most organisations and firms and to civil servants. However, qualification for mortgages has been based on certain conditions such as regular flows of a minimum amount of income per month, letters from employers and minimum regular expenditure/income ratios. The conditions have tended to exclude a majority of low-income earners and small-scale businesses from the market of urban homes, who are then resigned to a life of being permanent tenants.

In the future, high-rise residential blocks are likely to gain further popularity as the youthful urban populations enter the lower-middle income category and as urbanisation intensifies. Increases in property prices and in urban area population densities and sustained high demands will raise the opportunity costs of constructing non-storey buildings and bungalows in cities, contributing to the gradual elimination of such types of dwelling units in the core residential areas of cities. People belonging to high-income and upper-middle-income categories who have been displaying a preference for city sub-urban areas such as Kitengela will continue to drive demand for new bungalows and detached homes farther away from the noisy central business districts since many of them have personal cars for transport.

Malls, supermarkets, hypermarkets, shopping villages (with children's recreational facilities) and other types of shopping complexes are likely to continue their penetration into residential estates. The review period already saw the emergence of numerous new shopping complexes, supermarkets and bank branches even in previously low-income areas such as Eastlands in Nairobi. These offer one-stop shopping opportunities for diverse needs such as beauty, healthcare and fitness to an increasingly time-stressed urban population. Moreover, these outlets are likely to contribute to an increase in the sales of numerous consumer products as they promise a certain level of sophistication in shopping. This applies even to low-income households, who will be more likely to purchase processed foods, new clothing and footwear, as well as certain selected luxury items.

## Running Costs

Even though there are still numerous rural households lacking electricity connection, the Kenyan supply of electricity has not only been inadequate but also disappointingly erratic and inexcusably costly (due to inefficiencies in the distribution) for current consumers. Kenyan homes have continued to rely heavily on hydro-electric power (74% of homes) and geothermal power production. Independent power producers (IPPs) such as Mumias Sugar Company and Aggrekko top up the deficits from the main output from the KENGEN Company. Following some reorganisation, the Kenya Power and Lighting Company has been given the sole task of the wholesale purchase and the nationwide distribution of electric power. The review period has seen unusually long periods of power outages when rains failed (especially in 2009) and when international oil prices were high (since some IPPs rely on thermal generation) and the outages were often accompanied by increased prices of electricity thereby hurting both consumers and manufacturers. The increase in electricity prices has forced consumers to restrict their use of electricity to lighting, charging cell phones, driving electronic equipment and limited ironing of clothes, but very rarely cooking. The increases in prices of petroleum products also affected the transport sector, since Kenyans rely on oil products for fuelling private and public service motor vehicles, which are mostly used to transport passengers and goods.

Repair and maintenance costs and water and sewerage costs have remained relatively stable over the review period. Due to a huge demand for clean water and efficient sewerage services and waste collection services, major local authorities have contracted such services to private firms such as the Nairobi Water and Sewerage Company, which have been taking over the distribution of water to residents as well as the disposal of sewage wastes. Most medium- and high-income households, however, still do not trust the piped water for drinking and they often boil or treat it before drinking or purchase mineral water from supermarkets.

The collection and disposal of solid wastes have continued to be undertaken by the local authorities with the help of a few contracted private businesses. The local government services have mostly been offered to businesses and public buildings, for which a waste disposal fee is charged. Most residents have formed themselves into neighbourhood associations with arrangements to collectively dispose their wastes.

### Impact

The erratic supply of electricity has increased the demand for alternative power equipment such as solar panels and standby generators, a trend that is likely to continue over the forecast period, as the existing public supply is likely to remain far below the needs for domestic and industrial purposes. Judging from the observations over the review period, households in rural and remote areas of Kenya are likely to remain high potential markets for solar energy equipment. In view of the current levels of shortage and the expected increases in the number of households, plans by the state to improve wind and geothermal power generation, as well as improved imports, could help partially cover the expected rise in demand for electricity.

Waste collection has emerged as an attractive business for emerging entrepreneurs. Water supply and storage and waste collection equipment and services are likely to offer immense growth opportunities in the forecast period since most local authorities appear overwhelmed with the rapid rates of urbanisation and population growth witnessed in the recent years.

## Shopping for Household Goods

Most ordinary Kenyans shop for household goods in the outlets or from the sellers nearest to their residential areas. In urban areas, the common shopping joints have become supermarkets (for cutlery, crockery and various forms of utensils), while in rural areas, open-air markets and retail discount shops are common sources of household goods. Electrical and electronic goods are purchased in the numerous specialised shops in the central business districts of urban areas, while neighbourhood carpentry shops supply most wood- or metal-based household furniture and tools. Some high- and medium-income consumers also travel to specialist shops away from their areas of residences. Clothes collections as well as beauty and cosmetic shops are further examples of specialised shops visited by higher-income households. Looking for goods online before visiting shops is a rather rare phenomenon among Kenyans as a majority has, over the years, identified favourite outlets from which they rarely switch.

Price and fashion are the key drivers for a majority of customers (low- and lower-middle-income earners) as they attempt to maintain trendy lifestyles at the lowest costs possible. Among the upper-middle-income and high-income customers, however, quality and fashion are the key drivers.

### Impact

With increasing technological advancements and changing settlement patterns, trends in shopping for household goods have been changing in favour of shopping complexes and supermarkets where there are various household goods under one roof. Though specialist shops maintained a significant presence (for items like electronic goods, clothing and footwear), the forecast period is likely to favour hypermarkets and large shopping complexes, where all members of the family can have most of their needs met. The review period already saw shopping complexes (with salons, barber shops, children’s fun corners) and supermarkets being established in most residential areas of urban centres in Kenya and this trend is likely to continue into the forecast period. A number of supermarkets are also incorporating bakeries, confectioneries and restaurants within their premises in order to meet both on-the-spot needs and domestic consumption requirements.

Rural area residents, on the other hand, are likely to continue relying on open-air markets for their shopping. However, some will continue to travel to nearby urban areas to purchase household goods and deal with official matters.

Cheap products, such as second-hand clothes and cheap toys, have been becoming increasingly unpopular even among the low-income earners, as such products are associated with low standards and high expenditures in the final analysis. Subject to income levels, an increased majority of consumers are likely to prefer quality and fashionable products even if they cost slightly more in the future.

## Possession of Household Durables

Two of the household durables that displayed the greatest increase in terms of the proportions of households possessing them during the review period were telephones (including mobile telephones) and colour television sets. The proportion of households possessing telephones increased by 52.6%, while the proportion of them possessing colour television sets increased by 18.0% between 2005 and 2009, by which time 26.4% of households possessed a telephone and 25.6% possessed a colour television set. The possession of personal computers increased by 6.8% over the review period. However, lack of electricity connection in many rural areas and informal settlements (in urban areas) has been a key hindrance to the purchasing of such household durable electrical and electronic goods.

Possession of other household durable goods like washing machines, freezers, vacuum cleaners, refrigerators, dishwashers and microwaves also experienced levels of increased growth over the review period as time-stressed working urban residents sought more time-saving equipments and as disposable incomes increased.

### Impact

The review period is likely to see further growth in the demand for household durable goods as urbanisation, disposable incomes and the need for time- and energy-saving equipment increase among urban employees. Other factors include the increasing number of single-person households and single-parent households, as well as decreasing family sizes.

The proportion of households possessing telephones is expected to reach 39.4% by 2020, compared to 28.4% in 2010. Mobile phones have become essentials for almost every household and lack of one is fast becoming a sign of deep poverty. Over the review period, new technological developments that brought a convergence between banking and mobile phone communication and enabled the rolling out of money transfer and mobile phone banking services like M-PESA, Zap, Pesa Pap and M-KESHO further contributed to the increased demand for mobile phones since they increasingly opened new possibilities for rural and remote area residents who had been left out of the pre-existing formal banking systems. This growing popularity of mobile phones is likely to continue even further as more financial institutions join in the mobile phone banking business. Software developers (for instance, mobile phone security) are also likely to benefit from this growth in the use of mobile phones for financial transactions.

The possession of colour television sets is a constant savings motivation for the majority of low-income households that lack one. The proportion of households possessing colour television sets is expected to reach 34.4% in 2020, compared to 26.5% to 2010. Television advertisement business is likely to grow as more households acquire television sets, and this is likely to reduce the share of radio advertisement (which has until recently largely been used to reach the households without television sets).

The possession of personal computers is expected to double over the forecast period as more households adopt the use of the internet.

## DIY and Gardening

Do-it-yourself (DIY) and gardening are particularly popular pursuits among rural and sub-urban area residents, as well as personal-home owners who have their own pieces of land. However, only a very small percentage (less than 1%) of the Kenyan population likes to spend their spare time performing DIY and gardening activities (with the exception of peasant farmers). At the end of 2009, DIY activities and gardening were still limited to higher-income households. For light construction (for instance, making kennels), repairs of electronic goods and other household durables, Kenyans purchase spare parts from the numerous hardware shops and electrical and electronic shops in urban areas. For gardening, products are obtained from Agrovets stores, farm tools distributors and independent tree nurseries.

### Impact

The slightly increasing popularity of gardening has been motivated by a rise in health and nutritional consciousness, which has meant that more people look out for fresh organically produced fruits and vegetables. With some significant success, some entrepreneurial business people have also been popularising small-sized greenhouse-like structures (made up of wood and polythene) and tin/bag/multi-storey gardens to urban area residents who wish to practise gardening but have limited access to land and space.

The practice of gardening is expected to spread among other sections of the population (it is likely to have a share of 7% by 2020) as prices of fresh fruit and vegetables continue to rise and as health awareness improves. In tandem with this expected growth, the demand for materials used for the construction of greenhouse-type structures, packed fertilizers (organic and inorganic), and gardening/workshop clothing is likely to rise over the forecast period. The greenhouse structures in the market are likely to get more affordable as new players enter the sub-sector and this is likely to attract an increased number of spare-time gardeners. Higher-income residents with gardening hobbies may willingly take up the renting of gardens in sub-urban areas should entrepreneurs come up with such products, while an increasing number of high-rise building residents are likely to accommodate bag and tin gardens over the forecast period.

## Pet Ownership

Many Kenyans love pets such as cats, dogs, doves, pigeons and rabbits not only for their company but more so for the services some of these animals offer (increasing home security and controlling numbers of rodents) and for their ability to be sold for money. Pets like pigeons, doves, rabbits, parrots, peacocks and ostriches are perceived as being beautiful and a sign of affluence. As incomes of the middle- and high-income consumers rise, they have been taking up exotic species of dogs and birds as a sign of wealth, sophistication and for need of company. The increasing number of single-person households has also increased the demand for pets and pet products. The fewer children being born are also increasingly pestering their parents to buy them pets similar to the ones that they see in television programmes.

### Impact

Over the review period, the population of pets grew by 12.3%, and the forecast period is likely to come with more growth since more families are likely to have increased disposable incomes and therefore be able to spare some money for pets, pet food and pet care products. The demand for pet food and pet care products is likely to grow, albeit marginally, since the culture of purchasing pet food and pet care products has until very recently been seen as a habit only for the super-rich.

**Table 24 Households by Tenure: 2005-2009**

'000

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Tenants | 1,442 | 1,504 | 1,577 | 1,670 | 1,760 | 22.1 |
| Owner Occupier | 6,572 | 6,763 | 6,950 | 7,123 | 7,304 | 11.1 |
| Total households | 8,014 | 8,267 | 8,527 | 8,793 | 9,064 | 13.1 |

*Source: National statistical offices, Euromonitor International*

**Table 25 Households by Tenure: 2010-2020**

'000

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| Tenants | 1,962 | 3,014 | 5,116 | 160.8 |
| Owner Occupier | 7,377 | 7,751 | 7,066 | -4.2 |
| Total households | 9,339 | 10,765 | 12,182 | 30.4 |

*Source: National statistical offices, Euromonitor International*

**Table 26 Households by Type of Dwelling: 2005-2009**

'000

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Informal settlements | 1,138 | 1,145 | 1,150 | 1,390 | 1,330 | 16.9 |
| Traditional dwelling units | 1,100 | 1,050 | 998 | 1,020 | 1,008 | -8.4 |
| Semi-permanent units | 3,976 | 4,222 | 4,429 | 4,433 | 4,712 | 18.5 |
| Permanent buildings bungalows & blocks | 1,800 | 1,850 | 1,950 | 1,950 | 2,014 | 11.9 |
| Total households | 8,014 | 8,267 | 8,527 | 8,793 | 9,064 | 13.1 |

*Source: National statistical offices, Euromonitor International*

**Table 27 Households by Type of Dwelling: 2010-2020**

'000

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| Informal settlements | 1,490 | 1,860 | 1,970 | 32.2 |
| Traditional dwelling units | 950 | 912 | 890 | -6.3 |

| | | | | |
|---|---|---|---|---|
| Semi-permanent units | 4,281 | 5,960 | 5,011 | 17.1 |
| Permanent buildings bungalows & blocks | 2,618 | 3,450 | 4,311 | 64.7 |
| Total households | 9,339 | 10,765 | 12,182 | 30.4 |

*Source: National statistical offices, Euromonitor International*

**Table 28 Possession of Household Durables: 2005-2009**

% of households

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Colour TV set | 21.7 | 22.8 | 23.8 | 24.8 | 25.6 |
| Dishwasher | 0.6 | 0.8 | 0.9 | 1.1 | 1.2 |
| Freezer | 3.1 | 3.5 | 4.0 | 4.4 | 4.9 |
| Microwave oven | 1.0 | 1.4 | 1.8 | 2.2 | 2.8 |
| Personal computer | 4.1 | 4.8 | 5.5 | 6.2 | 6.8 |
| Refrigerator | 4.5 | 4.5 | 4.6 | 4.7 | 4.8 |
| Telephone | 17.3 | 19.7 | 22.0 | 24.2 | 26.4 |
| Vacuum cleaner | 5.7 | 6.8 | 8.1 | 9.3 | 10.8 |
| Washing machine | 7.7 | 8.3 | 9.0 | 9.6 | 10.3 |

*Source: National statistical offices, Euromonitor International*

**Table 29 Possession of Household Durables: 2010-2020**

% of households

| | 2010 | 2015 | 2020 |
|---|---|---|---|
| Colour TV set | 26.5 | 30.4 | 34.4 |
| Dishwasher | 1.4 | 2.3 | 2.9 |
| Freezer | 5.4 | 8.1 | 10.7 |
| Microwave oven | 3.5 | 7.8 | 11.6 |
| Personal computer | 7.5 | 10.3 | 12.3 |
| Refrigerator | 4.8 | 5.1 | 5.3 |
| Telephone | 28.4 | 35.7 | 39.4 |
| Vacuum cleaner | 12.4 | 19.5 | 23.9 |
| Washing machine | 11.1 | 15.1 | 18.6 |

*Source: National statistical offices, Euromonitor International*

**Table 30 Pet Population: 2005-2009**

'000

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Household pets | 7,212 | 7,440 | 7,674 | 7,913 | 8,100 | 12.31 |

*Source: National statistics, UN, Euromonitor International*

# INCOME

## Average Income

Annual disposable incomes generally increased over the review period, but experienced some interruptions in 2008 and 2009 due to the problems of post-election violence, drought, and the effects in some sectors of the global financial crisis. Disposable income per capita increased by 45.5% from KES 30,813 in 2005 to KES 44,847 in 2009, with annual gross per capita incomes increasing by the same proportion, from 33,058 in 2005 to 48,093 in 2009. The operation of a new regime from 2003 brought in better economic management and improved public spending in the form of free and compulsory primary schooling, as well as subsidised health care. Increased economic growth rates were observed (around 7% in 2007) thanks to an improved tourism industry and better conditions for business. Employment levels also increased as the construction, tourism, horticultural export and hospitality as well as trading activities picked up.

A majority of Kenyans (around 80%) earn less than KES 100,000 and therefore belong to lower-middle- and low-income groups. The Kenya Integrated Household Budget Survey – KIHBS (2006) reported the national average salary/income to be about KES 17,000 per month. By mid-2010, the salaries of the lowest-earning cadres in urban areas had been raised by the government to around KES 7,500 due to the rising cost of living.

Kenya has had a graduated and progressive personal income tax (Pay As You Earn – PAYE) system in place such that by 2009, taxable income under KES 10,165 was being taxed at a rate of 10%; each additional KES 9,576 was taxed at 15%, 20%, and 25%, while additional amounts beyond KES 38,892 were taxed at a rate of 30%. The income tax schedule remained fairly stable over the review period, but the government kept adjusting other types of taxes such as value added tax, excise duties as well as licence fees for traders and businesses. There is also a mandatory contribution to the National Hospital Insurance Fund (NHIF) that every salaried employee must pay every month.

Over the forecast period from 2010 to 2020, per capita disposable income is expected to increase by over 62% as the economy expands and domestic investment increases. Past sources of increased disposable incomes have included rental of property, which, according to the KIHBS, accounted for 41% of the extra income streams that were enjoyed by citizens around the middle of the review period.

## Average Income by Age

Average annual incomes by age increased over the review period, with the incomes accruing to the various age groups growing fairly uniformly; middle-aged adults accounted for the largest share of total incomes. The most affluent age group was the 40–65-year-olds, who accounted for around 30.0% of the income, followed by the 30–40 group (27.4%), the 20–30 group  (25.3%), the pensioners (9.0%) and, lastly, the under-twenties (8.4%). Thanks to the numerous entrepreneurial activities by the youth, the under-twenties group accounted for a far higher proportion of the total income than expected, given that this group contains non-college graduates and school-leavers. The economic stimulation efforts targeted at unemployed youths (such as the ‘Kazi Kwa Vijana’ programme), the youth development fund and the popularity of bicycle taxis may all have contributed to this remarkable showing by the under-twenties over the review period. The middle-aged groups were fairly large in number, had accumulated a number of capital assets and had invested in business over the years; this enabled them to command the largest share of incomes. Moreover, most people within the 40–65 age group had reached the peaks of their careers and therefore were earning higher salaries compared to their younger colleagues. The pensioners, on the other hand, were fewer and therefore their incomes formed a fairly small percentage of total incomes over the review period.

**Table 31 Annual Gross and Disposable Income (Current Value): 2005-2009**

KES per capita

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Annual gross income | 33,058 | 37,018 | 40,432 | 44,765 | 48,093 |
| Disposable income | 30,813 | 34,504 | 37,686 | 41,698 | 44,847 |

*Source: National statistical offices, Euromonitor International*

**Table 32 Annual Gross and Disposable Income (Constant 2009 Value): 2005-2009**

KES per capita

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Annual gross income | 52,488 | 51,352 | 51,102 | 50,024 | 48,093 |
| Disposable income | 48,924 | 47,865 | 47,632 | 46,597 | 44,847 |

*Source: National statistical offices, Euromonitor International*
*Note: Constant value at 2009 prices*

| Table 33 | Annual Gross and Disposable Income (Constant 2009 Value): 2010-2020 | | |
|---|---|---|---|
| KES per capita | | | |
| | 2010 | 2015 | 2020 |
| Annual gross income | 47,207 | 54,527 | 76,814 |
| Disposable income | 44,021 | 50,759 | 71,440 |

*Source: National statistical offices, Euromonitor International*
*Note: Constant value at 2009 prices*

| Table 34 | Average Annual Gross Income by Age (Current Value): 2005-2009 | | | | |
|---|---|---|---|---|---|
| KES Million | | | | | |
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Under 20 | 99,101 | 113,931 | 127,772 | 145,242 | 160,218 |
| 20 – 30 | 298,961 | 343,700 | 385,454 | 438,155 | 483,334 |
| 30 – 40 | 324,180 | 372,693 | 417,969 | 475,117 | 524,107 |
| 40 – 65 | 355,201 | 408,356 | 457,965 | 520,581 | 574,259 |
| Over 65 | 106,560 | 122,507 | 137,390 | 156,174 | 172,277 |

*Source: National statistical offices, Euromonitor International*

| Table 35 | Average Annual Gross Income by Age (Constant 2009 Value): 2005-2009 | | | | | |
|---|---|---|---|---|---|---|
| KES Million | | | | | | |
| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
| Under 20 | 157,353 | 158,046 | 161,491 | 162,308 | 160,218 | 1.8 |
| 20 – 30 | 474,690 | 476,781 | 487,175 | 489,639 | 483,334 | 1.8 |
| 30 – 40 | 514,733 | 517,000 | 528,272 | 530,943 | 524,107 | 1.8 |
| 40 – 65 | 563,988 | 566,472 | 578,822 | 581,749 | 574,259 | 1.8 |
| Over 65 | 169,196 | 169,942 | 173,647 | 174,525 | 172,278 | 1.8 |

*Source: National statistical offices, Euromonitor International*
*Note: Constant value at 2009 prices*

# CONSUMER EXPENDITURE

## Living Costs

Food and non-alcoholic beverages formed the largest category of consumer expenditure, accounting for about 45% of total consumer expenditure at constant prices over the review period. In terms of share in total expenditure, food and non-alcoholic drinks was followed by housing with 16% and clothing and footwear (9%). Expenditure on food and non-alcoholic drinks grew by 3.3% from 2005 to 2009, with a peak in 2008, when post-election violence disrupted production and distribution, causing high food prices and food shortages (part of which had to be compensated for from imports). The year 2008 saw public demonstrations against sky-rocketing costs of living (especially food prices) as inflation rose from 21.8% to 26.6% in April 2008. The price of wheat, rice and maize had nearly doubled from the previous year. The lowest-income quartile of the Kenyan population spent 28% of its income on maize, the primary staple food crop in the Kenyan diet, and the demand for basic food products had been relatively price-inelastic since people must consume a given minimum regardless of price so as to stay alive.

Household expenditure on housing increased over the review period by 5.6%. Increased rural-urban migration led to increases in the demand for affordable housing and rental properties. This, together with increased availability of mortgages, led to shortages of affordable housing and price increases in the real estate sector.

Consumer expenditure on education between 2005 and 2009 increased by 8.1%. This represented the highest growth during the review period, followed by health goods and medical services (6.0%). This can be attributed to the fact that Kenyans are thirsty for education and always seek the best for themselves and their children even if it means resorting to the services of costly private institutions and home tuition. Kenyans were also becoming more and more health-conscious and sought modern or professional remedies for emerging ill-health conditions. Other factors include drug resistance to the malaria parasite, increased expenditures on treatments for terminal illnesses such as for the growing cases of lifestyle diseases (such as hypertension), and the relatively high incidence of HIV/AIDS and tuberculosis.

Besides food and housing, transport is another key element in the regular basket of most consumers, with the majority of Kenyans relying on public transport to bring them to and from their work every working day. Consumer expenditure on transport increased by 7.4% over the review period.

After expenditure on hotels and catering, spending on leisure and recreation is the smallest by share of total expenditure (it had a proportion of 2% in 2009). Indeed, during the review period leisure and recreation recorded negative growth (-5.7%) due to the twin effects of the post-election violence and the global financial crisis. These reduced earnings from certain key sectors, such as exports and tourism.

## Impact

As urbanisation rates, population and incomes increase, producers and distributors of basic products can be assured of growth in demand. Education, health care, transport and communication products and services are likely to realise the most rapid growths. Kenyan parents are seeking the best personal development levels for themselves and their children, and communication products have become more affordable to an extent that Kenyans are considering mobile phones as must-haves. Improved levels of information are driving demand for preventative and curative services, thereby presenting growth opportunities for the providers of medical products. On the other hand, the need to get to work on time is likely to continue driving demand for passenger vehicles as well as private cars (among the higher-income earners).

Even though leisure and recreation products realised negative growth over the review period because of the effect on earnings of drought conditions, post-election violence and the global financial crisis, leisure products are likely to realise significant growth in demand over the forecast period as the economy improves and as levels of disposable incomes rise.

**Table 36 Consumer Expenditure by Broad Category (Current Value): 2005-2009**

KES billion

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Food and non-alcoholic beverages | 456 | 523 | 591 | 672 | 747 |
| Alcoholic beverages and tobacco | 30 | 35 | 39 | 44 | 49 |
| Clothing and footwear | 92 | 106 | 119 | 135 | 149 |
| Housing | 159 | 183 | 208 | 238 | 266 |
| Household goods and services | 59 | 68 | 77 | 87 | 97 |
| Health goods and medical services | 31 | 36 | 42 | 48 | 53 |
| Transport | 34 | 39 | 45 | 52 | 58 |
| Communications | 23 | 26 | 30 | 34 | 38 |
| Leisure and recreation | 22 | 25 | 27 | 30 | 33 |
| Education | 39 | 45 | 52 | 60 | 67 |
| Hotels and catering | 15 | 17 | 19 | 22 | 25 |
| Misc goods and services | 49 | 57 | 64 | 73 | 82 |
| TOTAL | 1,010 | 1,159 | 1,313 | 1,495 | 1,664 |

*Source: National statistical offices, OECD, Eurostat, Euromonitor International*

**Table 37 Consumer Expenditure by Broad Category (Constant 2009 Value): 2005-2009**

KES billion

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Food and non-alcoholic beverages | 723 | 725 | 747 | 751 | 747 | 3.3 |
| Alcoholic beverages and tobacco | 48 | 48 | 49 | 50 | 49 | 2.0 |
| Clothing and footwear | 147 | 147 | 150 | 150 | 149 | 1.4 |
| Housing | 252 | 254 | 263 | 266 | 266 | 5.6 |
| Household goods and services | 94 | 94 | 97 | 97 | 97 | 3.2 |
| Health goods and medical services | 50 | 51 | 52 | 53 | 53 | 6.0 |
| Transport | 54 | 55 | 57 | 58 | 58 | 7.4 |
| Communications | 36 | 37 | 38 | 38 | 38 | 5.5 |
| Leisure and recreation | 35 | 35 | 35 | 34 | 33 | -5.7 |
| Education | 62 | 62 | 65 | 67 | 67 | 8.1 |
| Hotels and catering | 24 | 24 | 25 | 25 | 25 | 4.2 |
| Misc goods and services | 78 | 79 | 81 | 82 | 82 | 5.1 |
| TOTAL | 1,604 | 1,608 | 1,659 | 1,670 | 1,664 | 3.7 |

*Source:* *National statistical offices, OECD, Eurostat, Euromonitor International*
*Note:* *Constant value at 2009 prices*

**Table 38 Consumer Expenditure by Broad Category (Constant 2009 Value): 2010-2020**

KES billion

| | 2010 | 2015 | 2020 | % growth | % CAGR |
|---|---|---|---|---|---|
| Food and non-alcoholic beverages | 764 | 982 | 1356 | 77.49 | 6.58 |
| Alcoholic beverages and tobacco | 50 | 64 | 85 | 70 | 6.07 |
| Clothing and footwear | 152 | 192 | 252 | 65.79 | 5.78 |
| Housing | 274 | 361 | 499 | 82.17 | 6.89 |
| Household goods and services | 99 | 126 | 165 | 66.67 | 5.84 |
| Health goods and medical services | 55 | 73 | 100 | 81.82 | 6.87 |
| Transport | 60 | 80 | 108 | 80 | 6.75 |
| Communications | 40 | 52 | 70 | 75 | 6.42 |
| Leisure and recreation | 33 | 37 | 44 | 33 | 3.25 |
| Education | 70 | 96 | 135 | 92.86 | 7.57 |
| Hotels and catering | 26 | 34 | 45 | 73.1 | 6.28 |
| Misc goods and services | 84 | 110 | 145 | 72.62 | 6.25 |
| TOTAL | 1,705 | 2,207 | 3004 | | |

*Source:* *National statistical offices, OECD, Eurostat, Euromonitor International*
*Note:* *Constant value at 2009 prices*

# WORK

## Working Conditions

Over the review period, Kenya had a labour force of between 38–41% of the national population and a general unemployment rate of around 12%. The key sectors of employment were agriculture (including tea, coffee, horticulture, maize and wheat), construction, tourism and hospitality, manufacturing and the public (civil service) sector. The official working hours in Kenya run from eight AM to five PM during weekdays, translating into 45 hours per week. In some cases, employees work for five hours on Saturdays (for instance, some bank officials on the first and last weekends of the month). The legal limit for working hours per week is 52 hours, but this is extendable for night shifts. Extra working hours (overtime) attract a special hourly rates (overtime pay) pre-agreed between the employer and the employees. Over the review period, the government allowed the gradual introduction of a 24-hour economy to boost productivity, employment and sales.

Employees in Kenya are legally entitled to annual paid leaves of 24 days (civil servants receive an average of one month paid leave). There are also 11 national holidays, which are usually treated as paid holidays. The employment act regulates employee-employer issues including leave days. However, individual employers also develop their own leave policies to complement the provisions of the employment act. Kenyans (both employees and employers) are very liberal towards flexible working hours and they accommodate working in shifts (including night shifts).

Whereas gender and racial discrimination have not been a big problem in Kenya, discrimination at the work place based on ethnicity has emerged as a big issue over the recent past. In the past decades, when proper understanding of HIV/AIDS was lacking among many, there was also significant (albeit tacit) discrimination against infected people.

## Commuting

A majority (70%) of Kenyans use public road transport vehicles to get to and from work every day. With no reliable providers of weekly or monthly travel permits or tickets, most Kenyans pay for their daily movements by cash. Personal cars have been getting popular as incomes gradually rise and as loans facilities become more available. The importation of used cars has also provided affordable options even for lower-middle-income earners. As a result of the increasing number of cars, a number of urban areas (especially the cities) are experiencing regular traffic delays during rush hours, which leads to extra pollution, loss of time and loss of fuel. Parking space has also been getting scarce within cities such as Nairobi and the local authority has been harbouring plans to restrict the entry of personal cars into the central business district (CBD) by significantly raising parking fees.

## Working Women

Thanks to increased levels of education, women empowerment and some limited affirmative action, the number of working women has greatly increased over the recent past. Most employers have incorporated an equal employment opportunity policy in their institutions but some sectors such as the hospitality one have shown a continued domination by women. Over the review period, women made up around 45% of the total working population and the number of employed women grew by 10% from 2005 to 2009. Kenyan legislation stipulates that women employees are entitled to two months of paid maternity leave but child care support is still sub-optimally regulated. The review period saw the introduction of a two-week paternity leave for men.

In terms of remuneration, women have shown tremendous gains such that some women in human resource positions, sales and marketing positions, audiovisual media as well as communications and public relations positions, earn more than men thanks to their improved job performance levels. However, male wages have continued to be significantly higher than female ones with margins of between 8–20%. On the other hand, an increasing number of women have been venturing the previously male-dominated professions like engineering, politics and medicine, and also taking up management positions, thereby gradually eroding the wage gaps. Increased urbanisation and interactions with the international world have changed women’s perceptions and lifestyles, leading to housewives and lower-cadre women employees registering for part-time classes in universities and outsourcing home-making services. These trends are enabling women to take up better-paying jobs in the service and manufacturing sectors.

## Alternative Work Options

Part-time employment has been common in Kenya not only as an alternative to unemployment but also as a means to earn extra income. During periods of reduced economic growth, employers in the manufacturing and distribution sectors have tended to increase the numbers of their part-time employees as a way of reducing production costs given the tight market conditions that often prevail at such times. The later part of the review period, for instance, saw a slight increase in part-time employment (increase in use of casual and day-workers) as the post-election violence and global financial crisis depressed the markets for consumer goods. Women with young children to take care of have also often found part-time employment to better fit with their home-making roles. Excluding those on permanent employment who also engage in part-time activities (for instance, lecturers), part-time employees made up 5% of the total employed population.

Over the forecast period, the number of part-time employees is likely to rise by over 45% as an increased number of people will be able to choose between full-time employment at market-certain rates and on given terms doing private business most of the time and working part-time, thereby securing a more flexible daily routine. As the number of single-parent households will be increasing over the forecast period, more women are likely to prefer part-time employment to allow them a given amount of time for their children.

Self-employment has been gaining popularity over the last decade and an increasing number of people are tending to prefer to work for the first few years of their lives, gain experience and acquire some starting capital before entering into full-time self employment. Many households are also running small-scale business undertakings even as the parents go to full-time jobs every day.

Teaching at intermediate or tertiary-level colleges or private schools, sales and marketing, and hotel and tourism jobs are the main types of employment that offer alternative work options. On the other hand, employment in the civil service has continued to offer immense opportunities for engaging in private businesses. Teachers run grocery shops, transport vehicles and bicycles as well as flour-milling businesses besides their tuition services.

## Retirement

In Kenya, the official retirement age for most civil servants had been 55 years but was recently raised to 60 years. The proportion of pensioners was around 6% of the total population over the review period and it is expected to gradually rise over the forecast period as the Kenyan population slowly ages. The government recently modified pension regulations to allow pensioners earlier access to their pensions by offering them a chance to opt for early retirement; these changes have been welcomed by the Kenyan public.

Kenyan pensioners tend to spend more on products that make their lives simpler and easier in old age. Large-button mobile phones, water pumps, plastic water reservoirs and alternative energy sources like solar and accumulators have proved popular among this elderly group. Over the forecast period there is likely to be increased demand for such products, as well as other products used by pensioners such as spectacles and medical facilities handling conditions such as osteoporosis and incontinence.

## Unemployment

There were relatively high economic growth rates during the first part of the period under review, peaking around 7% in 2007. However, the later part of the period under review saw a degeneration into low growth rates because of the post-election violence in 2008 and the lag effects of the global financial crisis in 2009. The unemployment levels over the review period were generally around 12%, but rose slightly towards the end to 13.1%, with more women (15.2%) than women (11.3%) being without a job in 2009. The worst affected sectors were the tourist and manufacturing sectors. As urbanisation continues into the forecast period, unemployment is expected to rise.

Those aged below 30 featured prominently among the unemployed. Within this age bracket, the people with low levels of education were the most affected by unemployment and/or underemployment. This group of people often had very little, if any, capital assets accumulated over their short lifetimes. The only hope for the unemployed was the engagement in (mostly informal) small-scale business activities as there are absolutely no unemployment benefits in Kenya. The youth fund rolled out over the review period by the government and the numerous micro-credit initiatives that have emerged were therefore greatly welcomed by the youths.

**Table 39 Employed Population: 2005-2009**

'000

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Employed male population | 7,835 | 8,030 | 8,260 | 8,475 | 8,676 | 10.7 |
| Employed female population | 6,561 | 6,763 | 6,972 | 7,176 | 7,220 | 10.1 |
| Total employed population | 14,396 | 14,793 | 15,231 | 15,651 | 15,896 | 10.4 |
| Part-Time Employees part-time employees | 635 | 653 | 692 | 730 | 771 | 21.4 |
| Male part-time employees | 344 | 354 | 377 | 406 | 432 | 25.6 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Female part-time employees | 291 | 299 | 315 | 324 | 339 | 16.5 |

Source: ILO, Euromonitor International

**Table 40 Employed Population: 2010-2020**

'000

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| Employed male population | 8,907 | 10,200 | 11,694 | 31.3 |
| Employed female population | 7,449 | 8,702 | 10,087 | 35.4 |
| Total employed population | 16,356 | 18,902 | 21,781 | 33.2 |
| Part-time Employees | 1,002 | 1,165 | 1,350 | 34.7 |
| Male part-time employees | 560 | 634 | 708 | 26.4 |
| Female part-time employees | 442 | 531 | 642 | 45.2 |

Source: ILO, Euromonitor International

**Table 41 Unemployed Population: 2005-2009**

'000

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Unemployed male population | 988 | 1,034 | 1,034 | 1,058 | 1,106 | 11.9 |
| Unemployed female population | 1,095 | 1,118 | 1,106 | 1,116 | 1,295 | 18.3 |
| Total unemployed population | 2,083 | 2,152 | 2,140 | 2,174 | 2,401 | 15.3 |
| Male unemployment rate | 11.2 | 11.4 | 11.1 | 11.1 | 11.3 | 0.1 |
| Female unemployment rate | 14.3 | 14.2 | 13.7 | 13.5 | 15.2 | 6.3 |
| Unemployment rate | 12.6 | 12.7 | 12.3 | 12.2 | 13.1 | 4.0 |

Source: ILO, Euromonitor International

**Table 42 Unemployed Population: 2010-2020**

'000

| | 2010 | 2015 | 2020 | % growth |
|---|---|---|---|---|
| Unemployed male population | 1,131 | 1,276 | 1,462 | 29.3 |
| Unemployed female population | 1,300 | 1,376 | 1,584 | 21.8 |
| Total unemployed population | 2,431 | 2,653 | 3,046 | 25.3 |
| Male unemployment rate | 11.3 | 11.1 | 11.1 | -1.8 |
| Female unemployment rate | 14.9 | 13.7 | 13.6 | -8.7 |
| Unemployment rate | 12.9 | 12.3 | 12.3 | -4.7 |

Source: ILO, Euromonitor International

# LEARNING

## School Life

There is great demand for quality education in Kenya, and the higher one moves along the Kenyan education system, the greater the shortage of educational places for pupils and students. As such, competition for places in well-performing educational institutions has become tough. Even the employed strive for higher academic qualifications, regardless of whether such qualifications improve their productivity on their current jobs or not. Further training/education plays a complimentary role to strong networks in career progression. Over the review period, expenditure on education accounted for around 4% of the total household expenditure at constant (2009) prices. Total expenditure on education by Kenyans at various levels (pre-primary, primary, secondary and tertiary) grew by 8.1% from 2005 to 2009.

The Kenyan government undertakes the training of pre-school teachers, the preparation and development of the curriculum and the preparation of teaching materials. However, the development of pre-school units and the cost of teachers' services have been left to parents, communities and other non-governmental agencies. Having attended nursery school is now a pre-requisite for enrolment into 'standard' (class) one at the primary-school level. With increased births in Kenya, the number of people attending pre-primary school has increased at a rate of 5.3% over the review period to over 1.7 million by 2009. This growth rate has exerted a lot of pressure on available primary schools, which have found it difficult to cope.

At age six, children are enrolled into standard one to begin the 8.4.4 system of education. Under the current system, people go through eight years in primary school, four years in secondary school and four years at the university/tertiary level. As at 2010, compulsory education was the primary school part of the system, and the government's firm implementation significantly improved school enrolment. According to study results released in mid-2010 by the Kenya National Examination Council (KNEC), there were more than 8.6 million children in primary schools in 2010. The number of children in primary schools grew at a rate of 1.2% over the review period.

Having sat for the Kenya Certificate of Primary Education (KCPE) examinations, children leave the primary school level at age 13 or 14 to join the four-year long secondary level of education. Admission to form one at the secondary level is based on the level of attainment in the KCPE examinations. The number of secondary school students grew at a rate of 32.1% over the period 2005–2009. The transition from primary to secondary school has, however, been a national challenge since the demand for form one places far outweighs the supply. In 2005, for instance, only 57% of the more than 0.7 million primary school graduates secured places in secondary schools. The transition rate has improved over the years, standing at 67% for the KCPE candidates of the year 2009.

At eighteen years, people leave the secondary level of education having sat for the KCSE examinations, which is a pre-requisite to joining universities, technical training institutes, national polytechnics, teacher training colleges, medical training colleges and other middle-level colleges.

Private schools and institutions have emerged as vital institutions in the educational system, meeting supply gaps and discovering market niches for themselves; such institutions are not government owned, hence parents meet all educational costs of their children. A number of private schools have consistently performed better than public ones partly because they are better-staffed and better-equipped. Some private schools in the country also deliver international and the United Kingdom curriculum. Such schools are expensive by Kenyan standards and they cater for the international, professional, expatriate and local business communities, as well as influential politicians. They offer alternative curricula to people who aim at direct entries to foreign institutions of learning later in their lives.

In 2003, the government reintroduced free primary school education and subsidised secondary school education. Since then, government expenditure on education has been increasing steadily with most funds directed towards payment for tuition and stationery. The reintroduction of free primary education enabled more of the poorest children in Kenya to join public primary schools; consequently, the number of pupils per teacher has increased, having already been very high in public primary schools. Following that development, there has been a 34.6% increase in the number of candidates enrolling for KCPE (from 540,069 in 2002 to 727,054 in 2009). Another result has been that the number of pupils in private primary schools has nearly tripled, since a number of middle-income families have transferred their children to private schools in search of better-quality education.

Extra home tuition hours, coaching and holiday tuition have become a permanent feature in the education system both in public and private primary and secondary schools. Parents willingly pay for the extra home tuition so as to improve the academic performance of their children in order to qualify for the best secondary schools and the best courses in tertiary institutions. As the population continues to grow and as income per capita rises, demand for the services of private schools and tutors is expected to grow, especially in view of the fact that the resources available to a majority of public schools are already overstretched and they may not realise rapid improvements at the pace desired by parents.

## Back To School Shopping Trends and Habits

In Kenya, the school year begins in January for both primary and secondary schools. It consists of three learning terms: January–March, May–July and September–November. The terms are separated by breaks lasting between four to seven weeks for most primary and secondary schools. The main buying period is late December–early January, which coincides with the beginning of the first term of each school year. During this period, key items for the school year are purchased, especially in the case of boarding school pupils and students. These include: exercise books, set books, textbooks, school uniforms, socks, shoes, games kits and pens, besides regular items like shoe polish, toiletries, fruit juice, margarine and marmalade. Since January is also the admission month, new students and pupils reporting to boarding schools require metal boxes, mattresses, pillows, pillow cases, blankets, bed sheets, mosquito nets, shoe brushes and utensils in addition to the aforementioned items.

Other buying periods in order of reducing significance are: April–May, August/September, around parents' days, around half-terms, and around designated visiting days. During these buying periods, regularly used products like margarine, fruit juices, bread, candies, cocoa, drinking chocolate, tooth paste, soaps, washing powders, toilet paper, sanitary pads and shoe polish are the most purchased items, although occasionally worn-out uniforms are also replaced.

For uniforms and books, a number of schools advise parents on the shops to buy from. This is intended to offer convenience to parents and ensure that the proper colour shades are obtained. For the other items like toiletries, personal hygiene items, food items and stationery, supermarkets offer the needed one-stop shops for parents, students and pupils. Being aware of the prevailing spending patterns, supermarkets roll out appropriately targeted back-to-school offers around school opening days.

## University Life

By 2009, Kenya had 30 universities (seven public and 23 private ones). In 2005, enrolment in public universities had passed the 58,000 mark, while that in private universities was about 10,000. By 2009, the university with the largest student population at any one given time was Nairobi University (with over 37,000 students registered in various courses).

Since bed space and other resources at public universities are very limited, the Joint Admissions Board (JAB) is in charge of admitting students to the public universities based on set cut-off points. JAB also sees into issues of gender equality in the distribution of admission opportunities. It is partially due to some form of affirmative action introduced by the JAB, that the number of females admitted to universities grew more rapidly (22.1%) than that of males (17.1%) over the period 2005–2009.

Financial support to public universities from the government has dwindled over the last decade, and it is almost limited to paying staff salaries and partial payments of tuition for students admitted via the JAB. Total fees payable by university students in Kenya depend on the course to be studied. Courses in disciplines related to the humanities and social sciences cost approximately KES 150,000 (US $2,000) per academic year, engineering – KES 400,000 (US $53,309), and health sciences – KES 700,000 (US $9,330). Whereas other students have to shoulder the full costs of their university education, students admitted via the JAB process pay subsidised fees (since the government covers part of the tuition fees) and can also apply for student loans from the Higher Education Loans Board. The JAB admission figure rose to 16,000 students by 2008 but this was still very low given that more than 82,000 of the 276,239 KCSE candidates of 2007 qualified for university admission.

Almost all universities in Kenya have built student halls of residence, and, where apartments are inadequate, they work with private developers to negotiate terms for renting apartments by their students. Most students admitted to public universities via the JAB process take up accommodation at halls of residence built and run by the respective universities. Each student can choose what type of accommodation arrangement best suits him or her.

At the universities in Kenya, the most popular subjects include pharmacy, human medicine, dental surgery, engineering, architecture, nursing, veterinary medicine, law, actuarial sciences, biochemistry, finance and business-related courses (such as commerce, economics, business administration and business management). The common age to achieve a degree is 24 years. Students strive to find part-time jobs to help finance their living and university costs, as well as invest in other marketable skills not obtained within their courses at the university. Indeed, a number of students secure part-time jobs as tutors in some schools and institutions around their universities. A number of students also engage in micro- and small-enterprise activities to earn some extra income during their years at the university.

Regarding weekend activities among university students, Friday to Sunday evening is a party and relaxation period. They go partying in clubs, visit friends and relatives within and around their campuses, attend sports occasions, or escape to recreation areas around their universities. The process of admissions through the JAB often leads to situations where students have to study in universities far away from their homes and as such, travelling home to visit family is for most students limited.

By 2009, it was estimated that there were more than 6,000 foreign students in Kenyan universities. Foreign students in Kenyan universities largely come from the Eastern Africa and the Horn of Africa regions. Southern Sudan, Rwanda, Burundi, Uganda, Tanzania and Somalia contribute the bulk of foreign students. Others are from Mozambique, Malawi, the UK, the EU, the US, Australia and Japan – especially those involved in exchange programmes such as Erasmus Mundus.

There are also a number of Kenyans studying in universities in other countries and regions such as Uganda (Makerere), the US, the UK, the EU, Australia, Canada, South Africa and Botswana. As at 2007, the Ministry of Education estimated that more than 10,000 Kenyans were enrolling for higher education in universities outside the country each year.

The standard of education in Kenya compares favourably with that in countries like India, China and Japan. Students taking courses in Kenyan Universities can transfer credits to European universities, for instance, within the Erasmus Mundus programme, and graduates from Kenyan universities can directly proceed to undertake graduate studies in universities all over the world. Graduates from the Kenyan educational system compete for jobs on a par with those from other countries.

## Adult Learning

Adults who have left full-time education have numerous opportunities for personal development or further education in middle-level colleges, professional institutes and even in universities. City campuses and extra-mural or distance learning centres established by universities in various parts of Kenya enable adults to find courses scheduled to fit in their busy lifestyles as professionals, employees or businessmen.

Apart from the universities, there are both public and private middle-level colleges and institutions that offer certificate and diploma courses. Just as in the case of courses offered by universities, a majority of learners registered for courses in middle-level colleges and institutions have to individually pay for all the costs of their courses. There is no single elaborate public grant system in place, but in a few cases, civil servants and employees of some private companies or organisations secure scholarships, study grants, loans or bursaries from their employers if they can prove that the planned courses would enhance their productivity. The costs vary from KES 20,500 (US $274) for a 6-month certificate course in business management at KIM to KES 89,500 (US $1,194) for a one-year diploma course in youth development work at University of Nairobi’s Centre for Open and Distance Learning. By 2009, about 2% of the Kenyan population was taking up further education.

The Kenyan government has an adult continuing education programme aimed at improving literacy and other forms of education among adults and out-of-school youth who, for one reason or another, did not acquire the expected literacy level. Through the programme, adult literacy has been offered in most mother languages as well as in Kiswahili and English. The costs for this program have largely been borne by the government and its development partners.

**Table 43 School Students: 2005-2009**

As stated

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Pre-Primary School ('000) | 1,643 | 1,672 | 1,699 | 1,711 | 1,731 | 5.3 |
| Primary School ('000) | 6,076 | 6,101 | 6,119 | 6,130 | 6,146 | 1.2 |
| Secondary School ('000) | 2,470 | 2,584 | 2,729 | 3,107 | 3,264 | 32.1 |
| Compulsory Education Commencement Age (years) | 6 | 6 | 6 | 6 | 6 | |
| Primary School Leaving | 13 | 13 | 13 | 13 | 13 | |

| | |
|---|---|
| Age (years) | |

*Source:* *International Bureau of Education, World Data on Education, UNESCO, Euromonitor International*

**Table 44 Graduates: 2005-2009**

As stated

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Primary School ('000) | 671 | 666 | 704 | 696 | 727 | 8.34 |
| Secondary School ('000) | 260 | 243 | 276 | 304 | 330 | 26.92 |
| Transition rates - primary to secondary (Percentages) | 57 | 60 | 70 | 64 | 67 | |

*Source:* *EUROSTAT, OECD and UNESCO, Euromonitor International, National Statistics*
*Notes:* *Graduates are those who have successfully completed an educational programme.*
*Transition rate was 46% in 2003. The post-2008 period saw reduced enrolment and transition rates due to disruptions and destruction caused by the post-election violence in the first quarter of the year.*

**Table 45 Higher Education Students: 2005-2009**

As stated

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Higher education students inc. universities ('000) | 113 | 119 | 125 | 130 | 135 | 19.0 |
| Male ('000) | 71 | 74 | 77 | 80 | 83 | 17.1 |
| Female ('000) | 43 | 45 | 48 | 50 | 52 | 22.1 |

*Source:* *UNESCO, Euromonitor International*

# EATING (INCLUDING SOFT DRINKS)

## Shopping for Food and Drinks

Whereas eating out is a status symbol for some, for many Kenyans, it is still an alien habit. Kenyans prefer fresh foods, especially fruits and vegetables, but also freshly slaughtered beef, pork and chicken meat, as well as fresh fish. Over 80% of Kenyans directly purchase their beef supplies from butcheries and freshly plucked vegetables from groceries (with a large number also getting vegetable supplies from their own gardens).

Most rural area residents obtain a majority of their food supplies (like eggs, kale, cabbages, maize, beans, groundnuts, peas) from their own farming activities or by buying the same from nearby open-air markets during given market days of the week. Urban area residents, on the other hand, have to purchase almost every food item, and to do this they rely on neighbourhood vendors, produce markets like Wakulima and Gikomba in Nairobi, and supermarkets. Both groups purchase manufactured products such as cooking oils, bread, fats, sugar, salt, curry powder, seasoning products, baking flour and, in some cases, milk from supermarkets and kiosks. Among lower-income consumers, price is the main deciding factor when they go shopping and they would go an extra mile to save a few coins. Medium-income consumers consider the distance and time involved, since they are often busy in careers and/or school, while higher-income consumers would give anything to obtain what they prefer (even if it is expensive or located further away).

Shopping for and cooking food is largely done by women. However, due to urbanisation and the associated rise in popularity of supermarket shopping, men are increasingly willing to undertake shopping tasks since supermarkets have created a more favourable shopping environment including longer opening hours and complete with convenient packaging.

Supermarket chains like Nakumatt and Ukwala have introduced loyalty cards on which customers accumulate and later redeem points. The trend towards private-label brands or store brands has been fast catching up in Kenya. Many stores now have their brand names on most products, offering them at slightly lower prices than national brands. Retail outlets are capitalising on fresh food offerings such as ready-to-eat snacks, meats, baked and dairy products.

Online sales have until the end of the review period played an insignificant role. Shopping through the internet is unlikely to see any meaningful growth since access to the internet is still very low and where it is available, online shopping is associated with extra costs such that people would rather spend the time and money for physical shopping. Among higher-income households who spend more on (imported) leisure and recreation products, shopping and payment over the internet have been gaining in terms of numbers of customers, but these too remain fairly low.

Elsewhere, the negligence in service provision by local authorities has led to an increase in the number of people distrusting piped water for drinking. Whereas the low-income consumers boil or treat piped water before drinking, medium- and high-income consumers purchase bottled/mineral drinking water. This trend has led to growth in the sales of bottled/mineral water, on the one hand, and water treating chemicals on the other hand.

### Impact

Despite the traditional Kenyan preference for fresh foods, working parents are increasingly seeking to preserve foods in order to minimise the number of shopping trips per month. Packed and processed foods are also becoming popular. Durable products like microwaves, refrigerators and freezers also benefited from slightly increased sales figures. As more people take up jobs away from home and as time-pressure mounts in the forecast period, products that improve convenience and save time such as packed foods, microwaves and refrigerators will be purchased in greater quantities.

Low-income households displayed a certain level of indifference towards genetically modified foods over the review period, but better-informed higher-income consumers displayed a clear preference for organic foods. As levels of information rise over the forecast period, the clear preference for organic foods is likely to widen. This possibility is likely to raise the market for gardening products as well as organic food supplies and restaurants.

Bottled/mineral water and water-treating chemicals are also likely to gain further from increased demand as the urban population pressure continues to overwhelm the capacity of local authorities to provide quality drinking water. The increasing number of health-conscious people is likely to be more willing to pay more for quality drinking water than risk ill-health. The entry of more players into the bottling and water-treating business is likely to raise standards and slightly lower prices; such trends are likely to further increase the popularity of bottled/mineral water in the forecast period.

## Dining in

Kenyans generally prefer cooking to eating out or purchasing ready meals. Within a dinner meal, Kenyans eat lots of carbohydrates (ugali, rice or chapati) with greens (kale, cabbages or traditional varieties) and proteins (fish, chicken, beef or goat meat). Ripe sweet bananas, mangoes, guavas, avocado or passion fruits sometimes accompany the servings. There is no single national cuisine in Kenya, rather a collection of cuisines from the different ethnic communities and groups in Kenya.

With the increase in the number of people working full days away from home and as children went to far-off schools, purchasing ready meals or carrying packed lunches became more popular for lunch needs during the review period; however, the household kitchen dominated when it came to catering for dinner or supper. Even take-away or ready meals delivered at home have proved to be fairly unpopular among Kenyans not only because of the expenses involved but also because it has been seen as a foreign habit.

### Impact

Expenditure on take-away foods and home deliveries decreased over the review period. This preference for home-made meals cooked with fresh ingredients is likely to drive the growth of the services of greengrocers and butchers. Restaurants and fast-food shops will continue to complement home-cooking over the forecast period as an increasing number of couples work away from home, rendering them unable to prepare and eat warm lunches.

The demand for kitchen equipment such as ovens, pans and utensils is also likely to grow as new couples set up households and as the home preparation of meals continue to prevail beyond the forecast period.

## Dining Out

Kenyans have been spending increasingly higher amounts of money when dining out. Most of the people who use the services of restaurants and fast-food outlets do so during lunch hours and weekend outings. Only a small number from single-person households eat dinner in restaurants after work. By 2009, about 15% of the population were eating out regularly (spending about KES 200 per day). This has been a slight increase from the figures at the beginning of the review period, when only about 9%of the population ate out regularly. The increase in the number of people eating over the review period can largely be attributed to increased urbanisation and the taking up of employment opportunities at considerable distances from homes.

### Impact

The products of retail food outlets are likely to grow in terms of popularity and values of expenditures as incomes grow and the numbers of urban employees increase over the forecast period. Restaurants are likely to continue playing a key role in meeting lunchtime needs of medium- and high-income people working away from home. Apart from the health-conscious, those who are currently not using restaurant services are likely to take them up as their personal earnings increase.

Towards the end of the review period, the catering community had been broadening their product offers to cater for diabetics, healthy eaters and vegetarians, as well as organic food fans. These trends are likely to attract higher numbers of the better-informed and opinionated medium- and high-income earners, who are often ready to pay a premium fee for quality services. The recent success of Renalo, a niche restaurant offering freshly cooked traditional dishes, has exemplified the opportunities inherent in the restaurant business.

## Café Culture

Partly due to the warm weather in Kenya, a very small group of Kenyans adopted the culture of drinking tea and coffee in coffee shops. Over the review period, this practice was restricted to young adults in urban areas and the expatriate community in cities. Over the period 2004–2008, consumer expenditure on cafés and bars declined by over 6% at constant (2008) prices.

### Impact

The market for the products of coffee shops has been depressed by a weak coffee- and tea-drinking culture among most Kenyans. Though tea drinking has become somewhat popular, coffee drinking still remains very low. Coffee shops have made efforts to introduce other products into their offer lists such as ice creams and cookies, and this has to some extent motivated a limited number of people to take up coffee-drinking. However, the growth in the café culture may realise only very marginal growth in the forecast period when youngsters pick it up from movies and television screens.

**Table 46 Consumer Expenditure on Food (Current Value): 2005-2009**

KES billion

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| TOTAL | 723 | 725 | 747 | 751 | 747 |

*Source: National statistical offices, OECD, Eurostat, Euromonitor International*

**Table 47 Consumer Expenditure on Food (Constant 2009 Value): 2005-2009**

KES billion

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| TOTAL | 1,148 | 1,006 | 944 | 839 | 747 | 53.7 |

*Source:* *National statistical offices, OECD, Eurostat, Euromonitor International*
*Note:* *Constant value at 2009 prices*

**Table 48 Consumer Expenditure on Food (Constant 2009 Value): 2010-2020**

KES billion

| | 2010 | 2015 | 2020 | % growth | % CAGR |
|---|---|---|---|---|---|
| TOTAL | 806 | 968 | 1,209 | 50 | 4.61 |

*Source:* *National statistical offices, OECD, Eurostat, Euromonitor International*
*Notes:* *Constant value at 2009 prices*

**Table 49 Consumer Foodservice by Type (Current Value): 2004-2008**

US$ million

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Consumer foodservice by type and chained/ independent | 321 | 365 | 390 | 434 | 496 |
| Cafés/bars | 82 | 92 | 96 | 104 | 118 |
| Full-service restaurants | 144 | 168 | 182 | 202 | 229 |
| Fast food | 61 | 68 | 72 | 83 | 96 |
| 100% home delivery/ takeaway | 2 | 2 | 2 | 2 | 3 |
| Street stalls/kiosks | 32 | 35 | 37 | 42 | 51 |
| Pizza consumer foodservice | 37 | 49 | 55 | 62 | 73 |

*Source:* *National statistical offices, Euromonitor International*

**Table 50 Consumer Foodservice by Type (Constant 2008 Value): 2004-2008**

US$ million

| | 2004 | 2005 | 2006 | 2007 | 2008 | % growth |
|---|---|---|---|---|---|---|
| Consmer food service by type and chained/ independent | 494 | 537 | 558 | 599 | 496 | 0.4 |
| Cafés/bars | 126 | 135 | 137 | 144 | 118 | -6.4 |
| Full-service restaurants | 222 | 247 | 260 | 279 | 229 | 3.2 |
| Fast food | 94 | 100 | 103 | 115 | 96 | 2.1 |
| 100% home delivery/ takeaway | 3.08 | 2.94 | 2.86 | 2.76 | 3 | -2.7 |
| Street stalls/kiosks | 49 | 51 | 53 | 58 | 51 | 4.1 |
| Pizza consumer foodservice | 57 | 72 | 79 | 86 | 73 | 28.1 |

*Source:* *National statistical offices, Euromonitor International*
*Note:* *Constant value at 2008 prices*

# DRINKING

## Drinking Habits

Consumer expenditure (at constant 2009 prices) on alcoholic beverages and tobacco steadily increased at a rate of 1.8% over the period 2005–2009 and accounted for about 3% of the total expenditure by Kenyans. However, this increase occurred in an environment of raised unit prices due to a variety of factors. In addition to the effects of the global financial crisis, disruption occasioned by the post-election violence, high inflation and increases in production and raw materials costs that contributed to a decline in the purchasing power of many consumers in 2009, increases in excise duty on wines and spirits further raised unit prices and therefore dampened growth in 2009. Unit prices saw overall increases of 300% in less than six months, thanks also to previous tax increases on wine and spirits in 2008, driving unit prices sky-high and slowing market growth.

The majority of Kenyans prefer to drink in pubs, clubs or bars while watching games such as football, rugby or cricket. The majority of consumers of alcoholic drinks are adult males: over 85% of the male population consumes various forms of alcoholic drinks. Even among the underage, there is a strong desire to consume alcohol and alcohol abuse among younger generations is a big problem in Kenya. It was due to the realisation of the prevalent abuse of alcohol and other substances that the Kenyan government established the National Campaign Against Drug Abuse (NACADA) Authority which is tasked with the provision of leadership on policy development, education regulation, management, programme implementation and research coordination on matters pertaining to drug and substance abuse in Kenya.

### Impact

Kenyans have a tendency to reduce their expenditure on alcoholic drinks when the purchasing power falls during tough economic times, with lower-income earners tending to switch to low-priced alternatives when unit prices rise. These tendencies occasioned dampened growth rates for sales of alcoholic drinks over the review period and manufacturers responded by executing targeted promotions and new product offers. Even though economic growth is currently improving and therefore consumers are experiencing improved purchasing powers, this process will be a gradual one and so more of the aforementioned habits are expected over the forecast period. The government’s tendency to raise taxes on alcoholic beverages is also likely to continue causing unit price increases over the forecast period. For example, in the 2010/11 budget, the government again proposed increased excise duty on malt and non-malted beer; this would see a marked rise in the recommended retail price of the product. As such, smaller pack sizes are likely to perform better among consumers, as are easier-to carry low-cost packaging. In an effort to bolster sales figures, the market is likely to see more attempts to provide cheaper alcoholic drinks in view of the proposed Alcoholic Drinks Control Bill 2009 which, among other things, seeks to legalise traditional brews.

The established habit of drinking in bars accompanied by friends while relaxing after work is likely to continue obtaining in Kenya even beyond the forecast period. Given a large youthful population that will be maturing over the forecast period, beer and games will continue bringing alcoholic beverage consumers together and thus demand is likely to rise. This situation will cushion expenditure on alcoholic beverages from sinking.

## Shopping for Alcoholic Beverages

A large part of the distribution of alcoholic drinks is done by agents of manufacturers and independent distributors, which supply hotels, clubs, bars, restaurants and supermarkets. However, bars, depots and supermarkets are the most common points from where end consumers buy alcoholic drinks. Whereas alcoholic products sold through small-scale bar owners are widely available to consumers countrywide near their areas of residence, large supermarkets and hypermarkets in urban areas are able to negotiate for discounts, which they transfer to their customers.

In Kenya, there is no drink designated as a national one. Rather, each consumer has his or her own favourite brands of drinks. The Tusker beer brand from East African Breweries Limited (EABL) has, however, been traditionally popular among many beer consumers. Apart from beer, other alcoholic products in the market include Johnnie Walker, Richot and Bond 7. Such branded liquors have tended to be mostly consumed by the middle- and upper-income earners in Kenyan urban (and a few rural) areas. With popular brands like Tusker, Guiness (stout), Senator Keg (lager) and Smirnoff (spirit), the giant EABL has been the clear market leader in the Kenyan alcoholic drinks market. By 2009, EABL had a market share of about 74%. Other significant market players are the Kenya Wine Agencies Limited (importation and distribution of wines and spirits), Keroche industries (the brewer of Summit Lager), and a number of independent distributors.

Though beer is likely to remain the most popular type of alcoholic beverage among Kenyans, price discounts offered by manufacturers of brands such as Chelsea Gin, Viceroy Brandy, Kibao Vodka, Simba Cane and other spirits will help in motivating alcohol consumers to join their friends in various bars or clubs over the forecast period. Moreover, high-income consumers as well as tourists will continue to buoy sales growth from slipping too far in cases of unit price increases.

For outdoor partying among youngsters, beer cans and sachets (mostly for spirits) have been popular, partly due to their low costs (especially when obtainable in lower quantities) compared to bottled drinks. Otherwise, most beers are sold as bottles packed in plastic crates. Since most consumers are influenced by brand when shopping or drinking in bars, most manufacturers undertake significant spending in brand development and securing brand loyalty. For example, EABL has tried to maintain loyalty to Tusker beer by, among other things, sponsoring sporting events and linking the brand to popular games. Watching the popular game after a hard day’s work and drinking Tusker then become complements.

**Table 51 Consumer Expenditure on Alcoholic Beverages and Tobacco (Current Value): 2005-2009**

KES million

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| TOTAL | 30,452 | 34,560 | 39,052 | 44,392 | 49,230 |

*Source: National statistical offices, OECD, Eurostat, Euromonitor International*

**Table 52 Consumer Expenditure on Alcoholic Beverages and Tobacco (Constant 2009 Value): 2005-2009**

KES million

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| TOTAL | 48,351 | 47,943 | 49,358 | 49,608 | 49,230 | 1.8 |

*Source: National statistical offices, OECD, Eurostat, Euromonitor International*
*Note: Constant value at 2009 prices*

**Table 53 Consumer Expenditure on Alcoholic Beverages and Tobacco (Constant 2009 Value): 2010-2020**

KES million

| | 2010 | 2015 | 2020 | % growth | % CAGR |
|---|---|---|---|---|---|
| TOTAL | 50,297 | 64,459 | 81,129 | 61.3 | 5.5 |

*Source: National statistical offices, OECD, Eurostat, Euromonitor International*
*Note: Constant value at 2009 prices*

# SMOKING

## Smoking Habits

The figures from the period 2005–2009 show that expenditure by Kenyans on alcoholic beverages and tobacco has been increasing every year. Overall prevalence among adults increased gradually over the forecast period and had reached almost 18% by 2009. In the same year, the smoking prevalence among the male adult population was over 26%, while that among the female adult population was 9%.. With improved awareness creation by the government and public health stakeholders, many consumers have reconsidered their opinions on smoking. However, only a small percentage has actually managed to reduce or abandon their addictive smoking habits.

The government of Kenya through the Tobacco Act has restricted the minimum number of sticks per pack to ten so as to make access to the commodity difficult. The efforts to enact tobacco-control measures, including smoke-free legislation and health warnings consistent with some international practices, had been largely unsuccessful until mid-2007, when some local authorities began enforcing no-smoking restrictions in public places. The Tobacco Control Act, which excludes streets from being classified as public places, only came into force in the third quarter of 2007 and was effectively enforced as from July 2008. Cigarette manufacturers had to contend with arbitrary arrests of smokers by city (town) council security officers and confinement of smokers to smoking zones for quite some time. Ultimately, this resulted into a reduction in sales volumes for the cigarette manufacturers.

## Shopping for Cigarettes and Tobacco

In terms of production, the World Health Organisation (WHO), ranked Kenya the third-largest cigarette manufacturer in Africa in 2007. The Kenyan arm of the transnational British American Tobacco (BAT) is the market leader with close to 60% of market share, followed by StanCom Company (25%), with the rest being shared between Mastermind Tobacco Kenya, Cut Tobacco Limited and others. The leading brands that BAT Kenya (BATK) manufactures and sells are Dunhill, Benson & Hedges, Pall Mall, Embassy, Sportsman, Sweet Menthol, Crown Bird, Safari, Score, Rooster, Crescent and Star. The company also offers contract-manufacturing services for tobacco-related products. It has tobacco leaf operations in Kenya and Uganda, where it contracts over 35,000 tobacco farmers. Its manufacturing operations in Kenya are the largest in the region; it exports its products to East, Central and Southern Africa countries. Despite a rough regulatory environment, BATK has managed to pay out dividends consistently over most of the years in the review period. In 2007, its pre-tax profit had risen from KES 1.02 billion to KES 1.08 billion. The company explained that the growth was mainly driven by a surge in domestic volumes following enhanced distribution and continued economic growth. Like manufacturers of alcoholic drinks, manufacturers of tobacco products sponsor various social and developmental activities to create a strong corporate and brand presence in the industry. This is the one of the few effective marketing avenues after promotion of tobacco products was severely hindered via legislative measures.

A majority of smokers buy their cigarettes from kiosks and tobacco from open market vendors. Supermarkets are also used by medium- and high-income consumers. Most brands can be purchased for under KES 150 (US $2) per 12-stick pack. A majority of the smoking population are low- and medium-income earners and therefore buy single packs or a few sticks at a time. Only a few consumers (medium- and high-income earners) tend to buy in bulk. High- and medium-income earners are very brand-conscious – often going for the leading brands like Embassy and Sportsman – while lower-income earners are open to all brands depending on the amounts of money they have at the time.

### Impact

The post-election violence in early 2008 and the global financial crisis that followed a year later affected the tobacco industry negatively. To make matters worse, the Kenyan government has often imposed excise duty on tobacco products, primarily to discourage consumption for health reasons. Almost all the cigarette price increases experienced over the review period were primarily due to tax increases levied on manufacturers, the burden of which was borne by the consumers. Over the review period, these price increases often led to a shift by some consumers (especially lower-middle- and low-income ones) towards less expensive brands, such as Safari, Rooster and Rockets.

The increased awareness among tobacco product consumers regarding the health effects of smoking, the increasingly high excise duties imposed on tobacco products, and ever-stricter legislation governing the industry are likely to further slow down growth over the forecast period, but they will be counterbalanced by some other factors working in favour of manufacturers and distributors To cushion themselves from slumps in the Kenyan market, some manufacturers have established a strong presence in the regional markets. BATK, for instance, strives to obtain 60% of its business from exports. With the recent positive developments towards the realisation of the East African Common Market, regional business is expected to improve significantly. However, the industry will need to decisively confront smuggling, which is still a challenge in this emerging market.

**Table 54 Smoking Prevalence: 2005-2009**

| % | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Male (% of male adult population) | 26.0 | 25.9 | 26.0 | 26.1 | 26.3 |
| Female (% of female adult population) | 8.5 | 8.8 | 9.0 | 9.0 | 9.2 |

| | | | | | |
|---|---|---|---|---|---|
| TOTAL (% of total adult population) | 17.1 | 17.2 | 17.4 | 17.5 | 17.7 |

*Source: WHO, OECD, Euromonitor International*

# PERSONAL APPEARANCE

## Shopping for Toiletries and Cosmetics

For each year in the review period, expenditure on cosmetics and toiletries increased, but the positive news of these increases seems to have been eroded by relatively high inflation rates over the review period. As such, an assessment of the expenditure figures at constant 2009 prices revealed declines over the review period. Hair care registered the least decline in expenditure at constant prices, decreasing by 7.4% over the review period, while fragrances registered the largest decline (24.7%). Many Kenyans view products like fragrances as non-essential/luxury ones and therefore tend to reallocate money away from such products towards necessities during tough economic periods. The post-election violence and the global financial crisis slowed growth in the market for cosmetics and toiletries in 2008 and 2009. Some consumers switched to low-value cosmetic and toiletry products as their purchasing powers shrank.

Urban consumers tend to buy toiletries and cosmetics from supermarkets, beauty shop and hair salons, while their rural counterparts tend to purchase them from nearby kiosks. High-income consumers obtain their baby care products mainly from pharmacies. For premium cosmetics, fragrances and skin care products, particular consumers rely on beauty shops and regular suppliers who directly import the products from Dubai and other Asian economies at affordable prices. Among the leading manufacturers and suppliers of cosmetics and toiletries are Unilever Kenya, Colgate Palmolive East Africa Limited, PZ Cussons, Beiersdorf, Interconsumer Products Limited and Johnson and Johnson. Some of the strong and popular brands include Vaseline, Fair & Lovely (Unilever), Imperial, Venus (PZ Cussons), Nivea and Limara (Beiersdorf), L'Oreal (Carzon), Nice & Lovely (Interconsumer Products), City Men (Schwarzkopf and Henkel) and Johnson Baby Products (Johnson and Johnson).

### Impact

The more style-conscious teenagers and younger adults in their twenties and thirties have continued to drive growth in the consumption of cosmetic and skin care products over the review period. Middle- and high-income women gladly spend on high-end fragrances and body creams for the feeling of exclusivity they confer. Such products are often relatively expensive and thus unaffordable for the low-income-earning majority. As such, there is widespread use of celebrities in the print and electronic media besides billboards to promote cosmetics and hair products. As more and more men enter the service industry as bankers, administrators, insurance and business executives, a trend is emerging in which proper skin and hair care is becoming an aspiration for many men. Young executives in the private sector are the main drivers of consumption and growth in the market for male grooming products. For teenage males, African-American hip hop musicians, football stars and movie actors inspire certain hair styles and grooming features.

Given the large size of the youthful and middle-aged sections of the population and the expected improved economic growth over the forecast period, sales of toiletries and cosmetics are likely to increase. Women generally obtain information about new and potentially better products from their friends and hair stylists. Hair stylists therefore present high potential promotion and distribution channels, which will have a significant impact on the development of the market in the forecast period. Some manufacturers are already establishing active business links with hair salons. The use of celebrities to market cosmetic products is, however, bound to remain the key promotion strategy over the forecast period.

About 121,000 people (0.4% of the population) were estimated to be suffering from skin cancer in 2009. The incidence is probably higher, but numerous other cases go unrecorded. With the exception of high-income consumers and a few health-conscious people, a majority of the Kenyan people is either not aware of the negative influences of the sun rays or brush it aside and thus remain indifferent towards sun-care products. Consequently, sales of sun-care products are mostly driven by tourists (foreign and domestic).

## Attitudes Towards Hair and Beauty

Kenyans, especially urban dwellers, are very concerned about their appearance, with each person spending on beauty products as much as his or her disposable income allows. The concern with appearance has been growing throughout the period under review. The increasing numbers of people employed in the service industries, together with the associated increases in incomes, have complemented the role of advertising and product promotion in raising interest in beauty and grooming. Television presenters, bank officials and business executives have been overly image-conscious, and many teenagers and young adults have become ardent fans of actors in soap operas and movies to an extent that they have tried to emulate them in real life.

Bathing soaps, toothpastes, skin care products and hair products are regarded by a majority of Kenyan consumers as essentials for their personal appearance and hygiene. In addition to this, baby powder and jellies for mothers with young babies, and sanitary pads for women are also considered essentials. Women generally spend more on cosmetics than men. Generally, consumers with higher disposable incomes are associated with a higher tendency to consider products that for others are non-essentials as essentials. High- and medium-income consumers tend to be brand-conscious and rarely deviate from their usual brands, but low-income consumers tend to choose the cheapest products that approximately yield the expected results with very little, if any, attention to brands.

Make-up is positively regarded and desired, especially among urban area residents. In many rural areas, however, the uptake and use of make-up is still relatively low due to the manual nature of the key economic activities and fairly conservative attitudes.

Among men, proper grooming and smart dressing are considered factors that boost professionalism. Grooming has thus become important for success in chosen careers. This attitude has grown stronger over the review period  and the use of skin moisturizers and hair oils, once the preserve of women, has gradually increased among men. Teenage males have been influenced in their purchases by images of football stars and African American movie actors.

Kenyans also endeavour to improve their images by use of plastic surgery (both simple and complex). However, the use of plastic surgery is still low compared to developed and transition countries, most likely due to cost and, to some extent, cultural inhibitions. In the recent past, undergoing plastic surgery has been a preserve of the rich and celebrities. As incomes grew and suppliers increased in the market, the high-income consumers were gradually joined by others from the middle-income group in the use of plastic surgery. Magazines, television programmes and films featuring ever-youthful-looking celebrities have also served to popularise plastic surgery.

### Impact

Concern with personal appearance has driven expenditure on cosmetics and toiletries over the review period. With improved economic growth and development prospects for Kenya over the forecast period, purchasing powers among consumers are expected to increase, thereby expanding the size of the customer base for the market for cosmetics and toiletries. Celebrities will remain the key promotion avenues for products for both males and females.

Young and middle-aged women will continue to be the key consumer category driving sales in this market. As more and more females move through the education system, interact with other cultures and take up jobs in the service industries, the use of colour cosmetics will rise in tandem and this presents tangible growth opportunities for such products. The burgeoning middle class is expected to slightly increase demand for plastic surgery over the forecast period as they approach middle age.

Demand for men's grooming products will continue to grow over the forecast period as the need to project a professional image drives the young and middle-aged males exploring careers and realising improved purchasing powers. Moreover, the need to look 'cool' is expected to continue and infiltrate into the older men.

**Table 55 Expenditure on Cosmetics and Toiletries (Current Value): 2005-2009**

| KES million | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Colour Cosmetics | 1,437 | 1,599 | 1,690 | 1,773 | 1,833 |
| Fragrances | 1,595 | 1,682 | 1,733 | 1,777 | 1,811 |
| Hair Care | 3,020 | 3,362 | 3,666 | 3,976 | 4,217 |
| Men's Grooming | 1,139 | 1,230 | 1,322 | 1,401 | 1,458 |
| Skin Care | 3,048 | 3,647 | 4,232 | 4,894 | 5,372 |

*Source: National statistical offices, Euromonitor International*

**Table 56 Expenditure on Cosmetics and Toiletries (Constant 2009 Value): 2005-2009**

KES million

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Colour Cosmetics | 2,167 | 2,107 | 2,028 | 1,895 | 1,833 | -15.4 |
| Fragrances | 2,405 | 2,216 | 2,081 | 1,899 | 1,811 | -24.7 |
| Hair Care | 4,555 | 4,430 | 4,401 | 4,249 | 4,217 | -7.4 |
| Men's Grooming | 1,718 | 1,621 | 1,588 | 1,497 | 1,458 | -15.1 |
| Skin Care | 4,597 | 4,805 | 5,081 | 5,229 | 5,372 | 16.8 |

*Source: National statistical offices, Euromonitor International*
*Note: Constant value at 2009 prices*

# FASHION

## Fashion Trends

Modes of dressing in Kenya differ depending on age, occupation, occasion and areas of residence. The two broad categories are formal and casual wears. Formal dressing includes a pair of long trousers and a long-sleeved shirt with or without a tie for men, and a blouse with a presentable skirt or dress for ladies; casual wear permits a pair of short trousers, T-shirts and jeans. There exists a formal dressing code (written or non-written) in most of the work places, such as in banks, insurance firms and the civil service. Other work places are fairly liberal, with presentable jeans and T-shirts acceptable for those in the media, entertainment business, information technology and art. There is also the so-called business-casual, for professionals like architects, surveyors and marketing executives. However, business suits, ties and formal wear are generally preferred. At home, people wear casual clothes. Evening dresses and beautiful attires are carefully selected by the middle- and high-income groups for eating out in the more up-scale restaurants or having social nights out. For tourism and other outdoor activities, weather-appropriate light-to-moderate casual wear such as cargo pants, jeans, cotton shirts and T-shirts are preferred.

School uniforms must be worn by pupils and students in primary and secondary schools, as well as in some middle-level colleges. When out of school, school children prefer trendy jeans, trousers, T-shirts, short-sleeved shirts or blouses and, in a few cases, dresses. Where there is relative liberalism in terms of dressing, for example, in colleges and urban areas, teenagers and college students prefer jeans, T-shirts and short dresses including mini-skirts.

Generally, the dress code in Kenyan culture is conservative. In most rural areas, ladies wearing revealing clothes, mini-skirts and tight fitting trousers are frowned upon. Many Kenyans adhere to different cultural, religious and customary dress styles. There are also regional differences.

With influence from movies, television and magazines, youths have been leading the evolution in dressing in Kenya. In general people, especially urban youths, became increasingly liberal and fashion-conscious over the review period. More and more people gained improved access to the internet, and the variety of television channels increased. This, together with the increased availability of new fashion products, has hastened the adoption of European and American fashion trends. Besides the domestic production, suppliers have kept pace by importing both second-hand and new clothes from Asian, European and American sources, according to the demand of various customer categories.

Youngsters, college students, young professionals and middle-high-income earners lay a lot of emphasis on brands. Branded products like those from Adidas, Nike, Polo and Calvin Klein, and T-shirts bearing names or symbols of leading sports clubs or celebrities are very popular among youngsters. Career people, on the other hand, pay a lot of attention to designer suits or dresses. The middle- and high-income earners are very loyal to their brands. The low-income earners and a majority of rural area residents are less loyal to brands, tending to buy whatever clothing item they find attractive at any particular time, be it branded or second-hand. It is mainly the low-medium-income consumers who spend a significant amount of money on repairs services. All consumers spend a lot of money on cleaning services (both dry cleaning and ordinary).

Whereas there are no recognised average clothes and shoe sizes, one can identify common or modal sizes as follows. Among ladies, the modal shoe size is 38 (British size 6), size 38 (British 9.5) for stockings, while for dresses, suits and coats, the common size range is 40–42 (British 34–36). Average sizes for blouses and women's sweaters are 44 – 48 (British 38–42). Among men, the modal sizes are: 42/43 (British 8.5/9) for shoes, 42 (British 11) for socks, 50 (British 40) for suits, sweaters and overcoats, and 40 (British 16) for shirts. The average height for men and women in Kenya is five feet ten inches and five feet six inches, respectively.

### Impact

Consumer expenditure on clothing and footwear rose in general terms over the review period. However, the post-election violence and the effects of the global financial crisis in the run-up to 2009 lowered purchasing powers, resulting in slightly reduced growth figures at constant (2009) prices. Over the review period, consumer expenditure grew only marginally, by 1.6%.

As films, television soaps and magazines continue to influence dressing tastes and attitudes towards European and American dressing codes, there is likely to be increased growth in demand for European and American styles of dressing over the forecast period. As economic performance improves and as consumers' purchasing powers grow, growth in consumer expenditure is expected to improve over the forecast period, growing by 59.8% above the year 2010 value of KES 151.8 billion to reach KES 242.5 billion by 2020.

## Shopping for Clothes, Shoes and Luxury Goods

Spending on clothing and footwear (at current prices) rose slightly over the period under review (by 1.6%). This may be associated with higher product prices (in view of raised production costs) and marginal increases in demand. Expenditure on clothing and footwear accounted for approximately 9% of the total consumer expenditure in 2005, and this proportion remained almost unchanged over the review period, indicating an absence of tendencies to reallocate expenditure away from clothes and shoes.

Most consumers have a habit of window-shopping, followed by price comparison and an eventual purchase. Once an affordable supplier is identified, regular repeat visits and orders become common, with ladies often bringing their friends along. The highest expenditure on clothing and footwear is often experienced around Christmas holidays and school reporting days (school uniforms, games kits and shoes). A majority of low-income consumers tend to buy non-school clothes and footwear from imported second-hand clothes and footwear dealers in open markets and exhibition stalls in the cities' central business districts and residential estates. Being price sensitive, low-income consumers like to haggle over prices and switch to cheaper alternatives (with little regard for brand) as soon as prices rise or their purchasing powers fall. Middle- and high-income consumers make their purchases from supermarkets, malls, hypermarkets, boutiques, shoe shops and clothes collections. There are specialised shops for school uniforms and shoes. Jewellery is purchased mostly from the over 20 registered major jewellers. Watches, perfumes and travel bags and suitcases are often bought from gift shops and specialised shops, besides the numerous outlets operated by local businessmen. Other consumers have regular suppliers who import the goods on order from international sources such as Dubai and London.

### Impact

Being brand-conscious and quality-sensitive, middle-income earners have supported sales of new clothing and footwear from decreasing too much even during tough economic times. Over the forecast period, expenditure on clothing and footwear is expected to increase by 59.8% as young, fashion-conscious Kenyans enter and establish themselves in careers.

Online and catalogue retailing is still in its nascent stages in Kenya. Until recently, the low access to the internet and the small numbers of customers resorting to catalogues has served to hinder the development of these retailing methods. Lack of a system of numbering apartments and houses for postage to fixed physical addresses has also hampered the development of catalogue retailing. Even in the forecast period, these methods are likely to play only minimal roles in improving sales, since consumers are not yet used to them and they do not fit with the shopping habits of most consumers.

**Table 57 Consumer Expenditure on Clothing and Footwear (Current Value): 2005-2009**

KES million

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| TOTAL | 92,395 | 105,879 | 118,967 | 134,522 | 149,093 |

*Source:* *National statistical offices, OECD, Eurostat, Euromonitor International*

**Table 58 Consumer Expenditure on Clothing and Footwear (Constant 2009 Value): 2005-2009**

KES million

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| TOTAL | 146,699 | 146,880 | 150,362 | 150,328 | 149,093 | 1.6 |

*Source:* *National statistical offices, OECD, Eurostat, Euromonitor International*
*Note:* *Constant value at 2009 prices*

**Table 59 Consumer Expenditure on Clothing and Footwear (Constant 2009 Value): 2010-2020**

KES million

| | 2010 | 2015 | 2020 | % growth | % CAGR |
|---|---|---|---|---|---|
| TOTAL | 151,763 | | 59.8 | 5.3 | |
| | | 191,821 | | | |
| | | 242,452 | | | |

*Source:* *National statistical offices, OECD, Eurostat, Euromonitor International*
*Note:* *Constant value at 2009 prices*

# HEALTH AND WELLNESS

## Healthcare

According to the budget estimates for 2009/2010, the Kenyan government has aligned its health allocation with a pro-poor focus by increasing spending for primary healthcare. Government expenditure on health increased consistently over the review period, moving from 5.2% in the 2005/06 financial year, through 6.7% in 2008/2009, to 7% in 2009/2010 (KES 39.9 billion, or 1.7% of the GDP). Consumer expenditure on health goods and medical services rose consistently over the review period, growing by 6.9% from KES 50 billion in 2005 to around KES 53 billion in 2009. This meant that households were directing 3.2% of their expenditures to health goods and medical services.

A cost-sharing system is in operation in Kenya, such that in 2009 the government shouldered 54.2% of the total expenditure on health, while about 45.8% was shouldered by private individuals. Health services are provided through a network of over 4,700 health facilities countrywide, with the public sector system accounting for about 51% of these facilities. The public health system consists of the following levels of health facilities: national referral hospitals, provincial general hospitals, district hospitals, health centres, and dispensaries. The government health service is supplemented by privately owned and operated hospitals and clinics and faith-based organisations' hospitals and clinics, which together provide between 30% and 40% of the hospital beds in Kenya. Even though services in public health facilities are subsidised, the public generally perceives public healthcare to be inefficient, since most of the times drugs lack and medical personnel are too few. Private healthcare is often viewed in a much better light, although the fees charged are often much higher. Currently, the private sector (both for-profit and not-for-profit) contributes over 40% of health services in the country, providing mainly curative health services and very few preventative services.

Malaria has been the leading cause of outpatient morbidity in Kenya, accounting for one-third of all new cases reported. After malaria, the most common illnesses seen in outpatient clinics are diseases of the respiratory system, skin diseases, diarrhoea, and intestinal parasites. Other frequent health problems include accidental injuries, urinary tract infections, eye infections, rheumatism, and other infections. Combined, these ten leading conditions account for nearly four-fifths of the total outpatient cases reported. This pattern has persisted for the past decade.

Except for preventative services and services and products offered to babies and expectant mothers, patients partially pay for health services or products obtained from public health facilities. There is a National Hospital Insurance Fund (NHIF) to which all employees are required to register and remit monthly fees, which cover their family members and themselves in case they are hospitalised. However, a large number of Kenyans are out of the system and therefore have to pay from their pockets for most of the services obtained.

When not provided at the health facility, the common practice is to procure the prescribed drugs from nearby chemists or pharmacists. Even though there are original brands of drugs, most people use the cheaper generic drugs that are imported from India and other countries. A number of people also employ traditional ways of treatment using herbs and various therapies handed down from generation to generation. Modern herbal clinics such as Makini, Kamirithu and Bagika have also sprung up and gained significance over the review period, to meet a growing demand for herbal remedies.

The Kenyan health service suffers from the problem of many health workers migrating from public employment to private facilities and other countries in search of better salaries and working conditions. In 2000 a reported 51% of physicians and 8% of nurses had migrated and were working in other countries. The migration rates have increased over the review period, especially for nurses (estimated to be over 15% by 2009). According to health ministry statistics, there was 1 doctor and 49 nurses per 100,000 people in 2006, while the World Health Organisation recommended nurse-patient ratio of 200 nurses per 100,000 patients. The nurse-patient ratio improved slightly to 50 per 100,000 patients in 2009. The popular destinations for emigrating health workers include South Africa, USA, UK, Canada, Australia, South East Asia and Botswana.

## Health and Well-being

The health consciousness of Kenyans has improved tremendously over the last two decades due to improved education among the populace, informative advertising by manufacturers of medicines and hygiene products, awareness creation by NGOs (such as the Kenya Cardiac Society) and preventative health campaigns by the Ministry of Public Health/Medical Services. Herbal medicine providers, traditional healers and church leaders have also increasingly adopted a progressive stance of emphasising to the public that their services are complementary with modern medicine. Emergence of new acute problems over the years, such as the increased incidence of Highland Malaria, has played a role in ensuring that more people are seeking medical attention on time.

Save for the little stigma associated with the purchasing of anti-retroviral drugs (ARVs) and shame when procuring medications against sexually transmitted infections, Kenyans have a fairly positive attitude towards modern medicine. The majority of Kenyans undertake self-medication, and this practice has been abetted by the liberalised nature of the market for health products, leading to a proliferation of dispensing chemists and pharmacists (both professional and quacks) in most corners of residential areas. Despite the presence of guidelines on the sale of prescription drugs, the regulators appear to have been overwhelmed in their efforts to monitor the health industry. This has let to not only the uncontrolled availability of almost all drugs to willing buyers, but also to under-/over-dosing and the sale of fake drugs; this has contributed to the problems of drug resistance (seen in the malaria parasite). Many, especially in rural areas, combine traditional herbal medicines (concoctions) and therapies (massage) with the modern manufactured drugs in dealing with certain illnesses. Diabetes, skin conditions, strains and heart conditions are among the common problems for which people engage dual (herbal/traditional and modern) treatment approaches.

Over the review period there was relatively low healthy life expectancy at birth (around 44 years), and this statistic registered a decrease of 0.4 years. About 70% of deaths in Kenya arise from malaria, tuberculosis and HIV/AIDS, while road accidents contribute significantly to the remaining proportion. With the improved availability of ARVs and enhanced awareness (coupled with improved access to condoms) over the review period, deaths from HIV/AIDS and tuberculosis have significantly reduced. Public roll back malaria campaigns also increased, saving some people.

Kenyans have been increasingly adopting unhealthy eating habits, such as consuming too much fatty food, and have been taking up excessive smoking and drinking. Moreover, conscious regular exercising habits are very rare among Kenyans (especially in urban areas) and sedentary urban lifestyles with no regular body workouts are increasingly common. Consequently, deaths from hypertension and heart conditions are increasing. Moreover, the proportion of obese people of those aged 15 and above increased slightly over the review period from 1.0% in 2005 and 2006 to 1.2% in 2009. Among children, however, obesity has not been much of a problem thanks to the variety of activities at school and the domestic tasks commonly assigned to them.

### Impact

There has been a slight but consistent improvement in demand for vitamins and dietary supplements over the review period. In 2008, sales of vitamins and dietary supplements reached slightly over KES 7 billion (with a value growth of 12%) while in 2009 the figure was slightly under KES 7.6 billion. This was attributable to an increased health consciousness among Kenyans. Those who use vitamins and dietary supplements include busy professionals, intensive sports people and gym-goers. Network or multi-level marketers such as those with Swissgarde, GNLD and Tianshi products have also contributed to the development of the market for diet supplements. This positive development trend is expected to continue, improving the over-the-counter market into the forecast period.

By 2009, Kenyans were spending around KES 1.9 billion (up from less than KES 1 billion at the beginning of the 21st Century) on hypertension medicine, which represented about 13% of the KES 15 billion pharmaceutical market and one of the largest by disease type. Over the forecast period, Kenyans are likely to spend heavily on health care as they live with the complications from this and other lifestyle diseases such as obesity and diabetes. These diseases will gain greater significance in the list of leading causes of death. Pharmaceutical companies have noticed the increasing incidence of lifestyle diseases and are likely to increase their levels of investment to meet the demand for drugs to manage the diseases. It is estimated that the hypertension drugs market will hit KES 2.3 billion by 2012.

## Sport and Fitness

Among younger people, the school environment was structured to make exercise and sports part of the lives of people. Doing sports has been mandatory at primary and secondary school levels (until age 18), although the levels of enforcement of sports/games time activities vary from school to school.

Whereas Kenyan children and teenagers like and enjoy playing football, basketball, volleyball and hockey, adults like such sports but do not often play them, preferring to watch others play. Over 80% of Kenyan male teenagers enjoy playing and watching football, while a similar majority of male adults enjoy watching football over a drink. On the other hand, less than 40% of women have an active interest on sports. As Kenyans approach college age, their active participation in sports decreases sharply, and they begin to merely watch and support their age-mates. This has been a long-term trend over the years.

### Impact

Considered by most as luxury centres, health clubs have now sprung up near many housing estates in Nairobi and other urban centres to cater for the bulging class of people keen on physical fitness. However, the general attitude towards exercise is that it is a highly desirable activity but one for which there is never an appropriate time. While a small number of urban, health-aware upper- or middle-income earners have been registering in gyms to keep fit, the lower-income earners endeavour to attain as much comfort (associated with little exercise) as possible and use almost all of their waking time working for money. The demand for gym services created by health-conscious upper- and middle-income consumers has spread also to sports products such as balls, sports clothing and footwear. Such consumers often go for branded products and include food supplements in their endeavours to have holistic exercise experiences.

Compulsory games times in primary and secondary schools have complemented the effect from health conscious people in raising expenditure on sports products. Whereas all schools require some form of games kit complete with shoes, most boarding schools require hockey sticks, boots, bats, wickets or some other equipment depending on the child's preferred sport. These aspects are expected to maintain the demand for sports products on an upward trend over the forecast period.

## Nutrition

Over 80% of Kenyans eat what they like and can afford, with little consideration as to whether it is healthy or not. Historically, there has been more national concern with undernutrition and malnutrition than there has been with healthy eating. However, recent improvements in the levels of education and awareness are gradually causing changes in understanding and attitude in favour of healthy eating. This change is particularly strong among younger urban women, who are cautious not to offer unhealthy foods on their meal tables. As such, the consumption of fresh fruit and vegetable products has increased tremendously over the review period.

A number of younger women (below 35 years) have gone an extra step and started engaging in dieting and calorie-counting so as to lose weight or attain some desired figure. Some dieticians and nutritionists have warned of the potential negative developments, as well as informing the public that dieting may not always be the best way to attain the desired body figure. They have urged dieters to focus on taking the appropriate number of calories in given foods instead of totally avoiding the foods in question, and to incorporate exercise into daily routines.

The majority of men and most residents of rural areas are not yet so keen on healthy eating, although this is expected to change gradually as the demonstration effect from younger urban women becomes widely felt.

### Impact

The rising awareness of consumers of the important role of proper nutrition in a healthy life has prompted manufacturers to include certain desirable minerals and vitamins in food products such as cooking fats, oils and margarines. A broader variety of brands has also emerged over the review period in a bid to meet the diverse interests of consumers. The review period also saw an increased preference (especially by urban area residents) for the slightly expensive cooking oils over the cheaper cooking fats, as an increasing number of shoppers made efforts to avoid products with potential bad effects on health. This trend is expected to continue into the forecast period, as habits in urban areas spread to the rural ones and as levels of information rise. Products such as low-calorie foods and drinks, low-fat content milk products and low-sugar content foods will, however, achieve only marginal growth over the forecast period, as customers realise the health value of taking the appropriate levels of whole foods rather than focusing on reduced contents of given types of nutrients.

## Home Medication and Vitamins

Most consumers resort to home medication at the onset of ill health and prefer to seek professional attention only when the problems persist. This, of course, comes with the risks of misdiagnosis, use of wrong drugs (to which patients could be allergic), under- or over-dosing, as well as the development of drug resistance by parasites. Unfortunately, despite the numerous efforts on public education about the dangers of self-medication, most Kenyans still practise it because going to health facilities to see a doctor is often associated with high costs and many think that they would save money and time by doing it themselves. The proliferation of private chemists has continued to encourage this practice in a system of mutual causation.

Must-have medicines in the medicine cupboard include paracetamol, pain killers (such as Mara Moja and Hedex), throat lozenges, malaraquin (quinine antimalarial), coartem (ACT) and fansidar (sulphur based antimalarial), flagyl and cough syrups. These are bought from neighbourhood chemists and pharmacists who receive their supplies from various drug companies. Previously, the market was dominated by multinational manufacturers such as GlaxoSmithKline (GSK), Sweden's Astra Zeneca, French firm Sanofi-Aventis, Bayer Schering Pharma of Germany, Switzerland's Roche Products, and Pfizer Laboratories of South Africa. However, the last two decades have seen the entry of low-cost producers making generic drugs in India, thanks to subsidies, low production costs and economies of scale enabling them to offer high volumes of drugs at low prices. According to the Kenya Pharmaceutical Distributors Association (KPDA), the new entrants controlled about 60% of the market of key drugs for lifestyle diseases in 2009, up from below 20% a decade ago. They have allowed key malarial and antiretroviral drugs to be bought cheaply.

A majority of consumers view the consumption of vitamins as desirable, even though such products are often beyond the reach of many people. High-income households view them as essentials and many buy them for use by their family members. Among the middle class, the use of vitamins and diet complements has been largely popularised by the multi-level marketing of nutrition supplements and health products from firms such as Tianshi, Swissgarde and GNLD.

### Impact

The widespread habit of self-medication has contributed to a very rapid growth in the demand for over-the-counter medicines over the review period, leading to the emergence of numerous dispensing chemists in residential areas; this has led to increased sales. The related factors of widespread self-medication and the establishment of dispensing chemists in rural areas drove demand for health care products over the review period, a trend that is expected to continue over the forecast period. Drug resistance to the malaria parasite has stimulated the emergence of new drugs in the market and supported the growth in sales of pharmaceutical products. Whereas high- and medium-income consumers could afford branded medicines, the price-sensitive lower-income ones attracted the development of generic products, which has in turn intensified competition and led to significant price reductions.

With the expected higher economic growth rates, incomes are likely to increase, enabling more households to afford the medicines and vitamins that they desire. This will further drive growth in the sales of health care products over the forecast period as people get better-informed and therefore improve their health-seeking behaviour.

**Table 60 Health Expenditure: 2005-2009**

% of total health expenditure

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Public health expenditure | 46.6 | 48.2 | 50.2 | 52.2 | 54.2 |
| Private health expenditure | 53.4 | 51.8 | 49.8 | 47.8 | 45.8 |

*Source: National statistics, Euromonitor International*

**Table 61 Healthy Life Expectancy at Birth: 2005-2009**

years

| | 2005 | 2006 | 2007 | 2008 | 2009 | Growth |
|---|---|---|---|---|---|---|
| Healthy life expectancy at birth | 44.3 | 44.2 | 44.1 | 44.0 | 43.9 | -0.4 years |
| Males | 43.8 | 43.7 | 43.6 | 43.5 | 43.4 | -0.4 years |
| Females | 44.8 | 44.7 | 44.6 | 44.5 | 44.4 | -0.4 years |

*Source: National statistics, Euromonitor International*
*Note: Healthy life expectancy at birth is the average number of years that a person at birth can expect to live in 'full health' by taking into account years lived in less than full health due to disease and/or injury.*

**Table 62 Obese and Overweight Population: 2005-2009**

% of population aged 15+

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Overweight population (BMI 25-30kg/sq m) | 13.3 | 13.5 | 13.6 | 13.8 | 14.0 |
| Obese population (BMI 30kg/sq m or more) | 1.0 | 1.0 | 1.1 | 1.1 | 1.2 |

*Source: OECD, International obesity taskforce, Euromonitor International*

**Table 63 Consumer Expenditure on Health and Wellness (Current Value): 2005-2009**

KES million

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Analgesics | 4,025 | 4,736 | 5,328 | 5,952 | 6,268 |
| Calming and sleeping | 47 | 50 | 50 | 51 | 51 |
| Cough, cold and allergy (hay fever) remedies | 1,781 | 1,959 | 2,039 | 2,106 | 2,135 |
| Vitamins and dietary supplements | 4,420 | 5,552 | 6,321 | 7,076 | 7,576 |

*Source:* *National statistics, Euromonitor International*

**Table 64 Consumer Expenditure on Health and Wellness (Constant 2009 Value): 2005-2009**

KES million

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Analgesics | 7,451 | 7,660 | 7,851 | 6,948 | 6,268 | -15.9 |
| Calming and sleeping | 87 | 81 | 74 | 59 | 51 | -40.8 |
| Cough, cold and allergy (hay fever) remedies | 3,297 | 3,168 | 3,005 | 2,458 | 2,135 | -35.2 |
| Vitamins and dietary supplements | 8,182 | 8,980 | 9,314 | 8,260 | 7,576 | -7.4 |

*Source:* *National statistics, Euromonitor International*
*Note:* *Constant value at 2009 prices*

# LEISURE AND RECREATION

## Staying in

The choice of leisure activity among Kenyans depends on the individual’s area of residence, gender and economic wellbeing. In rural areas, where the reach of electricity is still limited, most men listen to their battery-powered radios for news and music as friends while away time together. In some rural areas, men play the ajua game, while most women in rural areas garden and cook. In urban areas, the residents of over 55% of households watch television or listen to music. Over the review period, there was an increase in the numbers and proportions of people spending time watching television, as an increasing number had access to television sets, video equipment and computers. Some women weave, knit and sew, often while chatting with fellow women. Most teens and young adults prefer to play video games, computer games, watch videos or watch football. Richer households have state-of-the-art video game consoles, with which parents engage their children, while some children from richer households play instruments, such as the piano. Kenyans have a poor reading culture, with less than 15% of them reading books during their leisure time.

### Impact

Although periods of reduced economic growth may have increased the number of those who prefer to stay at home, this potential effect is very minimal among Kenyans, since a great majority of the people had been staying at home even during growth periods. The popular activities such as watching television, watching videos, playing video games and listening to music contributed to increased sales of television sets, video equipment and radios over the review period. In the forecast period, further growth in sales of such electronic goods is expected. One reason for this is that the economy is expected to improve. Moreover, a proportion of the large number of households that still lack the necessary electronic goods will acquire improved purchasing powers and become capable of paying for them. The ongoing craze about football is likely to continue to be a powerful factor behind the drive to buy TV sets.

On the other hand, the percentage of households with cable TV remained low at 0.1% over the review period, while those with satellite TV system made up 0.4%. The former proportion is expected to remain unchanged in the forecast period and the latter rising slightly to reach 1.5% by 2020.

## Going Out

It is becoming increasingly common for people to spend their spare time outside home, most often in pubs and restaurants. However, this is a relatively new development, as Kenyans traditionally prefer to spend most of their time in the home environment, either inviting or visiting friends and neighbours. Restaurants and cafés are also popular for occasionally eating out during lunch hours, for dinner following a hard day's work, and for relaxed weekend meals out with the whole family. The restaurants are mostly frequented by bachelors and by the working middle- and high-income consumers; most low-income consumers prefer to have their food prepared at home and only visit restaurants when it is absolutely necessary. Many Kenyans also eat out in restaurants on key days in their lives, as well as on special days like Valentine's Day.

Cinemas, theatres and casinos are available in the cities but have a limited popularity, mostly among the middle- and high-income earners. According to the United Nations Educational Scientific and Cultural Organisation (UNESCO), Kenya had a cinema attendance rate of 25 per 1000 people in 2003. According to a survey conducted in March 2010, Kenyans are today attending movie shows more than ever before, and account for half of the total audiences in the five eastern and central African countries. As at 2009, Kenya had 15 cinemas, against one each in the neighbouring countries.

Kenyan museums, on the other hand, are not popular, and are often only visited during school educational trips, by historians and academics and by tourists.

### Impact

With the increase in the number of working couples, there is likely to be increased demand for cinema tickets as more parents seek to spend memorable quality time with their children so as to compensate for the long days spent away working. Eateries and restaurants will also realise slightly increased demand for their products as disposable incomes improve over the forecast period. Cinemas are likely to step up their online advertising, since trends show better results for this avenue. However, cinema halls will have to devise proper strategies to overcome the potential threats and challenges which include insecurity in the cities (since cinemas run until late into the night), the continuing growth of television viewing, the influx of home entertainment-based content that has grown with the wider affordability of DVD, and movie piracy.

## Public Holidays, Celebrations and Gift-giving Occasions

Kenya has important historical dates and religious events (given its mixture of Christian and Muslim faiths), which are commemorated on 11 public holidays. The national holidays are as follows, listed in the approximate order in which they fall during a year:

1. New Year's Day – 1st January

2. Good Friday As per the Gregorian calendar – March/April

3. Easter Monday As per the Gregorian calendar – March/April

4. Labour Day – 1st May

5. Madaraka Day – 1st June

6. Idd-ul-Fitr (a holiday with its origins in the Islamic faith, celebration to mark the end of Ramadhan); it is normally announced by the chief Kadhi following the sighting of the moon. It is normally celebrated around 10th of September.

7. Moi Day – 10th October

8. Kenyatta Day – 20th October

9. Jamhuri (Independence) – 12th December

10. Christmas Day – 25th December

11. Boxing Day – 26th December

Typical New Year's Day gifts include drinks (wines and fruit juices) for adults and school items for children, whereas Christmas days often feature beautiful items of clothing and footwear for all family members. Religious holidays also feature lots of sweets, biscuits, ready-to-eat foods such as pilau rice and candles, which are generally offered as gifts to all age groups. Birthday gifts include ornaments, precious stone earrings, necklaces, wrist watches and exclusive fragrances for women; portable digital electronic devices such as game cubes, MP3 players, mobiles phones and video games for teens and children; and household durable electronic and electrical products like video recorders and hair trimmers for men. Wedding gifts, on the other hand, include household furniture, utensils, holiday tickets and livestock, while Valentine's Day gifts include rose flowers, bars of chocolates, cinema tickets and holiday bookings.

The buying of gift cards is greatest around September and October, when primary and secondary school examination candidates approach their final exams. Birthdays, Christmas, Easter and wedding anniversaries are other minor occasions that encourage the buying and sending of cards. Such cards are normally bought from stationery shops, bookshops, supermarkets and florists. Besides supermarkets, most Kenyans shopping for gifts prefer specialised gift shops that provide a one-stop for all and lots of variety.

Apart from religious holidays, which are often celebrated in churches and mosques, national holidays like labour day, Madaraka day, Jamhuri day and Kenyatta day have previously been celebrated in stadia, parks and sports grounds (public meeting places). Special destinations to which people go on public holidays include Mombasa, tourist lodges in the Maasai Mara national park, and their upcountry homes such as in Nyanza and Western provinces. Travels to such destinations often peak around Christmas holidays. People undertake whole-family shopping exercises around such holidays so as to purchase items for decoration, meals and presents. Many Kenyans also eat out at restaurants, visit parks such as Uhuru park and the Nairobi Aboretum, and go for escapes in peri-urban areas such as Paradise Lost in the outskirts of the cities.

## Culture

Kenya has great cultural diversity, featuring over 44 ethnic communities with distinct customs and traditions and cultural practices. Kenya has over 400 historical sites, ranging from prehistoric fossils and petrified forests, to 14th-century slave-trading settlements, Islamic ruins and 16th-century Portuguese forts. As at early 2010, four of the country's historical sites were in UNESCO's list of world heritage sites (two natural and two cultural ones). These were: Lake Turkana national park, the sacred Miji Kenda Kaya forests, Mount Kenya national park/natural forest and Lamu old town.

Kenya's 34 national parks, game reserves and wildlife sanctuaries and lakes (such as Elementaita) form the major attractions thanks to the variety of flora and fauna existing in them. Cultural tourism is an emerging but not yet very popular kind of tourism. According to the Kenya National Bureau of Statistics, a total of 2.1 million people visited national parks, compared to the 751,600 people who visited museums and historic sites in 2005. There are a number of community cultural festivals (like the Loiyangalani cultural festival) and cultural centres (such as the Garissa community cultural centre). People also visit mausoleums and statues erected to commemorate key events or in memory of key personalities. With the election in 2008 of the 44th president of USA, President Barack Obama, whose father was a Kenyan, cultural tourism increased, particularly within the western circuit, with visits to Obama's grandmother at Nyang'oma Kogelo. The Kenyan government promoted the village as a tourist attraction of western Kenya and planned to build an Obama-themed museum there, while a Nairobi-based cultural organisation planned to build the Dero Kogelo Library and Cultural Centre in the village.

The Railway Museum, The Nairobi Museum, Rukenya Museum in Meru, Kisumu Museum and the Kenya National Archives are also often visited for information on historical developments in Kenya. Music, drama and dance are the other avenues through which Kenyans enjoy and maintain culture. The Kenya Cultural Centre organises activities such as music events and galas. The annual national music and cultural festival is usually a big event bringing performances from primary and secondary schools as well as colleges. At another level, the

Kenya National Theatre (KNT) is mandated to offer space for the rehearsal and staging of productions of both local and international repertoires. A number of local plays with cultural depictions have been developed at the KNT.

## Holidays

Tourism sector earnings have generally been rising, from KES 25.8 billion in 2003, through KES 48.9 billion in 2005, to KES 62.4 billion in 2009. Tourism is a leading foreign exchange earner and the industry contributed more than 12.7% of the GDP in 2006.

Expenditure on package holidays increased gradually over the period under review as Kenyans engaged more and more in domestic tourism. Just like among foreign tourists, Mombasa, with its sandy coastal beaches and clear blue waters, is the leading destination, followed by the city of Nairobi, Maasai Mara and Kisumu city (for Lake Victoria). When national economic growth has been high enough (for example, in 2005–2007), the good fortune has been reflected in the number of domestic tourists. According to the Kenya Tourism Board, in 2005, 26% of the KES 48.9 billion revenue from tourism was from Kenyans visiting the various tourist spots within the country and there had been a continuous growth in the number of domestic tourists by bed nights since 2002 to reach 2,778 by 2005. Over the review period, both individual and corporate client bookings featured in the package holiday expenditures, with a majority of domestic tourists preferring to use road transport. Spending per domestic tourist averaged KES 20,000 per holiday trip, with budget hotels in Mombasa proving very popular among those seeking accommodation. However, domestic tourism is still at its early developmental stages in Kenya, and the value from domestic tourism trailed that from international tourism during the review period as the frequency of holiday-taking among Kenyans remained generally low. The number of departures of Kenyans to other destinations remained below 100,000 per annum over the review period.

Because of increased terrorism threats (there were bombings in 1998 and 2002) and the associated travel advisories issued to citizens in the run-up to the review period by governments of key source countries such as the USA, UK and EU countries, international tourist figures dwindled. All the same, the numbers of tourist arrivals continued to far outweigh the number of tourist departures, since Kenya is one of the top 20 tourist destinations in Africa. With more than 1 million foreign tourists coming into the country, 2007 remained the tourism sector's best performing year (2009 had 952,841, up from the 2008 levels of 729,000 visitors).

### Impact

Demand for holiday packages among Kenyans has gradually increased, thanks to persuasive advertisement by the Ministry of Tourism and hospitality industry stakeholders. This has attracted numerous product offers from budget hotels and tour companies. The 2008 post-election violence and the global financial crisis left hotels and lodges with no options but to offer incentives to domestic tourists so as to utilize the huge excess capacity witnessed. Discounts were offered and the Ministry of Tourism made efforts to promote domestic tourism. Kenyans responded to the incentives such that the bookings of package holidays rose by 50.6% from 2005 to 2009, when Kenyans spent an approximately KES 11.9 billion on them.

Over the review period, the increased activity by low-cost carriers such as Safarilink, Fly540 and Air Kenya has injected competition into local and regional air travel, prompting established carriers like Kenya Airways to offer more attractive packages in domestic flights. In addition to this, an increasing number of new tours and travel businesses have emerged. Budget hotels have emerged to exploit a niche presented by an increasing number of people seeking reasonable service standards at low costs. The offers of budget hotels have pleased most Kenyan holiday-makers, who previously viewed holiday making as a venture only for the super-rich. Established hospitality businesses are likely to continue making attractive offers to cushion sales during off-peak periods. Meanwhile, budget hotels are likely to continue gaining significance and market share, especially among low- and medium-income earners.

Due to the important role of domestic tourism not only in cushioning sales from slipping too far during off-peak seasons but also in boosting sales in the tourism and hospitality industry, more players are likely to come up with new products targeted at Kenyans in the forecast period. More and more Kenyans will begin to save for and take up annual holidays. According to the Kenya Association of Hotelkeepers and Caterers (KAHC), most hotels were fully booked in 2009, with a very good mix of 40% of bookings being done by locals. Busy parents who spend little time with their children will increasingly seek quality holiday experiences to make up for lost family bonding time. Moreover, the smaller family sizes and the positive economic growth prospects (at least for the early part of the forecast period) are likely to lead to increased incomes for expenditure on holidays. Consumer expenditure (at constant prices) on package holidays is likely to be over KES 20 billion towards the end of the forecast period. The trend whereby an increasing number of Kenyans are turning to the internet for holiday bookings is expected to continue.

**Table 65 Household Possession of Cable TV and Satellite TV: 2005-2009**

% of households

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Cable TV | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Satellite TV system | 0.1 | 0.1 | 0.2 | 0.3 | 0.4 |

*Source: National statistics, Euromonitor International*

**Table 66 Household Possession of Cable TV and Satellite TV: 2010-2020**

% of households

| | 2010 | 2015 | 2020 |
|---|---|---|---|
| Cable TV | 0.1 | 0.1 | 0.1 |
| Satellite TV system | 0.5 | 1.1 | 1.5 |

*Source: National statistics, Euromonitor International*

**Table 67 Cinema Attendances: 2005-2009**

'000

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Number of people | 800 | 912.5 | 1,006 | 962.5 | 1,080 | 35 |

*Source: European Audiovisual Observatory, National statistics, Euromonitor International*

**Table 68 Consumer Expenditure on Package Holidays (Current Value): 2005-2009**

KES billion

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Total expenditure by Kenyans | 7.9 | 8.7 | 9.08 | 9.6 | 11.9 |

*Source: National statistical offices, OECD, Eurostat, Euromonitor International*

**Table 69 Consumer Expenditure on Package Holidays (Constant 2009 Value): 2005-2009**

KES billion

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Total expenditure by Kenyans | 12.5 | 12.1 | 11.5 | 10.7 | 11.9 | -5.1 |

*Source: National statistical offices, OECD, Eurostat, Euromonitor International*
*Note: Constant value at 2009 prices*

**Table 70 Consumer Expenditure on Package Holidays (Constant 2009 Value): 2010-2020**

KES billion

| | 2010 | 2015 | 2020 | % growth | % CAGR |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Total Expenditure by Kenyans | 12.5 | 15.8 | 19.5 | 55.7 | 5.0 |

*Source:* *National statistical offices, OECD, Eurostat, Euromonitor International*
*Note:* *Constant value at 2009 prices*

# CONSUMER TECHNOLOGY

## In-home Technology

Over the review period, ownership of DVD players/recorders rose consistently, such that 3.8% of Kenyan households possessed a DVD player/recorder in 2009. According to the LG Electronics Nairobi liaison office, sales of plasma and liquid-crystal display (LCD) televisions have been on the rise over the review period, as more people dispose of the conventional cathode-ray tube models.

Out of a total estimated population of approximately 3.9 million people, the number of internet users in Kenya had risen to approximately 3.4 million (8.6% of the population) by December 2009, placing the country seventh in Africa. There were 17,700 broadband internet subscribers as of December 2008, and household possession of broadband internet enabled computer rose steadily to reach 3.0% of Kenyan household by 2009, a proportion that is expected to rise to 11.3% by 2020. The total number of Kenyan internet users grew by over 1,500% over the period 2000–2009, given that only 200,000 people had been using the internet by December 2000. There were progressively higher penetration levels: from 0.7% in 2000, through 7.9% in 2008, to 8.6% in 2009. The use of English as one of the official languages has been of extra advantage in influencing the use of information and computing technology (ICT) in Kenya, since a huge majority of ICT services are largely based on English.

Internet penetration is expected to continue rising because of the landing of the fibre optic cable in Kenya and the entry of new service providers, which have injected a certain level of competition into the sector, thereby lowering costs. Bandwidth fees have fallen significantly, as have the other costs associated with internet service/access provision. After Telkom Kenya's monopoly in internet backbone and international bandwidth services ended in 2004, several new data carriers have been licensed. As a result of the liberalisation, massive price reductions and better services have been realised in this sector. At the end of the review period, there were 72 licensed internet service providers, of which about half were operational. ADSL and wireless broadband technologies had been introduced and VoIP Internet telephony has also been liberalised, leading to reductions in international and long-distance calling rates. A WiMAX network was being rolled out with the aim of providing converged voice, data and video/broadband TV (triple-play) services. As at 2009, active players included: AccessKenya, Jambo, Africa Online, iKenya, Wananchi Online, Kenyaweb, Mitsuminet, Nairobi Net, Popote wireless, SahaNet, Simbanet, Simba Technologies, Skyweb, Swiftkenya, Telkom Kenya, Today's Online, UUNET and Safaricom.

Telkom Kenya and mobile phone companies like Safaricom have also introduced wireless local-area network (WLAN) products. Indeed, the communications commission of Kenya (CCK) reported that investment in mobile data has grown at the expense of fixed internet offerings. Investment in mobile data and internet recorded significant growth, reaching KES 1.5 billion in 2009 from KES 1.2 billion in 2008, representing a 23.1% increase. However, investment in fixed network declined in 2009 to KES 50 billion from KES 52 billion in 2008.

### Impact

Over the forecast period there is likely to be slightly improved growth in the sale of computers for use with the internet services that will be on offer. By 2020, 11.3% of Kenyan households are expected to possess a broadband internet enabled computer, compared with 3.8% in 2010. Over 8% of households are expected to possess a DVD player/recorder by 2020, up from 4.4% in 2010.

The main clients of internet service providers (ISPs) in Kenya are multinational corporations, international organizations and NGOs, and all the government's ministries have become accessible via the internet. Most households access the internet in cyber cafés or use the wireless options. As such, in a drive to boost its data business, Safaricom's board approved the acquisition of two local information and communications technology firms in the early part of 2010: IGO Wireless (a fixed wireless data firm) and Instaconnect (an application service-provider).

Thanks to an emerging class of youthful people eager to keep up with international fashion and technology trends, dealers in mobile phones and entertainment units reported a dramatic growth in business over the past few years.

The current trend among mobile phone companies is to venture more into internet and data services. As average revenue per user (ARPU) continued to fall, the steady growth of mobile subscribers continued to offer incentives for investment in mobile data to supplement revenues from the dominant voice services. Mobile internet is becoming popular, first, because of the cheaper cost of acquiring and maintaining handsets compared to laptops or desktop computers, and, second, because of the falling prices of internet access hardware, as operators move to subsidize their cost in a bid to push uptake. Mobiles with internet capability are retailing from about KES 3,000, while laptops retail from at least KES 26,000.

Safaricom, the only operator with a 3G service as at 2009, had a head start in the mobile internet niche. The superior data technology offers faster internet connections compared to earlier platforms like EDGE and GPRS. Following the Communication Commission of Kenya’s decision to reduce 3G licence fees, Zain and Telkom made significant steps towards rolling out 3G and therefore offering improved data products in 2010. Given the projected rise in smart phone use, having a 3G network is a major competitive advantage. Most indications show that Safaricom may continue to lead the market, as access to the internet through mobile phones grows into the forecast period. Along with such expected developments, online marketing is likely to gain more importance.

Since most low- and middle-income household live in apartments in multi-storey buildings, a market niche exists for those ISPs that will be able to work with tenants and landlords to charge internet fees as parts of rents.

## Portable Technology

Possession of mobile phones has increased tremendously over the years, such that by 2009 46% of households possessed one. This proportion is expected to rise to 73% by 2020. This has been an exceptional performance, given that mobile and fixed-line penetration was only around 15% and 1%, respectively, in 2005, when there were only about 1.3 million registered mobile phones. This trend can be explained by, among other factors, the reduction in the cost of mobile handsets, as well as the low value of prepaid calling cards, motivating people to communicate via mobile phones.

For some time, the Kenyan mobile phone business was duopolistic, dominated by the two main providers, Kencell and Safaricom, which both launched their operations in 2000. However, Safaricom (with stakes held by Britain’s Vodafone and the Kenyan government) has consistently acquired and maintained dominance in the market. The change of fortunes between the two operators has been traced to around 2002, when Safaricom began re-branding itself as a ‘cheap’ network and went on to launch a billing system based on seconds rather than minutes. As at 2009, Safaricom had a 78% market share and the only 3G licence. The Kencell brand (previously a joint venture between Vivendi of France and Sameer Investments of Kenya but later owned by Kuwait’s Zain) has been re-launched twice, changing names to Celtel and, lately, Zain. Only recently, Kenya’s second mobile services operator, with a 15% market share, changed its strategy from targeting high-value customers to go for the mass market.

The review period saw a beehive of activities, including new partnerships, innovations, rebranding and new products. In September 2008, Telkom Kenya launched a mobile phone service called Orange after coming under France Telecom’s control. Just like Kencell/Celtel/Zain, this third mobile phone company has a minimal share in the market largely due to the dominance of Safaricom. The Kenyan government has a 49% stake in Telkom Kenya, with the rest held by France Telecom. By 2009, the company had a total customer base of about 500,000 customers on both fixed and CDMA wireless, with a countrywide presence. In December 2008, Econet Wireless Kenya (with stakes for Essar Communications of India) launched the Yu network, Kenya’s fourth mobile telephony provider.

Safaricom started its M-PESA money-transfer service in March 2007, and a month later, Celtel Kenya (a unit of Kuwait’s Zain Group – now Zain Kenya) launched a similar service called Zap. At the launch, Safaricom entered a partnership with Housing Finance (10 outlets) and Equity Bank (over 70 outlets countrywide), whose outlets would increase the M-PESA network. Many Kenyans, especially those living in rural areas, have had limited access to conventional bank accounts. At the time of the launch, Safaricom had 5.8 million subscribers, compared with about 9.5 million by March 2008. By March 2008, the firm had attracted 1.6 million M-PESA users and the service had recorded cumulative person-to person transfers of over KES 9.3 billion (US $145 million). By 2010, M-PESA had become a household name, boasting that 10 million subscribers had moved more than KES 405 billion over the three-year period. The M-PESA service lets customers move between 100 shillings and 35,000 shillings per transaction.

In early 2010, Safaricom and Equity Bank jointly launched the M-KESHO product. The new account service will be available to M-PESA subscribers and Equity Bank's over 4.5 million account holders, allowing users to gain access to credit, earn interest on deposits and purchase insurance. M-KESHO appears to be the next big thing and it has been dubbed a 'game-changer' in the country's banking industry, transforming M-PESA into a bank account. This innovative account marked the convergence between banking and telecommunications that will make financial services more accessible and affordable.

Telkom Kenya's landline business has been reduced to near-extinction due to the stiff competition from mobile phone businesses and vandalism of its telephone wires. Over the review period, it introduced CDMA codeless and wireless cell phones for use in place of fixed lines, and this partially helped it mitigate losses. However, it is still burdened by poor service provision and weak and limited network coverage in many parts of the country; this makes it hard to compete with the mobile phone companies, especially given the fact that there are no cost differences between the two types of services.

### Impact

Following the entry of Orange and Yu networks in the mobile telephony business, stiff competition has forced Zain deeper towards the negative earnings region, while Safaricom has shown reduced growth rates of profits. With the low calling price rates reached at the end of the review period, price-based competition is likely to reduce as companies focus on innovation and the strengthening of unique selling positions around their products. The focus is now on data products and money transfer services. With market penetration rates in Kenya's broadband and traditional banking sector still extremely low, the mobile networks have an opportunity to relive the phenomenal growth rates seen in the voice sector in recent years even if subscriber growth slows, as is likely to happen in the forecast period

Mobile phone providers are likely to continue adding internet products to their communication services. Besides improved growth in sales of computers, the market for smart phones and the associated software is likely to grow as mobile phones acquire more and more uses, such as music, videos, bank and payment services, and internet. Moreover, with easier payment methods, other consumer products like video games, music, videos and ring tones (which are sold online) are likely to benefit from improved expenditures by customers. Savings and remittances among rural area residents will be improved by new products like M-KESHO, which remove the need to visit banks.

## E-commerce and M-commerce

Though relatively new among the masses, e-commerce and m-commerce have generally been growing in the past five years despite being shackled by poor infrastructure and low technological internet literacy. Consumers and businesses have been experimenting with new ideas to facilitate smooth transactions and these efforts gained a lot from the licensing of mobile phone companies in Kenya at the beginning of the 21st century. Household possession of mobile phones rose steadily to reach 46% by 2009 (about 19 million people), and this proportion is expected to rise to 73% by 2020. A great majority of these households comfortably use payments services like M-PESA and Zap to pay for goods and service purchased locally.

E-commerce has the capacity not only to boost economic activities in Kenya (which could have a significant impact on the national Gross Domestic Product — GDP), but also to enhance access to and the consumption of various products that affect the socio-economic wellbeing of Kenyans. In the private sector, e-commerce has been particularly common among industries that depend on foreign supplies such as electrical goods, electronic products, clothing, footwear, cars and tourism, as well as high- and medium-income consumers who purchase various luxury goods. The younger generations also purchase music and videos online by using cyber cafés (internet shops, mainly in the major towns) for lack of fixed phone lines, computers and/or electricity. Some of the companies that are now offering e-commerce are Mamamikes, Kalahari, Vuma (an online Kenya-based business selling music by local Kenyan artists), and a number of hospitality providers.

In early 2010 I & M bank introduced online payment solutions, making it possible for traders and businesses both locally and internationally to accept online payments through credit and debit cards. The electronic payment platform was launched in partnership with the global financial services provider, Visa card. This removed one of the major obstacles to the growth of e-commerce in the country, namely, reliance on offshore gateways for settling payments. For lack of services providers over the last two decades, Kenyan merchants lost billions of shillings-worth of business deals in the global market because of their inability to accept online payments. Another development in early 2010 was the launch of Kenya Data networks (KDN) by Mobipay, a multi-channel internet payment gateway solution that turns any mobile phone into a channel for secure electronic transactions. It offers consumers access to remote payment services while at the same time bypassing the inherent risks that have been associated with card usage in Africa.

### Impact

Improved access to the internet has expanded the horizons of internet uses beyond email and networking to include shopping among the mass market consumers. The new payment systems like Mobipay are likely to stimulate growth in sales for e-commerce participants as transactions become simpler and more convenient. Over the forecast period, such services will act as single-entry providers in bringing the banks, businesses, credit card networks, consumers and governments together. For example, Mobipay is expected to provide efficient payment services to customers and businesses across the region through the converging of e-payment, credit card networks, and mobile and banking transactions. This will promote business development by providing a secure payment platform on which to carry out business transactions. This is an enriching addition to M-PESA and Zap, since Mobipay will be able to work across all telecommunication operators as it is handset-independent and works well with all financial instruments.

Tourism and the hospitality industries are expected to realise immense benefits from recent developments via easier on-line booking of airline tickets, hotels and transfer services. E-commerce merchants such as airlines, tour and travel companies, and utility service providers such as Multi-choice are expected to benefit from increased expenditures from consumers as the execution of payment become simpler. Opportunities will also emerge for website developers to earn additional revenue by helping potential online traders establish online platforms that can use such emerging systems to receive payments.

Electronic commerce is expected to get a further boost in the forecast period because the government is expected to launch a five-year plan that aims to place the public sector on an online transactions mode. Implementation of the plan was scheduled for late 2010 with the establishment of an electronic market for public procurement that will see government departments and state firms buy goods and services online.

**Table 71 Household Possession of Broadband Internet-Enabled Computers, DVD Players and Video Game Consoles: 2005-2009**

% of households

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Broadband internet enabled computer | 0.4 | 0.6 | 1.2 | 2.1 | 3.0 |
| DVD player/recorder | 1.4 | 2.0 | 2.6 | 3.2 | 3.8 |

*Source: National statistics, Euromonitor International*

**Table 72 Household Possession of Broadband Internet-Enabled Computers, DVD Players and Video Game Consoles: 2010-2020**

% of households

| | 2010 | 2015 | 2020 |
|---|---|---|---|
| Broadband internet enabled computer | 3.8 | 8.3 | 11.3 |
| DVD player/recorder | 4.4 | 6.9 | 8.3 |

*Source: National statistics, Euromonitor International*

**Table 73 Household Possession of Mobile Telephones: 2005-2009**

| As stated | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Mobile telephone (% of households) | 12.8 | 19.6 | 28.0 | 37.4 | 46.0 |

*Source: National statistics, Euromonitor International*

**Table 74 Household Possession of Mobile Telephones: 2010-2020**

| As stated | 2010 | 2015 | 2020 |
|---|---|---|---|
| Mobile telephone (% of households) | 52.9 | 68.8 | 73.3 |

*Source: National statistics, Euromonitor International*

**Table 75 Internet Retailing (Current Value): 2005-2009**

| KES billion | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Internet retailing | 5.7 | 6.5 | 7.1 | 6.2 | 9.5 |

*Source: National statistics, Euromonitor International*

**Table 76 Internet Retailing (Constant 2009 Value): 2005-2009**

| KES billion | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Internet retailing | 9.1 | 9.0 | 9.0 | 6.9 | 9.5 | 5.0 |

*Source: National statistics, Euromonitor International*
*Note: Constant value at 2009 prices*

# TRANSPORT

## Getting Around

Household possession of passenger vehicles stagnated at 5.0% over the review period, and this proportion is only expected to improve marginally (to 5.2% by 2020) over the forecast period. This may be attributed to the fact that acquisition and operation of passenger vehicles is normally associated with high costs. Corruption among police officers, extortionist criminal gangs, illegal route associations intent on protecting their market shares, dishonest crews and high maintenance costs arising due to poorly maintained road networks further raise the running costs. These factors have converged to leave the business of passenger vehicles in the hands of a few experienced and/or well-connected civil servants and businessmen. Over the review period, most people relied on public service vehicles both for commuting to and from work as well as for long-distance travel. Consumer expenditure on transport increased gradually but consistently to reach KES 58 billion in 2009, which represented an increase of 6.7% from the 2005 figure. Over the review period, Kenyan consumers on average directed around 3.5% of their expenditures to transport. There were an average of 8.3 passenger cars per 1,000 people in Kenya, with cities and towns having greater proportions than rural and remote areas.

Kenyan roads are classified into International Trunk Roads (A), National Trunk Roads (B), Primary Roads (C), Secondary Roads (D) and Minor Roads (E). A total of 11,189 kilometres of road is paved, out of the total road network of 160,886 kilometres. Road transport is the most popular mode of transport and carries slightly over 90% of all cargo and passenger traffic in the country. This is despite the fact that it has proved to be the most accident-prone mode and is characterised by abrupt price increases related to weather conditions, road conditions and fuel prices. Prices for a majority of road transport services are often arrived at by haggling, but a few registered transport businesses have relatively fixed prices over given distances or for various destinations; these fares are significantly cheaper than air fares. Transport costs have generally increased over the years, with the minimum for short distance trips within cities rising from KES 10 (2005) to KES 20 (by the end of 2009).

In 2005, Kenya registered a total of 45,653 new vehicles, and by 2009 there were over 80,000 public service vehicles (PSVs) in the form of 14-seater mini-vans and 36-seater mini-buses (matatus) on Kenyan roads. They are popular because they stop as and when passengers wish, in total disregard of designated stopping points, and they manoeuvre their ways during traffic jams so as to reach their destinations as fast as possible. The matatus are responsible for a majority of road accidents and deaths (in 2009, seven people were dying daily in road accidents), since their drivers have little or no regard for traffic rules.

A number of city commuters living in Nairobi and Thika also commute to and from work using the rail network. The Kenya Railways Corporation (under concession to Rift Valley Railways – RVR – Consortium since 2006) runs the former Uganda Railway and its branches in Kenya. The most important railway line in the country runs between the port of Mombasa and Nairobi. Freight services form the bulk of RVR's operations; 2 million tonnes of goods were transported in 2005. Water transport is also represented by ferry services on the Likoni channel in the Indian Ocean, which bring Mombasa island residents to the mainland and boat services on Lake Victoria.

Although there are very few cycling lanes, some (mostly low-income) consumers cycle to work, while most of the rest walk to work. There are also numerous bicycle, motorcycle and tricycle taxi operators in most urban areas. The reason most people walk to work is to save on fares, and the proportion of those who walk to work all or some of the time was approximately 20% nationally by 2009. In Nairobi, some 15% used rail transport to and from work, about 7% walked or cycled, and around 78% used motor vehicles over the review period.

Toyota is the most favoured car, followed by Nissan thanks to relative affordability and the ease of finding the appropriate spare parts. The Mitsubishi brand is preferred for mini buses and light trucks. By mid-2007, Kenyans were adding approximately 5,000 new and used cars to the roads each month, with the favourite colour being white. Due to tough economic times in 2008 and early 2009, purchases and importation of new cars reduced as consumers cut back on major expenditures, while many others sought second-hand vehicles from South East Asian economies.

Vehicle owners have to pay a number of fees related to their possession and use of cars, such as PSV licence, road maintenance fee and fuel levies. The Road Maintenance Levy Fund (RMLF), administered by the Kenya Roads Board, caters for the maintenance of public roads, including local authority unclassified roads. The fund is made up from a fuel levy on petroleum products and transit toll collections. Drivers in Kenya have to keep left unless overtaking on the country's roads and highways. Two routes in the Trans-African Highway network pass through Kenya and the capital, Nairobi. These are the Cairo-Cape Town Highway (Trans-African Highway 4), which links North Africa, East Africa and Southern Africa, and the Lagos-Mombasa Highway (Trans-African Highway 8), which links East Africa and West Africa.

### Impact

The preference for road transport over the other forms of transportation attracted the investment in PSVs over the review period. PSVs are likely to continue to be the most popular mode of transport among over 80% of Kenyans, at least over the next three years, but probably longer. This is partly because the troubled Kenya Railways (under a 25-year concession) is unlikely to yield revolutionising improvements over the next two years. The ongoing road construction and repairs, especially the completion of the expansion of the Nairobi-Thika highway and the planned road bypasses, are likely to motivate more people into acquiring cars. The demand for cars among urban workers is likely to grow, in accordance with the increase in the numbers of such workers. High-income consumers will go for new cars, while most of the middle-income consumers will drive the demand for used cars. Low-income households will drive expenditures on bicycles over the forecast period, while lower-middle-income ones are likely to demand more motorcycles. However, public transport will realise the biggest increase in consumer expenditure.

## Air Travel

There are 16 operational airports with paved runways in Kenya, and they handled over 6 million air passengers in 2005. Jomo Kenyatta International Airport, located in Nairobi, is Kenya's largest airport and serves the most destinations. Some international flights go to Moi International Airport in Mombasa. Eldoret international airport largely serves the horticultural industry, while the Kisumu Airport serves the western part of the country and was being upgraded to an international airport as at 2009. Other actively used airports include Wilson (light commercial flights), Malindi (tourism) and Lokichogio (UNHCR services).

Air transport is mostly popular for international travels, with over 32 airlines/carriers flying passengers into and out of Kenya via the various airports. Over the review period, air transport accounted for less than 5% of domestic travel and over 80% of international travel. Apart from Kenya Airways, other airlines touching down in Kenyan airports include British Airways, Air France, Royal Dutch Airlines – KLM, Qatar Airways, South African Airways, Swiss International Airlines, Air India, S.N. Brussels, Jetlink Express, Precision Air and Fly 540. The national carrier, Kenya Airways, is one of the best and most respected airlines in Africa, and it has its hub at the Jomo Kenyatta international airport, from which it operates flights to over 45 local and international destinations. It also operates some flights in co-operation with KLM and Air France. Visitors to Kenya averaged over one million per year over the review period. In 2009, most arrivals to Kenya were from continental Europe (especially the UK, Germany, Italy, Belgium, France, Austria and Switzerland) followed by the USA, China, India, South Africa, Australia and United Arab Emirates (Dubai). Over the review period, the most popular destinations for Kenyans leaving the country were the USA, the UK, the United Arab Emirates, Canada, South Africa, Australia, Botswana, Namibia, China and India.

Air travel in Kenya has undergone significant development over the last two decades thanks to the entry of new players like Fly 540 and Virgin Atlantic and the increase in the number of airlines with direct/connection flights to Kenya. However, there have been negative issues too, such as the volcanic eruptions in Iceland in 2010, which disrupted international air travel and led to losses in Kenyan businesses, since the country is a leading exporter of cut flowers to Europe. The 2008 post-election violence, the 2002 bombing of a hotel in Mombasa (targeting Israeli interests), and the 1998 twin bombings of the US embassies in Kenya and Tanzania led to negative sentiments over the recent years and disrupted the hitherto smooth upward growth of air travel in the country.

### Impact

The rise in competition has intensified the scramble for customers in Kenya's air travel industry. While smaller carriers like Fly 540 and Air Kenya target the domestic and regional markets, Qatar, Emirates, Turkish Airlines, Egypt Air and Ethiopian Airlines present tougher competition for international customers. The lucrative horticultural export business (to Western Europe) has been an additional attraction to the Kenyan aviation industry. The entry of new players is expected to maintain air fares at affordable rates, which will improve the appeal of air travel to more and more customers in the forecast period as the Kenyan middle class grows. The efforts of the Kenyan government to diversify the markets for tourist products is also likely to improve international arrivals to Kenya, leading to further growth in the air travel industry.

Imports of designer clothing and footwear, as well as electronic and electrical goods via Dubai, rely heavily on the state of air travel. As such, there is likely to be an even wider variety from which to choose; this will improve the sales of businesses dealing in such products. Traditional handcraft workers, basket weavers, sculptors and carvers are also likely to realise improved sales over the forecast period, as outlets in airports and other shops register increased human traffic.

**Table 77 Household Possession of Passenger Vehicles: 2005-2009**

% of households

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Passenger car | 4.9 | 5.0 | 5.0 | 5.0 | 5.0 |

*Source: National statistics, Euromonitor International*

**Table 78 Household Possession of Passenger Vehicles: 2010-2020**

% of households

| | 2010 | 2015 | 2020 |
|---|---|---|---|
| Passenger car | 5.0 | 5.1 | 5.2 |

*Source: National statistics, Euromonitor International*

**Table 79 Consumer Expenditure on Transport Services (Current Value): 2005-2009**

KES billion

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Total Consumer expenditure | 34 | 40 | 45 | 52 | 58 |

*Source: National statistical offices, OECD, Eurostat, Euromonitor International*

**Table 80 Consumer Expenditure on Transport Services (Constant 2009 Value): 2005-2009**

KES billion

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Total Consumer expenditure | 54 | 55 | 57 | 58 | 58 | 6.7 |

*Source: National statistical offices, OECD, Eurostat, Euromonitor International*
*Note: Constant value at 2009 prices*

**Table 81 Consumer Expenditure on Transport Services (Constant 2009 Value): 2010-2020**

KES billion

| | 2010 | 2015 | 2020 | % growth | % CAGR |
|---|---|---|---|---|---|
| Total Consumer expenditure | 59.5 | 63.5 | 67.6 | 13.5 | 1.4 |

*Source: National statistical offices, OECD, Eurostat, Euromonitor International*
*Note: Constant value at 2009 prices*

# MONEY

## Savings

About 47% of Kenyans in 2009 reported their intention to save more in 2010, although it also turned out that current and desired savings differed widely. A great majority (over 70%) of the disposable income of most households goes to consumption expenditures for various essential needs like food, shelter, clothing, health care, education, electricity and transport. The marginal propensity to save out of disposable income ranged from 6.1% in the case of rural area teachers to 25.6% in the case of businessmen, while the average for all households was 15.8% by 2009. With a marginal propensity to save of around 30%, high- and medium-income households save significantly more out of their disposable incomes compared to the lower-income ones. Urban area residents also save slightly more than their rural area counterparts. However, the wealthier also tend to engage more in high-value conspicuous consumption.

Due to the effects of the post-election violence in early 2008 and the global financial crisis, the annual savings per capita fluctuated over the review period, settling at KES 1,760.4 in 2009, down from KES 1,972.6 in 2006. The actual savings ratios declined steadily from 5.7% in 2006 to 3.9% in 2009. The losses suffered by many Kenyans (mostly women groups) after putting their money into pyramid schemes further demoralised the savings spirit of many. Moreover, rural area residents increasingly fear putting money beyond a given amount into merry-go-rounds since their savings are often at risk of default by some group members who take loans for consumption. Besides, the prevalent interest on savings (which was in some cases as low as 0.5% for ordinary savings account products in commercial banks) over the review period did not motivate saving amongst households over the review period, and this partially explains the insensitivity of saving to interest rates that has been found in numerous empirical studies. For many households, the rates of return to investment often exceed the interest rates offered for saving, with a net result that the opportunity cost of saving is higher than anticipated.

Customers can hold either ordinary savings accounts or fixed deposit ones with any of the 44 registered commercial banks (by 2009). Since 2007, the country had witnessed a rise in the number of bank accounts held, from 2.3 million accounts in 2007 to 8.4 million accounts by early 2010. Equity Bank had 4.5 million account holders, making it the largest bank by account numbers. As at early 2010, interest-earning fixed deposit accounts were being offered by a number of financial institutions, for example, Barclays Bank, the Standard Chartered Bank and the Commercial Bank of Africa.

The outreach of formal banking services remains limited in Kenya, with only an estimated 10% to 18% of the rural population accessing financial services by the dawn of the 21st century. However, with the growth in popularity of microfinance, institutions like the Kenya Rural Enterprises Programme, Faulu Kenya, Kenya Women Finance Trust, Maendeleo ya Wanawake (Women's Development) and, later, Equity Bank have intensified efforts to reach the rural and informal-sector clients without bank accounts. By opening numerous rural branches countrywide, Equity Bank has emerged as the largest bank in terms of outreach (number of clients) and has recently announced a new product, M-KESHO, which it will run in partnership with Kenya's leading communications firm, Safaricom. The new service will enable clients to transfer money via their mobile phones into and out of their bank accounts and even obtain loans. M-KESHO is likely to tremendously increase household savings over the forecast period.

The Kenyan government has made some recent efforts in providing the appropriate legislation to encourage domestic savings. The Microfinance Act 2006, which became operational in May 2008, enabled deposit-taking microfinance institutions licensed by the Central Bank of Kenya to mobilise savings from the general public, thus promoting competition, efficiency and access. It helped protect the 60% of the Kenyan population who were by then out of the scope of the formal banking services from shady outfits and pyramid schemes. Over the review period, the government has put in place efforts to encourage the growth of microfinance or micro-credit institutions, as well as agency banking, so as to mobilise savings and bring banking facilities closer to the people in all parts of the country. In response to this, a number of grass-roots organisations (for instance, the Luanda Financial Services) have emerged under the Department of Social Services to complement the savings mobilisation efforts over recent years.

### Impact

The low savings rates witnessed over the review period, combined with the low marginal propensities to save (and thus high marginal propensities to consume) among the low-income consumers, have had positive implications for the suppliers of consumer goods and services: expenditure on certain products rose consistently throughout the review period. Besides, when one looks at the reasons why most people save, it becomes evident that even the little that was saved was spent on consumer products, such as durable household goods, and educational services.

The levels of savings may increase slightly over the forecast period, since the key factors associated with high savings rates are assuming favourable trends as education improves and dependency levels fall. Since households save for future investment and expenditure on both consumer and capital goods, Kenyan households are likely to accumulate higher spending and purchasing powers over the forecast period and use this for high-value consumer goods like bikes, electrical gadgets, electronic goods and even automobiles. As access to savings accounts in formal banks is likely to improve through new products like the M-KESHO, not all the increased disposable income gained due to reduced dependency levels will actually be spent immediately. Some will be accumulated in savings accounts to reach the threshold for the purchases of higher-value durable consumer goods. Among low-income households, which still form the majority in Kenya, observed saving is often for consumption purposes and not convertible to investment. This factor offers further chances for the growth in sales of furniture, household durables, electronic and electrical goods.

As witnessed through various actions over the review period, the Kenyan government is encouraging the growth in access to formal banking in the hope that this will raise Kenya's savings rate as a proportion of GDP to between 25% and 30%. This will enable people to make the investments needed to reach the Vision 2030 goal of a sustained 10% economic growth rate in the medium term.

## Loans and Mortgages

With increased urbanisation and an increase in the number of households with dual incomes, it has become increasingly common for Ugandans to take loans or credit and many also have mortgages on their homes. Kenyan consumers often take loans to buy consumer goods such as personal cars, deep freezers, refrigerators, cookers, computers, smart phones, modern television sets, vacuum cleaners, and expensive furniture. Loans are also often used to pay school fees and hospital bills, finance burial ceremonies, as well as to pay dowries and finance high-profile weddings. The Kenya Integrated Household Budget Survey 2006 (KIHBS) found out that close to 39% of those interviewed borrow to fund their subsistence needs, while 22% of those interviewed say they borrow to fund education. Loans are also commonly taken for investment in farming, public service vehicles, motorcycle taxis, transport businesses, construction of rental houses, establishment of eateries, bars and restaurants, salon shops, clothing and footwear shops, and neighbourhood kiosks.

Over the review period, both consumer lending and mortgages realised monotonically increasing growth rates. Growth in consumer credits sourced from formal sources, however, stagnated, and, in fact, when viewed at constant (2009) value, declined as most people turned to friends for informal soft loans. Indeed, KIHBS established that only 3.9% of those interviewed accessed credit through banks, while the majority (45.6%) preferred to borrow from their neighbours.

Besides the most preferred sources such as women's groups, merry-go-rounds and friends, which provide smaller soft loans, there are also producer co-operative societies and savings and credit co-operative societies (SACCOs), which provide friendlier repayment terms to their members. However, despite being worth over KES 180 billion, the Co-operative movement had only 11.9% who accessed their credit through SACCOs by 2006. As at December 2009, people could obtain secured and unsecured loans from such regulated entities (under the supervision of the central bank) as commercial banks, non-bank financial institutions (the two mortgage finance companies) and deposit-taking microfinance institutions. The Association of Microfinance Institutions of Kenya (AMFI) had 41 registered member institutions as at 31st December 2009. These included four commercial banks (Barclays, Co-operative, Equity and K-REP), one insurance company (CIC Insurance), and the Kenya Post Office Savings Bank (KPOSB).

The government of Kenya through budgetary measures has made efforts to support home ownership via tax incentives. Besides the two mortgage companies licensed by the Central Bank of Kenya (CBK) and which were initially set up to provide the traditional type of mortgage, numerous commercial banks have emerged to also provide competitive mortgage products. As a result, by the end of 2009, there were many providers with new packages or products on a fixed-rate, adjustable-rate or hybrid-interest-rate basis.

According to the KIHBS, commercial bank interest rates on loans and advances dropped from 30.4% per annum in 1997 to 13.2% in 2005. The Central Bank of Kenya later tightened regulatory controls, which helped to develop a stable and secure banking industry. Further changes came with the election of a new and slightly more responsible regime in 2002, which significantly reduced domestic borrowing, leaving financial institutions with lots of liquidity. As such, commercial banks like Barclays, Standard Chartered and Kenya Commercial Bank aggressively marketed unsecured personal loans and mortgage products to employees as well as business loans to self-employed people.

It has been common for financial institutions to peg interest rates on loans at given percentage points above the 91-day Treasury bill rates. The year 2009 witnessed a steady decline in both the average 91-day Treasury bills rate and the average inter-bank lending rate. However, the reduction in interest rates was not replicated in commercial banks' average lending rate, which remained high.

Commercial banks were actually giving out more loans and advances despite the relatively high interest rates, with the amount of money given out as loans and advances over the last five years increasing mainly because borrowers became a lot more prudent in terms of repayments. According to the Central Bank of Kenya's Bank Supervision Annual Report 2009, the total assets grew by 14% from KES 1.2 trillion in December 2008 to KES 1.4 trillion in December 2009, with the growth being mainly underwritten by an increase in loans and advances. Although the economy has been sluggish in the last few years, there has been a reduction in bad loans as many banks in the country have been lending prudently and taking good risk-management practices. The banks have only slightly been impacted by the slowdown in economic growth. This is evidenced by the performance posted by banks and mortgage finance companies in 2009, which surpassed expectations.

### Impact

Driven by significant reduction in government borrowing over the review period, commercial banks ventured into non-traditional territories and loans became available for almost every need, including salary advance loans (previously offered only by employers) and higher education loans, which were previously the territory of the higher education loans board alone. The ensuing increased competition among commercial banks led to further reductions in bank interest rates and increased lending, which enabled consumers, students, farmers, traders, investors and other players in rural and urban areas to access credit more affordably, which in turn boosted their spending powers.

As urbanisation intensifies and divorce rates grow, people will need more and more liquidity for the immediate purchase of household durable goods, houses, cars and further education. The increasingly busy employees need a number of pieces of high-cost equipment that make their domestic tasks easier, while an increasing number of workers are going back to colleges, where lump-sum payments for tuition become necessary. The costs of lending are expected to fall as financial institutions share knowledge on the default rates of potential clients. With improved prospects for economic growth, the Kenyan revenue authority expects improved revenue collections, a situation that, if combined with the positive sentiments from multilateral lenders, may mean that government domestic borrowing will be kept to a minimum. The government is likely to keep public borrowing low, and this will ensure that private borrowers are not locked out of the market for loans. In addition, optimism on the economic front will impact positively on the banking sector development. More and more lenders are likely to develop competitive products or improve their existing ones as potential borrower characteristics change. Borrowing by groups or even investment clubs is gaining currency, and products targeted at such clients, for instance, Chamma accounts, are likely to realise reasonable success over the forecast period. The women’s groups, merry-go-rounds, friends and relatives will continue to be the chief sources of short-term small consumer credits as they offer softer terms with less stringent scrutiny over ability to repay.

The review period saw a lot of activity at the Nairobi Stock Exchange in the form of initial public offerings, and a number of Kenyans borrowed for such investments. Borrowing for investments is likely to rise due to an increased awareness of lucrative investment options, which is encouraging more people to aggressively save or borrow and invest for the future, especially in high-risk, high-return channels.

## Credit

More than 80% of all monetary transactions in Kenya are still executed in cash or by inter-account transfer of money. However, the number of financial cards with debit and/or credit functions grew by over 29% over the review period to reach 682,000 debit and 91,000 credit cards in 2009. Financial cards are most commonly used for cash withdrawals from automatic teller machines (ATMs). However, data from the Kenya Credit and Debit Card Association indicate that point of sale transactions grew by 32% between 2007 and 2008, while card numbers increased around 20% during the same period.

A majority of credit card users have been expatriates or Kenyans who have lived abroad where the use of credit card is much more common. Kenyan banks are currently promoting a wider use of credit cards among Kenyans. Visa and MasterCard credit cards and Visa debit cards are the most popular, widely issued, used and accepted brands or types of financial cards in Kenya. Barclaycard Kenya, the credit card arm of Barclays Bank of Kenya Limited, is the oldest and largest issuer of credit cards in the country. Barclays Bank also has the largest range of card products offered in the market and holds the largest market share.

The use of financial cards is largely an urban area phenomenon, partly because the outlets that accept such cards are mostly located in urban areas. Debit cards are mostly used for major purchases in supermarkets around month ends when bank accounts still hold significant amounts of money. More expensive branded products, designer clothes, top-mark footwear, watches, fragrances, electronic goods, air fare, hotel reservations and a number of imported items are paid for using credit cards. Besides holiday periods and school opening times, credit card purchases are also common from the end of the second week of the month as bank account balances run low.

Security concerns still dog the market for financial cards. According to statistics from the Kenya Credit Card Association, an average of KES 10 million (US $138,888) out of the KES 100 million (US $1.4 million) sector, is lost annually through fraud. The industry has responded by introducing training for outlets to detect fraud.

## Impact

The slight growth in the use of credit cards over the review period resulted in slightly increased expenditure on food, clothing and other items. Acquisition and use of financial cards, both debit and credit, is likely to grow further in the next few years as more and more Kenyans tend towards cashless payments, especially for large-value transactions that could attract considerable risks of theft when undertaken in cash. Increased financial card use will be reinforced by the growth of consumerism in the capital city and other major urban areas. Some customers are likely to take up alternative cashless payment systems like Safaricom's M-PESA, which has been re-aligning itself to start acting as a payment medium for supermarkets. Meanwhile, a market for enhanced security products and other solutions is emerging because of the prevalence of fraud.

**Table 82 Savings and Savings Ratio: 2005-2009**

As stated

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Annual savings (KES per capita) | 1,650.6 | 1,972.6 | 1,819.0 | 1,941.8 | 1,760.4 |
| Savings ratio (% of disposable income) | 5.4 | 5.7 | 4.8 | 4.7 | 3.9 |

*Source: National statistics, Euromonitor International*

**Table 83 Consumer Loans, Mortgages and Credit (Current Value): 2005-2009**

US$ million

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Consumer Lending | 5,583 | 7,026 | 8,516 | 9,371 | 9,750 |
| Mortgages/Housing | 4,190 | 5,384 | 6,608 | 7,316 | 7,678 |
| Consumer Credit | 1,393 | 1,642 | 1,907 | 2,055 | 2,073 |

*Source: National statistics, Euromonitor International*

**Table 84 Consumer Loans, Mortgages and Credit (Constant 2009 Value): 2005-2009**

US$ million

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Consumer Lending | 8,865 | 9,746 | 10,763 | 10,472 | 9,750 | 10.0 |
| Mortgages/Housing | 6,653 | 7,469 | 8,352 | 8,176 | 7,678 | 15.4 |
| Consumer Credit | 2,212 | 2,278 | 2,410 | 2,296 | 2,073 | -6.3 |

*Source: National statistics, Euromonitor International*
*Note: Constant value at 2009 prices*

**Table 85 Financial Cards in Circulation: 2005-2009**

'000 cards

| | 2005 | 2006 | 2007 | 2008 | 2009 | % growth |
|---|---|---|---|---|---|---|
| Debit Function | 525 | 534 | 566 | 612 | 682 | 29.9 |
| Credit Function | 70 | 85 | 91 | 91 | 91 | 29.2 |

*Source: National statistics, Euromonitor International*