

MARKET & PRODUCT RESEARCH

RWANDA AND BURUNDI

DRAFT REPORT

9th October 2019



Summary

Findings revealed that, market access for Kenyan products to Rwanda and Burundi has increased due to improved export trade frameworks such as the East African Community Customs Management Act, Rules of Origin, Common External Tariff, Standards Quality Management, Metrology and Testing (SQMT), one-stop border points and Kenya's good bilateral relations with the two countries. Demand for Kenyan products is slumping in growth amid Rwandan and Burundian populations growing at high rates (2.3 and 3.3% respectively) with their urban population growing fast at 6.4% and 5.7% respectively. This study established existence of clear market opportunities for existing Kenya's export products in both Rwanda and Burundi.

Programmable solutions recommended to enhance access of Rwanda and Burundi markets are: 1) establishing a knowledge hub to sensitize exporters on EAC market requirements, quality standards and any changes in the markets 2) diversifying the portfolio of products 3) strengthening relationships with buyers and agents in the region 4) Settling in the region to understand the market better and 5) Strengthening the bargaining power.



Situation analysis

Kenya's EAC Exports and Imports KSH ('000) for the period 2014-2018



Kenya's trade surplus in the EAC has been on a dwindling trend with imports from the region growing at twenty times faster (22%) than exports (1%) in the period 2014-2018*. This results from regional competition from Uganda and Tanzania whose manufacturing sector is growing attracting Foreign Direct Investment (FDI) outflow from Kenyan investors at the expense of growing Kenyan exports. Over the last five years, East Africa has increased consumption of goods from overseas countries such as China and India.

Kenya is making progress in reducing geographical concentration of exports beyond European markets to secure markets in Africa. However, the exports "product offering" hasn't changed much since the 1990's because coffee, tea and cut flowers remain as the leading export commodities. Kenya's major foreign exchange earners are tea, horticulture, articles of apparel and clothing, accessories, coffee, iron and steel. Africa was the leading destination of Kenya's exports in 2018 with the EAC accounting for more than half of total. Contribution of agriculture and manufacturing sectors to Kenya's GDP has declined along with input factor engagements such as labor which has implications on production for exports. The shift towards services sector demonstrates a structural transformation in Kenya's production**.

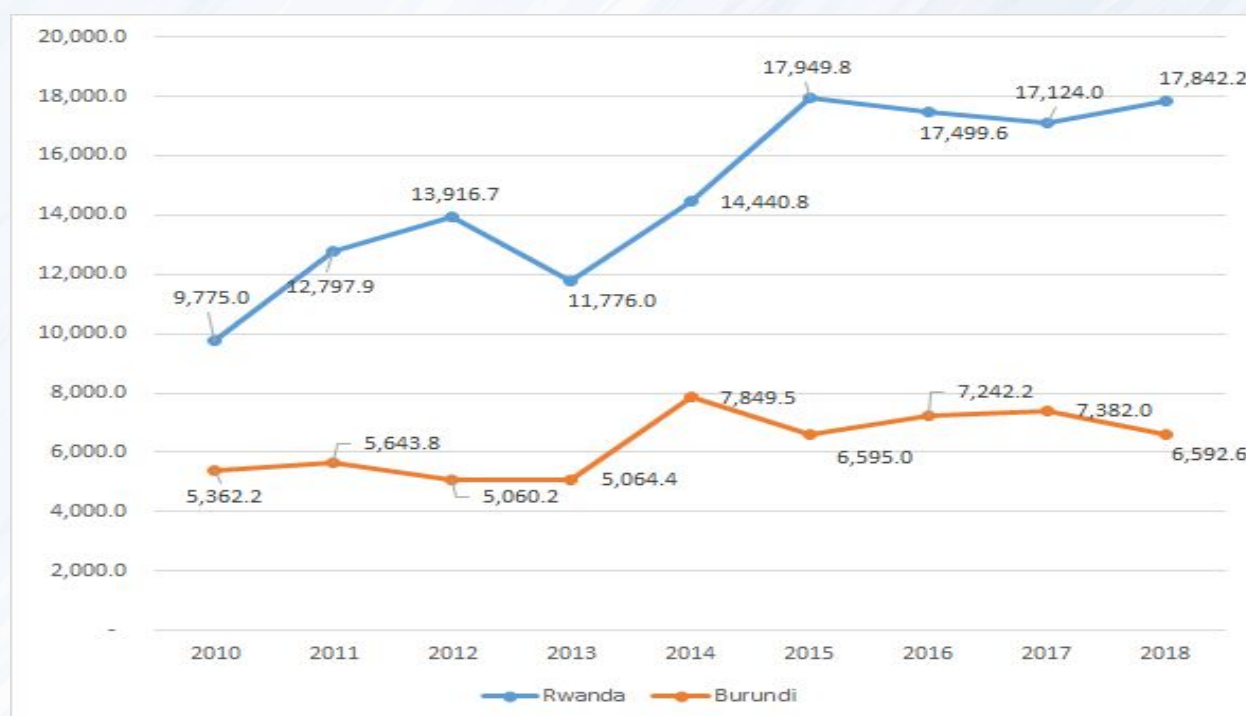
The cost of manufacturing ranks higher relative to other East African countries attributable to mainly electricity costs and taxes. In 2019 electricity cost*** for industrial clients per KWh was as follows: Kenya \$0.15, Rwanda \$0.10, Burundi \$0.12, Uganda \$0.18, Tanzania \$0.10. The Implications of Kenya's reducing exports to the region are dire for Kenya due to reduced forex reserves, loss of job opportunities and reduced tax revenues.

*EAC trade analysis, *Economic survey series* (KNBS, 2019)

**Mwabu, Kulundu and Wambugu (2014) in Arndt, McKay and Tarp, 2016

***Energy regulatory authorities

Kenya's Exports to Rwanda and Burundi



Kenya is a leading exporter to Rwanda and Burundi. However, recently there has been competition from Tanzania, Uganda, China, Saudi Arabia and India. In Burundi, between 2016 and 2017, imports from Tanzania were for the first time higher than imports from Kenya.

Kenya is a major source of Foreign Direct Investment (FDI) to Rwanda and Burundi in response to incentives and operating costs such as electrical power.

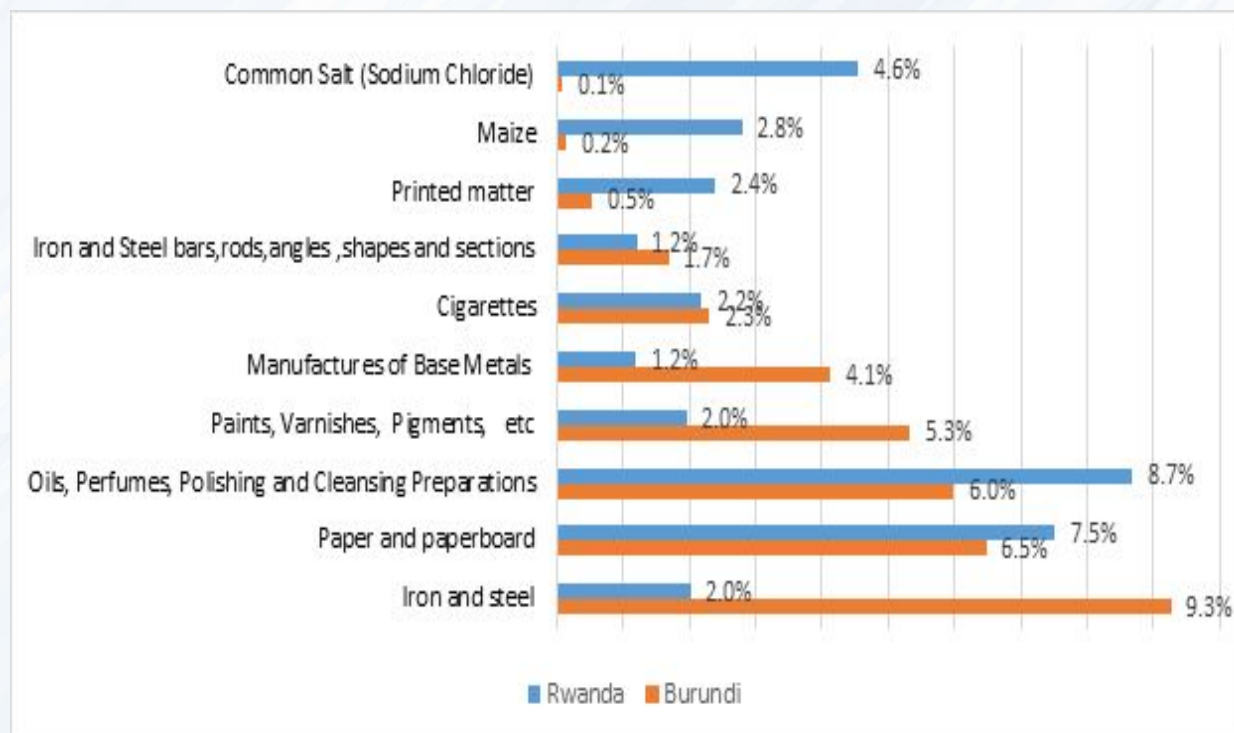
Part of this FDI is invested in manufacturing sector. As of mid 2019, Rwanda had registered over 1300 companies owned by Kenyans. By country of origin, Mauritius, Kenya, USA, China, Luxembourg and Switzerland were the major source of FDI inflows to the country.

There is dominance of intra-industry import-export trade in agriculture sector between Kenya and Rwanda whilst competing exporters are selling transportation, ICT and travel/tourism and agricultural commodities from agricultural produce, chemicals, electronics and minerals.

Sources: UN COMTRADE database on international trade, Rwanda Development Board

Leading Kenyan export commodities to Burundi and Rwanda (2018)

- Kenya's major exports to Burundi (comprising 35.2% of total) were iron and steel; paper and paperboard; oils, perfumes, polishing and cleansing preparations; paints, varnishes and pigments; manufactures of base metals; cigarettes and iron and steel bars, rods, angles, shapes and sections.
- Exports to Rwanda (summing up to 32.1% of total) were oils, perfumes, polishing and cleansing preparations; paper and paperboard; common salt (sodium chloride); maize; printed matter; cigarettes; iron and steel; paints, varnishes and pigments.



- Trends in Kenya's exports by broad commodity categories indicate that, exports of animal and vegetable oils increased 2000-17, exports of chemicals rose towards 2014 but declined to 2016. Moreover, from 2000-17 exports of manufactured goods, machinery and transport equipment stagnated. Exports of miscellaneous manufactured goods decreased towards 2017.

Opportunities for Kenya

Kenya is well-poised to reap the most benefits from the EAC because the country enjoys a momentous and vibrant manufacturing sector which leads the East African region. Kenya has relatively highly skilled labor in the region and is the financial and transport hub of East Africa.

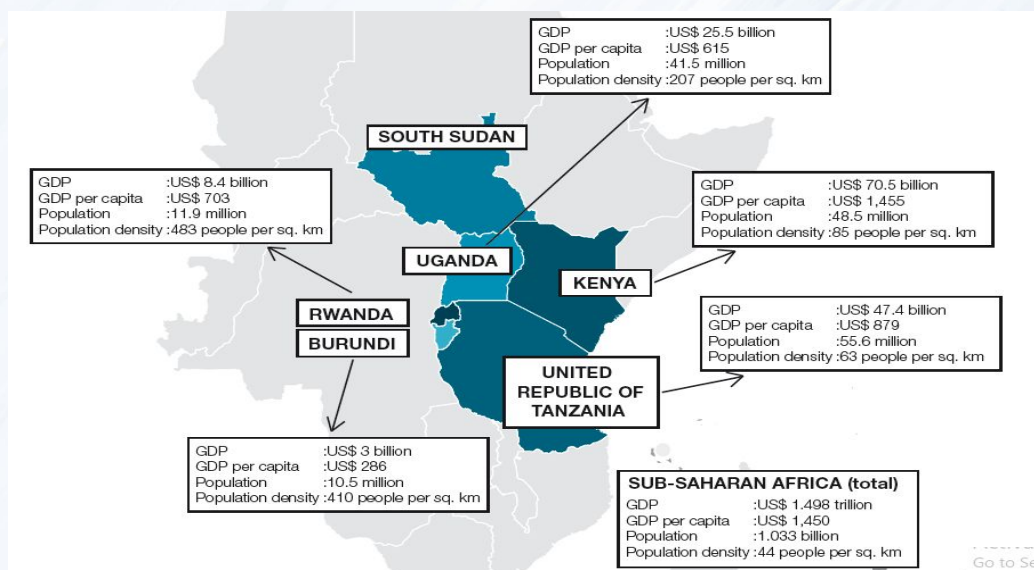
Relative to most of Africa, Kenya also has substantial investible resources, a highly developed financial services sector with innovations such as M-Pesa, established physical and technology infrastructure and a geophysical location with access to a major port (Mombasa port, second to South Africa with 21 berths). Mombasa port offers easy access to transportation of finished goods and inputs from Kenya as well as intermediaries from abroad. Kenya airways is a regional carrier with frequent flights across East Africa adding to ease of transport. Moreover, Kenya has maintained good bilateral relations with all partner states.

Kenya is an active regional trading partner and member of the East African Community, Common Market for Eastern and Southern Africa (COMESA), Inter-Governmental Authority on Development (IGAD), Tripartite Free Trade Area (TFTA) and the African Continental Free Trade Area (AfCFTA). These and more factors endear Kenya as a good trading partner for the region.

Comparison of Rwanda and Burundi profiles relative to Kenya

	RWANDA	BURUNDI	KENYA
Area	26,338 sq km	27,830 sq km	580,367 sq km
Population (2018)	12,187,400	11,844,520	48,397,527
Population growth rate (2018)	2.30%	3.23%	1.57%
Urban population (2018)	28.80%	13%	27%
Urban population growth rate (2018)	6.40%	5.70%	4.30%
GDP (2018)	\$9.136 billion	\$3.396 billion	\$79.22 billion
GDP real growth rate (2018)	8.6%	0.1%	6.3%
GDP per capita PPP (2018)	\$2,100	\$700	\$3,500
Inflation (2016)	4.80%	16.60%	4.80%
Electrification(% of connections (2016)	43%	7.60%	56%
Internet users	29.80%	5.20%	26%
Mobile phone subscriptions	64%	30.50%	74%
Calling rates from Kenya (Ksh)*	7.5	56.25	-
Ease of doing business index (2019)	29	168	61

Source: World Bank, World Development Indicators database, in UNCTAD (2018).



Source: World Bank, World Development Indicators database (accessed in July 2017), in UNCTAD (2018).

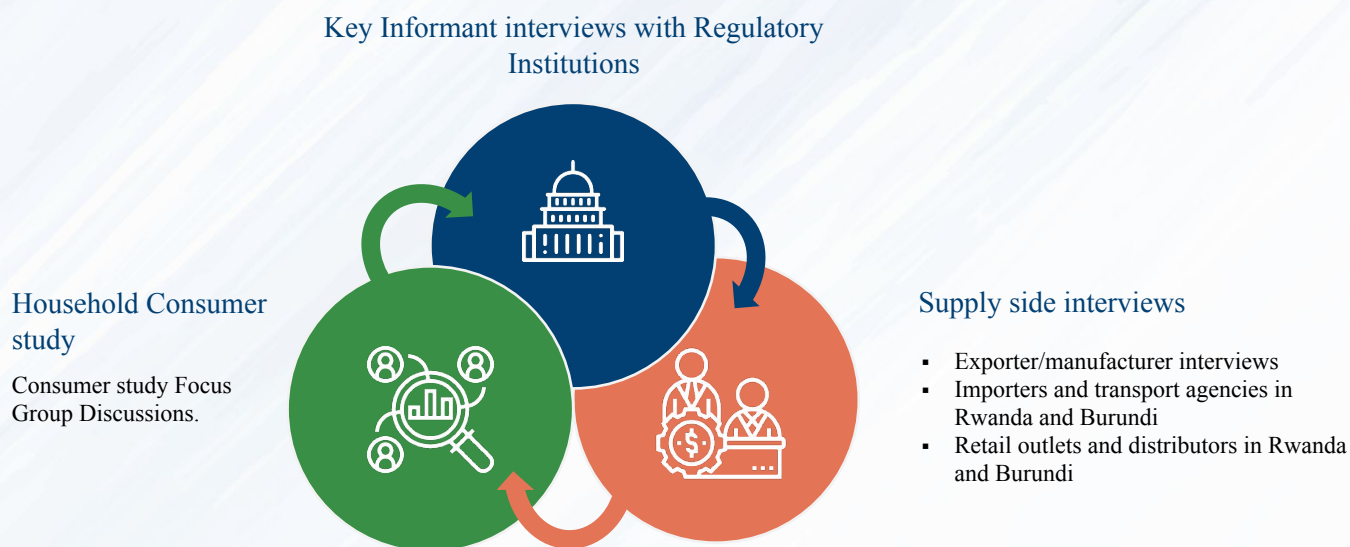
The benefits of Integration of the EAC trading bloc to the East African states are increasing with the growing number of member countries and change in institutional frameworks. Post independence, the number of countries grew from the original 3 (Kenya, Uganda and Tanzania), Rwanda [2007], Burundi [2017] and South Sudan[2016]). DRC has made application to join the community.

The EAC trade institutional framework include harmonization of the customs management, taking effect of the EAC Common Market Protocol and fully-fledged Customs Union in 2010, Protocol for the Establishment of the EAC Monetary Union signed in 2013. Standards are also harmonized under EAC Standards Quality Management, Metrology and Testing (SQMT) Act 2006. Goods originating from the Partner States are accorded Community tariff treatment in accordance with the Rules of Origin (ROO). Adoption of these frameworks into national level trade policies is recording good progress from Kenya, Uganda ,Rwanda and Tanzania. Among the most traded goods across the region are agricultural products, minerals, oils, sugar confectionery, fish products.

The signing of the African Continental Free Trade Area (AfCFTA) sheds good prospects for opening the Africa market for Kenya. Several challenges related to the implementation of tariff concessions, schedules of services commitments, and rules of origin rules regarding the movement of goods must occur within an AfCFTA State Party for a product to benefit from AfCFTA trade. Other challenges include competition policy, and intellectual property rights and e-commerce that may hinder the growth of the Industrial Revolution.

Methodology

This study adopted a holistic demand and supply side approach to gain first-hand information through quantitative and qualitative research techniques. Diverse profiles of stakeholders were also engaged at three levels: Household consumers, regulators and other key informants, producers and suppliers of Kenya's export products to the Rwanda and Burundi markets.



Complementary Research Methods:

1. Desk research
2. Retail Audits of Kenyan products in Rwanda and Burundi
3. Roundtable with EAC region trade experts
4. Exporter surveys and field visits
5. Border points observation and interviews
6. Photography

Sample Achieved

	HH Consumer surveys	HH Focus Group Discussions	Regulator, embassies, trade experts KIIs	Supply side KIIs
Kenya	-	-	6	9
Rwanda	151	15	5	14
Burundi	237	15	4	10

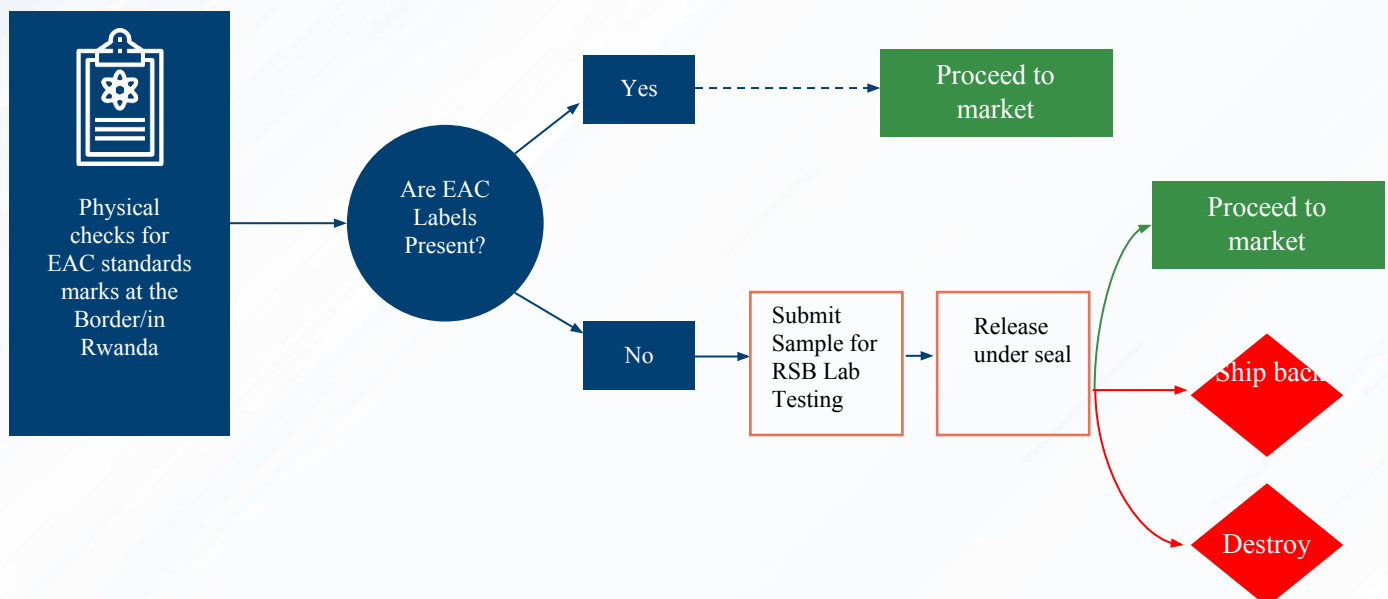
Market Requirements

This study established that the market requirements for exporting Kenyan products to Rwanda and Burundi are mainly harmonized to the East Africa standards. Three key market requirements are discussed under this chapter: compliance with the EAC's quality standards, rules of origin and border processes.

1. Compliance with EAC Quality Standards

- The East African Community issued the SQMT Act 2006 which aims to harmonize standards and technical regulations towards realization of free movement of goods in the region. The bureaus of standards of the partner states including Kenya Bureau of Standards (KEBS) Rwanda Standards Bureau and the Burundi Bureau of Standards (BBN) have made notable progress in adopting the harmonized standards.
- Rwanda for example had reportedly attained 70% adoption in aligning national standards with the SQMT. This study established that there is harmony in recognition of East Africa Standards (EAS) 'marks of quality' across the EAC partner states with exception of Tanzania.
- For Rwanda at the national level, Rwanda Foods and Drugs Authority inspects food, alcohol and beverages while the RICA inspects non-food products. For Burundi, *Le Bureau Burundais de Normalisation et Contrôle de la Qualité (BBN)*, the Burundi Bureau of Standards and Quality Control regulates standards for all goods.
- Kenya's S-Mark is regionally is the quality market "mutually recognized" as a mark of quality.
- Kenyan products were found to generally pass the test of EAC quality standards. There is increased compliance to EAC and local standards by Kenyan exporters as reported by Bureaus of Standards of Rwanda and Burundi

What is the process of quality standards checks and assurance?



The quality assurance procedure entails:

1. Manufacturer presents products for inspection to KEBS, 2) Depending on product compliance with harmonized EA standards and product category, an 'EAC label is issued.3) Exporter/manufacturer submits/shows EAC Label at the point of entry to Rwanda or Burundi then proceed to market with no fees charged. 4) If EAC labels are missing, a sample of the consignment proceeds to testing at the Rwanda/Burundi Bureau of Standards. 5) Inspection according to Rwanda/Burundi Bureau of Standards is completed where goods are: **Allowed to the market, Shipped back to source or Destroyed**

2. Compliance with EAC Rules of Origin

Rules of origin are “the criteria needed to determine the national source of a product.... Because duties and restrictions in several cases depend upon the source of imports” – according to the World Trade Organisation. The EAC has issued guidelines on the rules of origin using which goods originating from EAC partners can be exported within EAC markets. Goods complying with EAC rules of origin qualify for Common External Tariff (CET) benefits as per the following scale.

CET APPLICATION

Raw materials:	0%
Semi finished goods:	10%
Finished goods:	25-35%
Sensitive goods:	35% - 100%

- *The CET was set up to promote access to raw materials and semi-processed inputs that are not available in the region while protecting available in the EAC region.*
- *CET also cushions locally available finished products within the EAC Region against cheaper alternatives coming from outside the region.*

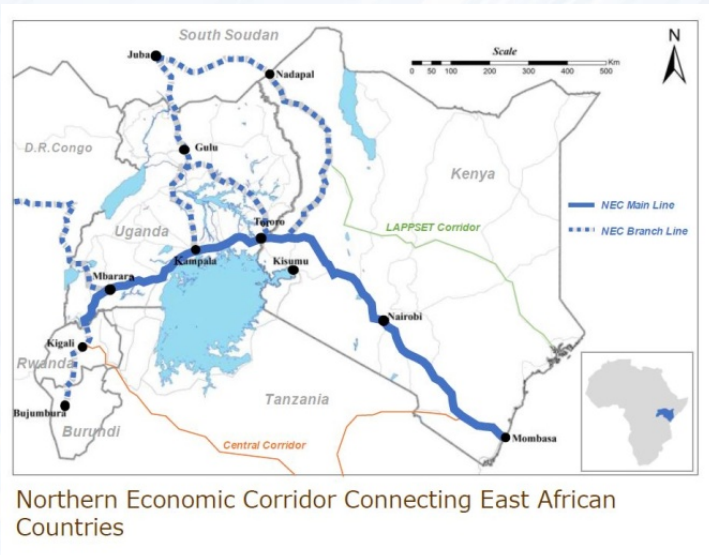
The EAC Rules of Origin has described under Article 3 the "change in tariff heading criteria" means the criteria according to which substantial transformation is deemed to have occurred when all the materials used in the production of a product are classified in a heading other than that of the product. Partners states conduct regular meetings to discuss rules of origin. Exporters of goods manufactured or produced in Kenya must obtain Rules of Origin certificate from the Kenya Revenue Authority (KRA) and present it at the border point of entry to other countries to benefit from the CET.

This study established that awareness of these requirements by Kenyan exporters is low. Some manufacturers decried the inadequate time allowed the private sector to comply with any changes such as tariff heading criteria.

3. Border Processes:

Common track routes

1. Route through Uganda



Trucks ferrying goods from Kenya to Rwanda-via Uganda

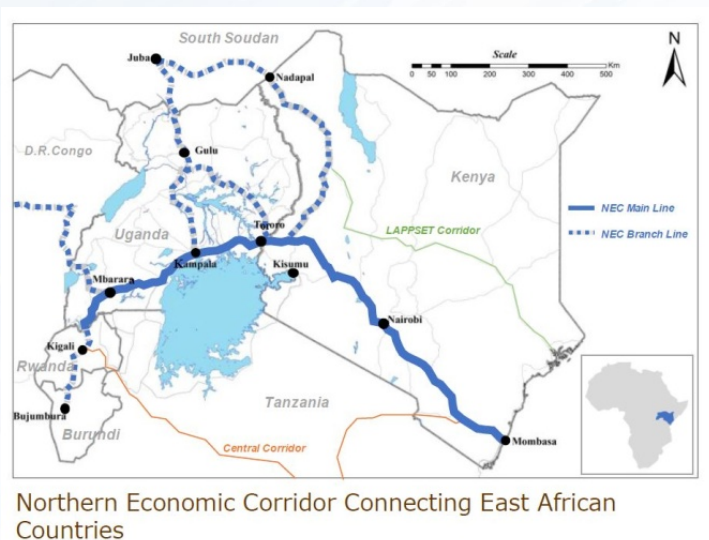
From Kenya exit Busia or Malaba (one-stop-borders) to enter Uganda.

From Uganda exit at Katuna border to enter Rwanda (Kigali city)

Trucks destined to Burundi

Proceed from Kigali to exit Rwanda at Kanyaru border to enter Burundi.

2. Route through Tanzania



Trucks ferrying goods from Kenya to Burundi via Tanzania

From Kenya exit at Namanga one-stop-border* to enter Tanzania

From Tanzania exit Tanzania at Kobero border to enter Burundi (Bujumbura city).

Trucks destined to Rwanda

Proceed from Bujumbura to exit Burundi at Kanyaru border to enter Rwanda.

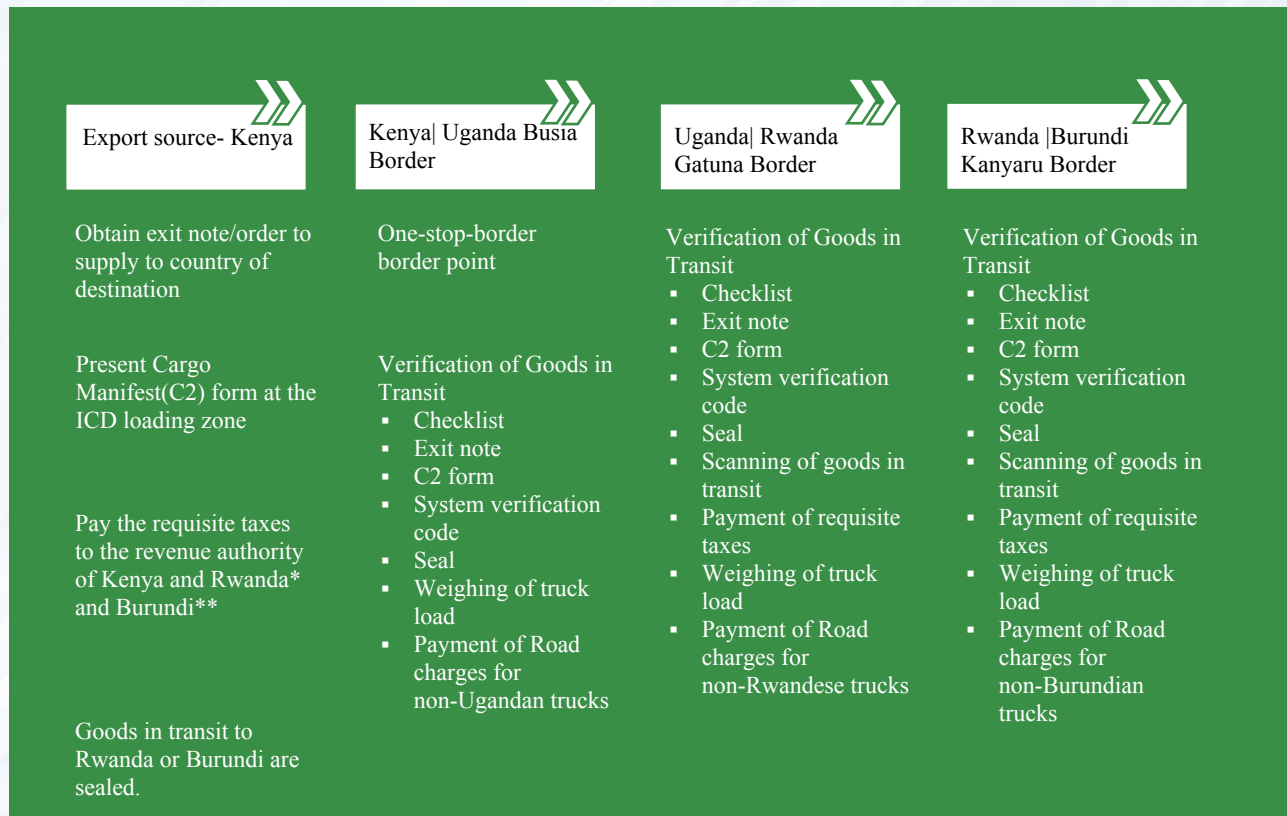
Trucks ferrying from Kenya to Eastern DRC via Rwanda

Proceed from Kigali city to Rubavu (Gisenyi one-stop border) o Goma town

Trucks ferrying from Kenya to Eastern DRC via Burundi

Proceed from Bujumbura city to Uvira border to Uvira town-Bukavu town- Gisenyi border in Rwanda. Through Lake Kivu ship to Goma town

Border Process-Route 1: Kenya-Uganda-Rwanda-Burundi



**Rwanda revenue authority has officers in major Inland Container Depots (ICDs) and the requisite import taxes for goods destined to Rwanda. ** Burundi accepts payments of the requisite taxes at the point of entry (Kanyaru and Kobero borders).*

The main exit points for Kenyan exports are mainly the Kenya-Uganda Busia and Malaba borders and Kenya-Tanzania-Namanga and Holili borders. The certificate of origin is issued by a designated authority in the EAC partner states. In Kenya an application for [certificate of origin](#) through KRA. The certificate costs Kshs 308 (US\$3) and is issued as a one-time process to the exporting agent. This takes an average of **7-10 days**. Declaration of goods is made in the [EAC C2 forms](#).

Exporters with the required documents benefit from real-time processing at exit points on both border points. At the Busia border a truck takes less than minutes. Cargo marked 'on transit' are only required to show the *rotation code* obtained from KRA. At the Uganda-Rwanda Katuna (Gatuna) border the one-stop border point is incomplete. The process is slow. At the Rwanda-Buundi Kanyaru border there were few trucks and tax payments is only accepted in cash.

Border Process-Route 2: Kenya-Tanzania-Burundi-Rwanda

Export source- Kenya	Kenya Tanzania Namanga Border	Tanzania Burundi Kobero Border	Burundi Rwanda Kanyaru Border
Obtain exit note/order to supply to country of destination	Verification of Goods in transit <ul style="list-style-type: none"> Checklist Exit note C2 form System verification code Seal Scanning of goods in transit 	Verification of Goods in transit <ul style="list-style-type: none"> Checklist Exit note C2 form System verification code Seal Scanning of goods in transit 	Verification of Goods in Transit <ul style="list-style-type: none"> Checklist Exit note C2 form System verification code Seal Scanning of goods in transit
Present cargo manifest(C2) form at the ICD loading zone	<ul style="list-style-type: none"> Payment of requisite taxes Weighing of truck load Payment of road charges for non-Tanzanian trucks 	<ul style="list-style-type: none"> Payment of requisite taxes Weighing of truck load Payment of road charges for non-Burundian trucks 	<ul style="list-style-type: none"> Payment of requisite taxes Weighing of truck load Payment of road charges for non-Rwandese trucks
Pay the requisite taxes to the revenue authority of Kenya and Rwanda* and Burundi**			
Goods in transit to Rwanda or Burundi are sealed.			

**Rwanda revenue authority has officers in major Inland Container Depots (ICDs) and the requisite import taxes for goods destined to Rwanda. ** Burundi requires the tariffs (tax payments on imports) to be paid in cash at the point of entry. (Kanyaru and Kobero borders).*

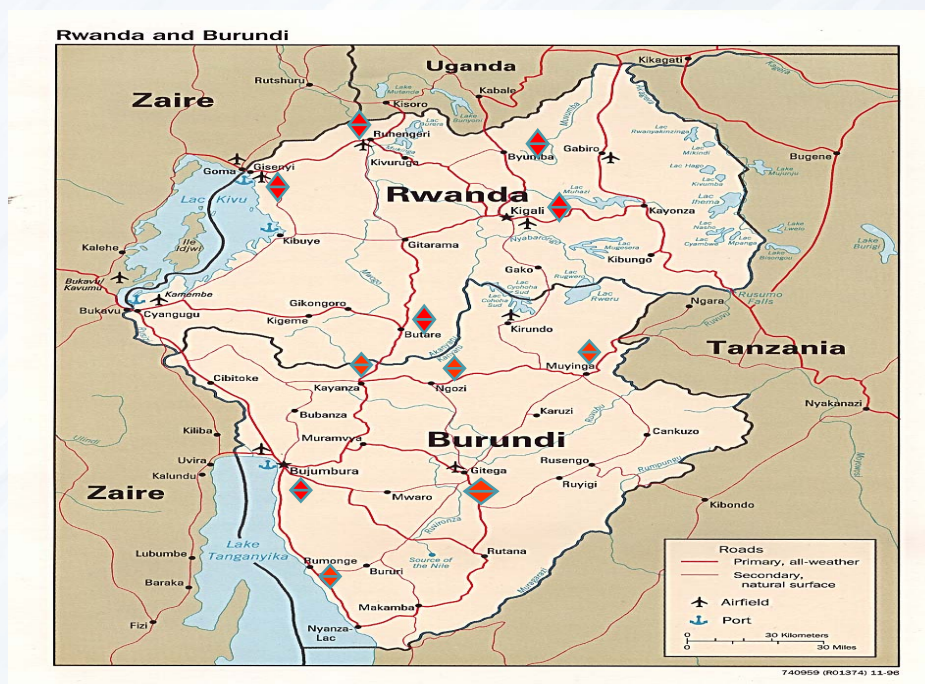


RWANDA



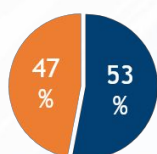
Rwanda market findings

Respondent Demographics



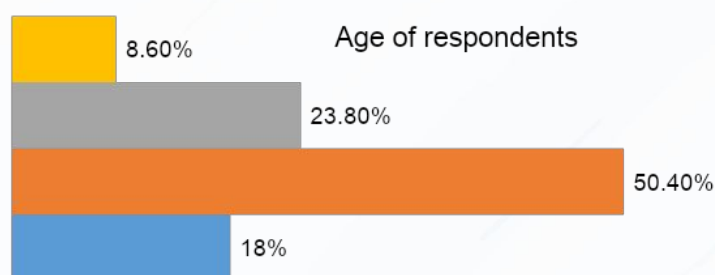
		Total	Kigali	Musanze	Huye	Rubavu	Gicumbi
Survey	n	152	59	30	28	20	15
	%	100	39%	20%	18%	13%	10%
FGDs	n	15	6	2	2	3	2
	%	100%	40%	13%	13%	20%	13%

Gender of respondents



■ Male ■ Female

Age of respondents

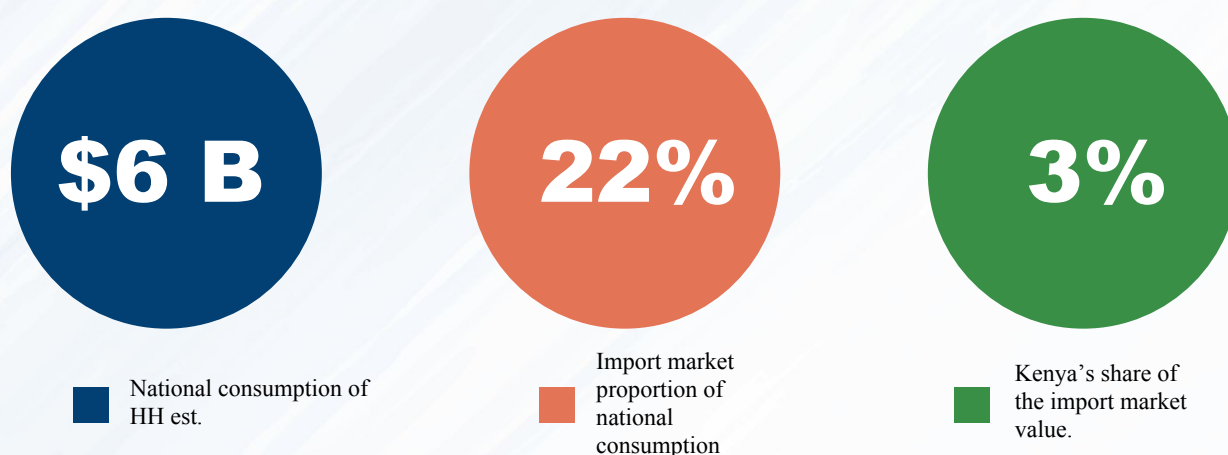


■ up to 24 ■ 25 to 35 ■ 36 to 45 ■ above 45

The sample size for the survey was 152 randomly selected respondents from five districts. Of the Kigali respondents (59, 38%) were residents of Gasabo, Kycukiro and Nyarugenge districts. 19.74% from Musanze district, 18.42% from Huye district, 13.16% from Rubavu district and 9.87% from Gicumbi district.

Most of the respondents were middle aged. Only 17.9% were aged below 25 years; more than half of them (50.6%) were aged 25-35 years while 8.6% of the sample respondents were older than 45 years. The sample was nearly balanced between gender with most of the respondents being male (53.06%). The typical household in the sampled regions of Rwanda had 4 members with Musanze and Gicumbi having slightly larger household sizes.

5.1 Rwanda Market Size



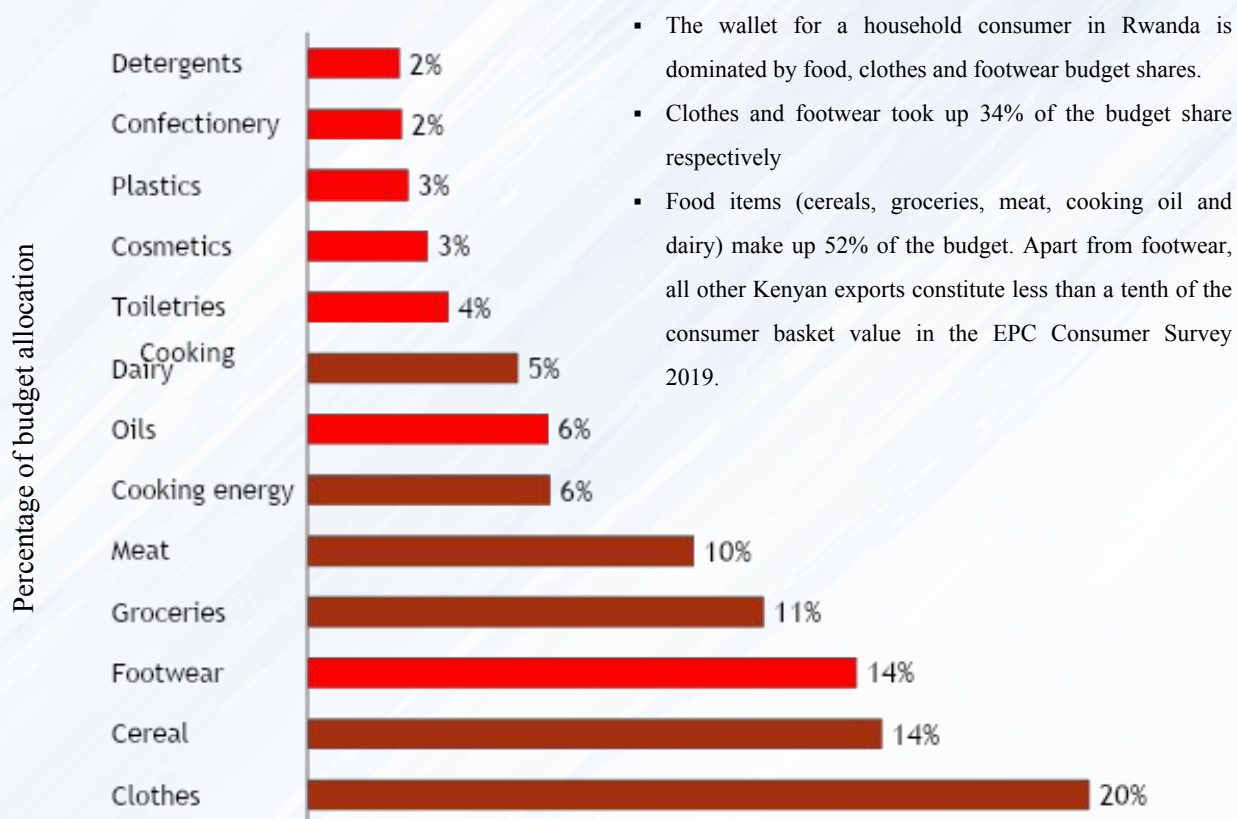
Rwanda's annual national consumption for household products were made and are detailed in the next page.

- Population: 12.6M; Average household size: 4 members and
- Domestic supply meets 78% of the national consumption by
- Import supply accounts for \$1,300,000,000 (22% of national
- Kenyan exports \$178,422,040 or 3% of the national market
- Kenya supplies 14% of the imports by Rwanda with the rest being supplied by other exporting countries mainly Uganda, China and India.

The learning point in terms of opportunities is that, Kenya needs to improve competitiveness of export commodities and export penetration strategies to grow market share initially from 3% to 22% of the entire imports. But subsequently, Kenya can compete with local industries in Rwanda to get a share of the 78% domestic supply.

5.2 Consumer Purchase Trends

From the findings, it is clear that Rwandans allocate most of their budget to purchasing clothes, cereal, footwear, groceries and meat



**Marked in red are categories of goods that make up majority of Kenya's exports to Rwanda*

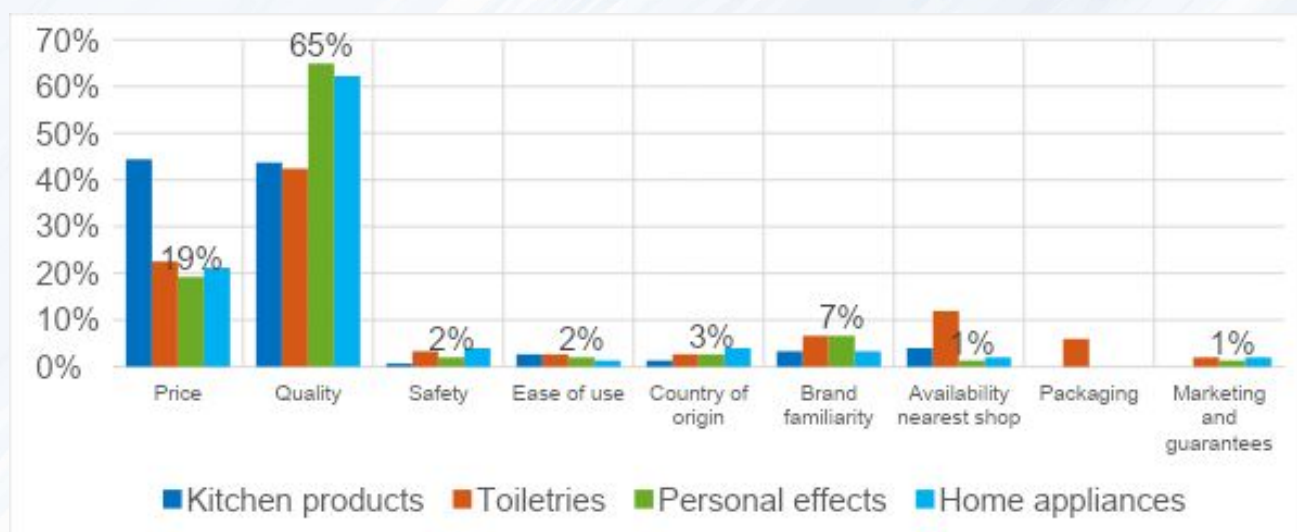
***Expenses such as clothes and footwear were reported in a 3 months to 1-year frequency of purchase, the computed values are standardized to monthly for all items.*

Average consumer HH budget Ksh 24,964 (\$250) (Rwf 199,712)

- It is noteworthy that, Kenya currently does not sell significant quantities/value of clothes and food items to Rwanda, yet they dominate consumers' wallet budget share.
- Moreover, there is minimal convergence in the categories of leading exports by Kenya and leading imports by Rwanda.
- In order to grow Kenya's export quantities and especially monetary value, Kenyan exporters should plan to sell goods that are among the leading imports by Rwanda.
- Again, it is advisable for Kenyan producers to export goods that rank high in the Rwandese consumer budget shares. Such goods include clothes, foodstuff and footwear.

Consumer Choice Patterns

Overall, across all product categories, quality is the leading driver of product purchase decision among household consumers. Price comes second. Other factors are not influential apart from brand familiarity, availability in the nearest shop and packaging for toiletries and kitchen products.



Consumers are more sensitive to quality than price while making a purchase decision for personal effects and home appliances. On the other hand they are more price elastic than quality sensitive when making a purchase decision for kitchen products.

HH consumer focus groups among men, women and youth groups in major towns of Rwanda concurred with the finding that Price, Quality and Warranty ranked higher than packaging, availability and country of origin when it comes to consumer choices. Others consider personal tastes and preferences of brands so that they will buy iron sheets, clothes or cooking oil regardless of price. This finding is an opportunity to position Kenya export goods “High quality and affordable”. Manufacturers of personal effects and home appliances should make quality products. Kitchen FMCGs manufacturers should make affordable goods.



Price is the first determinant because , if you cannot afford you look for alternative” (Consumers in Huye)... “Once to the market I always check how good products are, how long it will last.”(Consumers in Musanze, Gicumbi“I consider brand more than any other things. (Consumer in Kigali, Huye



5.3 Awareness of Kenyan Products



Rwandan consumers were asked to rate their awareness of Kenyan brands under broad product categories* and it emerged that:

- Awareness of Kenyan products is high across major towns in Rwanda.
- Nationwide, brand awareness of cooking oil, soft drinks, toiletries and steel products from Kenya was high. Awareness of alcoholic drinks, construction products and insecticides was low.
- As high as 77.85% of respondents purchased cooking oils from Kenya.
- Washing detergents from Kenya had been purchased and used by 87.25% of the consumers sampled for the survey. On the contrary only 45% of them were wither aware or had purchased insecticide from Kenya.

Which of the following statements best describes your experience with	Has Purchased	Fully aware	Ever heard of	Never heard of it
1. Construction products like iron sheets	23.49	27.52	19.46	29.53
2. Kitchen items like cooking oil	77.85	10.74	6.04	5.37
3. Alcoholic products like beer	36	16	16	32
4. Soft drinks like juice	46.67	7.33	11.33	34.67
5. Toiletries like washing detergents	87.25	7.38	1.34	4.03
6. Steel products like <i>sufurias</i> and pans	64	7.33	8	20.67
7. Insecticide like anti-mosquito spray	38	6.67	6.67	46.67

5.4 Perceptions on Kenyan Goods

Attitudes and perceptions towards Kenyan goods across Rwanda are positive. It was evidenced that Kenyan products are few in supply and relatively expensive compared to products from Rwanda and bordering countries.

- *“Kenyan goods are superior in quality and afforded by the well-off”*
- *“Kenyan products are really good in quality like the plastic products and Masai shoes as well as the shoe polish called Kiwi (FGD 2, Huye).*
- *“Most of the products coming from Kenya are very nice, good quality but somehow expensive e.g. plastic basins, chairs, plates, cups etc” “they also have good different detergents to wash clothes” ... “There is confusion in the market because of duplicate goods (fake), it is very hard to get an original one (FGD 2, Rubavu).*
- *“The Kenyan product are of good quality and they are really advanced in the industry. Like sunlight is good quality, the plastics that are from Kenya..... The slippers called Umoja that are from Kenya and also sandals the initial ones had good quality.... The pens called Bic are also good quality... the kangas (clothes) also are good quality.Mattress that are made from Kenya are also good quality. (FGD 6, Kigali).*



Occasional complaints on Kenya's products were noted especially on high price and availability of counterfeits (no authenticity).

“Most of the products on the market are not originals, we cannot tell the difference, for example shoes or clothes of now days are not same as the one we used to have before.” (FGD 1, Huye). “Cooking oils are we used to buy 5l on 8000frw and now we are buying it on 12000frw” (FGD 1, Musanze).



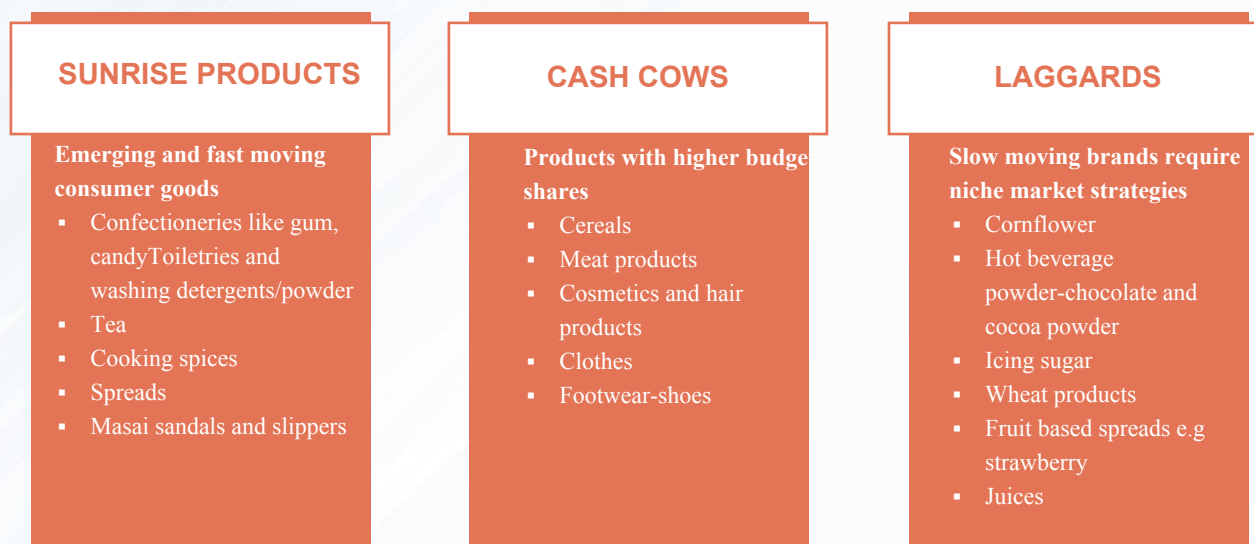
Rwanda market opportunities

1. Diversifying to new product categories

Findings of the retail audit study of major stores selling Kenyan products conducted in Kigali, Gisenyi and Musanze towns in Rwanda revealed that Kenyan products occupy low shelf space and have higher prices than competitor products.

- In middle and low-income settlements, retail shops stocked a variety of products: spices, tea, cooking oil, washing detergents, cosmetics/hair products, lotions, margarine and fruit spreads, icing sugar and juices among others.
- This study noted that Kenyan products are faster moving than competitor products, however the shelf space allocation was low and the prices were on average 21% higher than competition.
- Lower quantity packaging were faster moving than bulk sizes. In high end outlets, Kenyan products were 5% cheaper than products from Egypt, South Africa and USA although the shelf space allocation was low.

Prioritizing Products for Rwanda market



Kenyan exporters and manufacturers should diversify their product strategies to exploit the market for three segments:

- 1) **Sunrise products** are emerging and fast-moving product categories. To grow the market manufacturers should focus on availability in major retail stores.
- 2) **Cash cows** are products with high shares of household consumer budgets, differentiation in product features is critical.
- 3) **Laggards** are slow moving products in main distributor stores, niche markets should be targeted such as hotels, bakeries or schools.

2. Innovation by Using Locally Sourced Inputs to Benefit More from Common External Tariff

- Kenyan manufacturer should Innovate with use of locally sourced inputs to Benefit from the Common External Tariff. Producers and manufacturers who source inputs within the EAC or import should aim to process within compliance with the provisions in the EAC rules of origin guidelines. Obtaining the rules of origin certificate has immense tax benefits while exporting within the East Africa partner states.

3. Utilize Rwanda's Strategic Geographical Location to reach Eastern DRC Markets

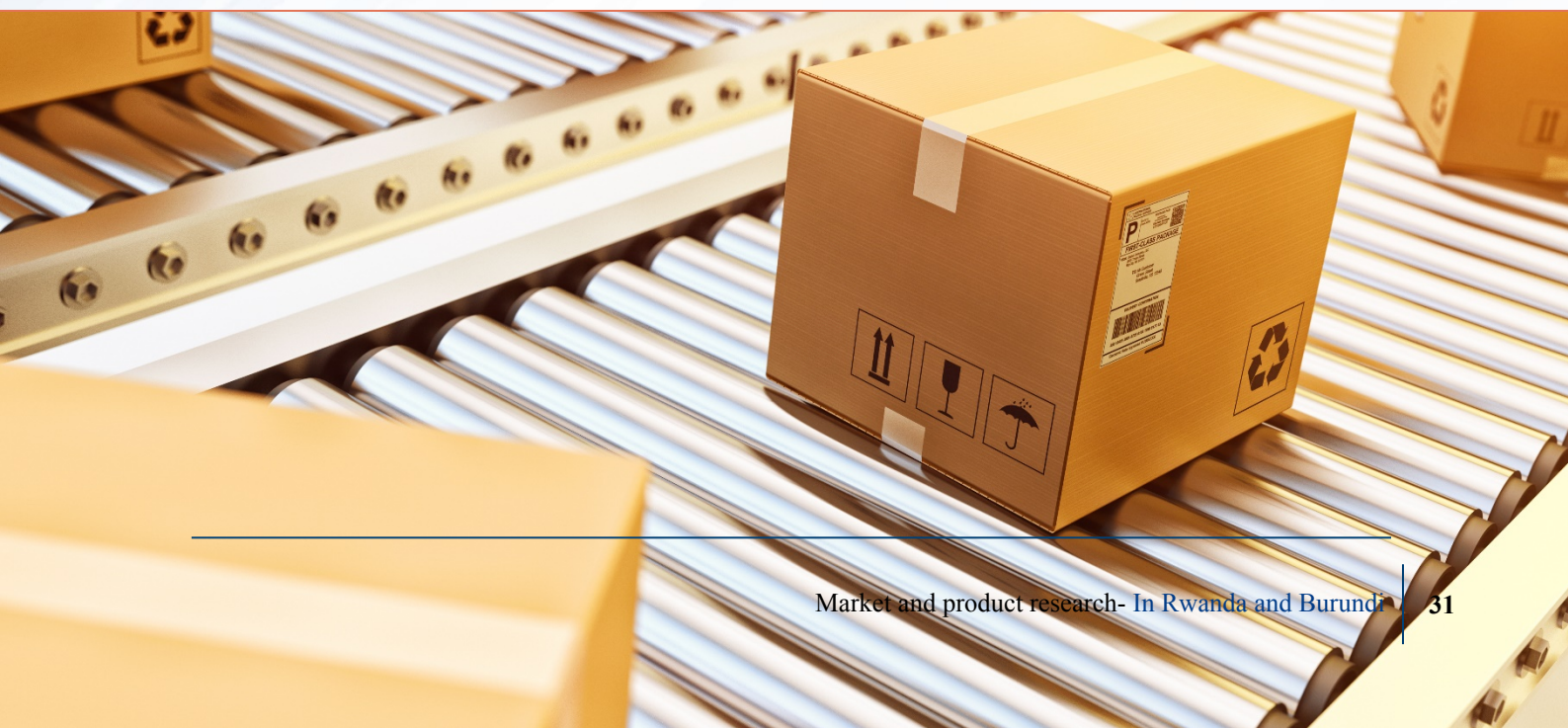
- Rwanda is strategically located convenient to access Eastern DRC towns: Goma, Bukavu, through Gisenyi border.
- Eastern DRC markets have high economic power than Rwandan consumers.

4. Leverage Trade Exhibitions and Market Events held In Burundi and other towns

- Exporters of Kenyan products who participate in trade events organized by various stakeholders in Burundi to exhibit their products and more importantly to identify local partners in distribution or marketing of the products.
- The Ministry of Foreign Affairs (through the Embassies), EPC and Trade ministries organise expos whereby exporters can transport goods cross-border and selling during the trade fair tax free.
- Such opportunities provide market intelligence to this market

5. Opportunities to Finance Export Business to Kenyan exporters and importers

- It emerged that receiving and making payments was the exporters biggest challenge when it comes to export trade. Exporters require full payment of goods ordered before releasing a consignment.
- Financial service providers could exploit the opportunity to design new financial payment solutions.



Rwanda Market's Constraints

Key constraints reported by the various players on issues facing trade between Kenya and Rwanda include:

1. High transport costs due to border delays and multiple road blocks especially on Kenyan roads.
2. Violation of EAC customs rules of origin by dealers leading to hefty fines on the manufacturers. This is faulted to the low awareness of the EAC customs requirements such as proper declaration of consignments.
3. Importers face challenges in exchange rate fluctuation since most regional currencies are weakening against the dollar and this is bad for importers.
4. Counterfeiting: Product smuggling and adulteration for instance Kenyan manufacturers mixing Chinese stuff with Kenyan stuff destined for exports - this costs importers not only customer loyalty but also penalties with the revenue authority RRA.
5. Customs related challenges such as delays in issuance of EAC rules of origin certificates.
6. Increasing transport cost given that Kenya is distances away compared to Tanzania our competition.
7. Poor relationships with value chain actors- Importers in Rwanda complained that some cooking oil manufacturers required them to import new products that are slow moving
8. Lack of reliable supply of Kenyan products in Rwanda was reported as a key challenge by retail outlet managers, resulting to inventory challenges and unsatisfied customers.
9. Pricing of Kenyan goods is high relative to other regional countries.
10. Competition from cheaper substitutes coming from Tanzania and Uganda. Manufacturers described this phenomenon as dumping aimed at discouraging local exports.
11. Low awareness of Kenyan products in Rwanda especially in non-capital towns
12. Differences in road levy charges between Kenya and Rwanda
13. Manufacturers of Kenyan products do not take advantage of trade fairs held in Rwanda therefore lacking opportunities to resolve constraints.
14. Unfavorable pricing for transport services especially in the breakdowns where the goods being transported can go bad. Importers complained that such delays are common for most of products.
15. Establishment of retail outlets for cooking oil and iron sheets have established in Tanzania, Uganda and Rwanda and supply from these countries is cheaper.
16. Slow Kenyan clearance of goods at the border delays importers VAT Refunds. This is affecting cash flows and discouraging imports.
17. Harassment of traders at the border especially at Kinyarua and Kanyaru borders.

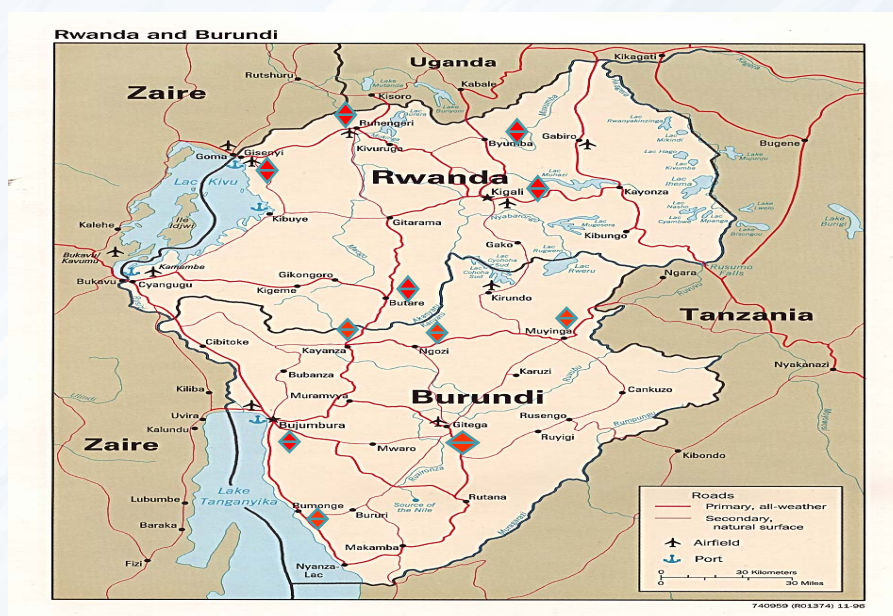


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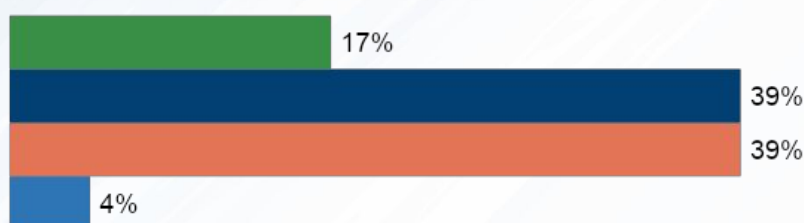
BURUNDI

Burundi market findings

Respondent Demographics

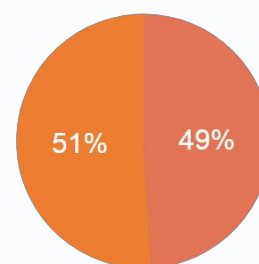


Age of respondents



■ up to 24 ■ 25 to 35 ■ 36 to 45 ■ above 45

Gender of respondents



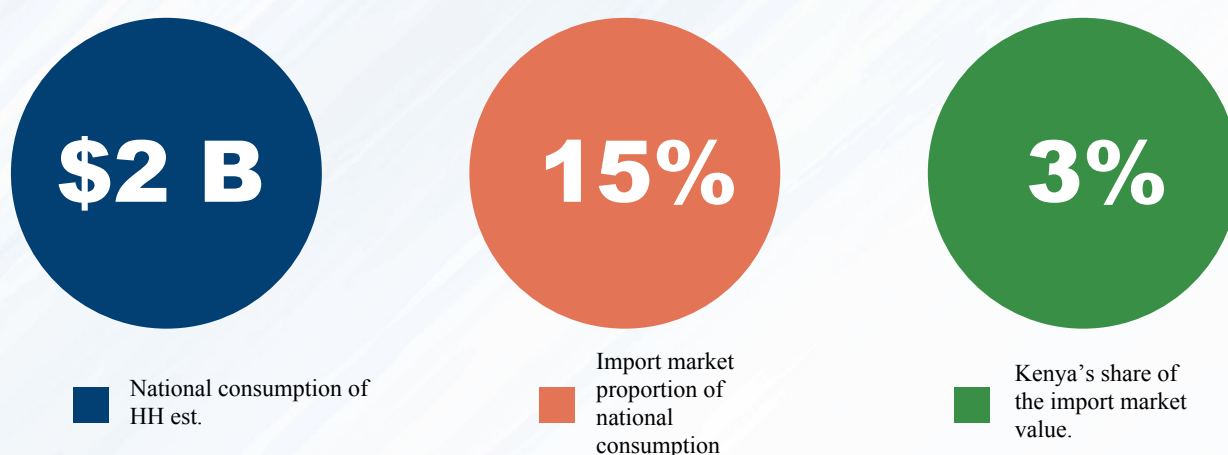
■ Male ■ Female

	Total		Bujumbura	Gitega	Kayanza	Muyinga	Ngozi
Survey	n	237	75	39	46	38	38
	%	100	32%	17%	19%	16%	16%
FGDs	n	15	6	2	2	3	2
	%	100%	40%	13%	13%	20%	13%

A sample of 237 randomly selected individuals answered to a consumer survey. Majority of the respondents (31.65%) came from Burundi's capital city, Bujumbura. Residents of Kayanza district constituted 19.41% of the sample while Gitega district, Muyinga district and Ngozi district each had about 16% of the respondents.

About four fifths of the survey sample was drawn of middle-aged persons with the 25 to 35 and 36 to 45-year-olds making up 39.22% of the respondents. Slightly under a fifth of the sample were people aged above 45 years. Gender distribution was such that, 49.15 were males while 50.85 were female. Apart from Ngozi whose average household size was 7, respondents from all other districts had households size average of 6 members. The average HH size for Burundi is 6 members. Ngozi has the highest average of 7 members while other regions are on average of 6 members.

8.1 Burundi Market Size



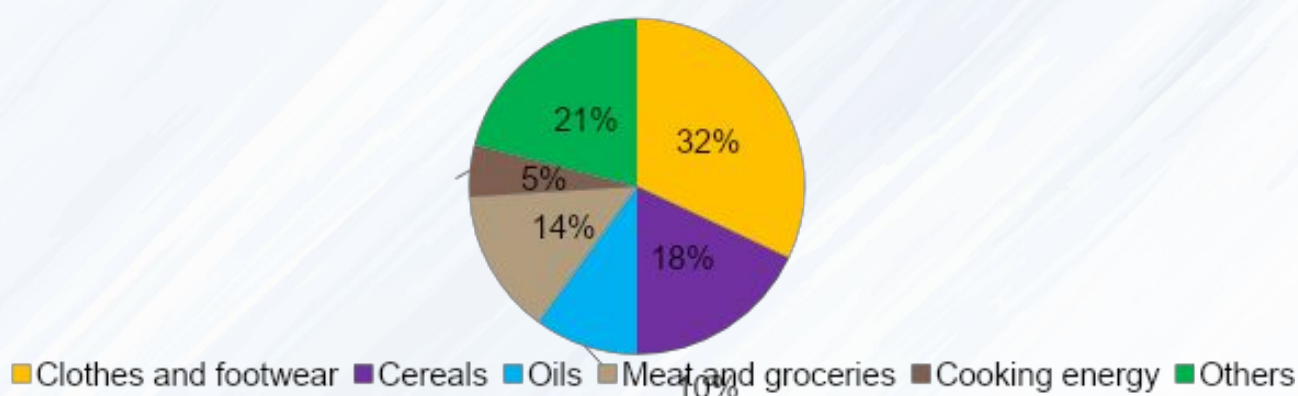
Burundi's national consumption for household products is estimated at \$2 billion.

- Average household size: 6 members and monthly HH expenditure is \$333 (2019)
- Domestic meets \$1.7 billion (85%) of the national HH consumption (the rest is imported from the supply)
- Kenyan exports to Burundi account for about \$65,926,090 (2019)
- Kenya supplies 22% of the import market with the rest being supplied by competing exporters such as Tanzania, Uganda, China, India and Belgium.
- Opportunities: Kenya needs to improve competitiveness of its export commodities, better the export penetration strategies to grow its market share vis-à-vis competing countries

8.2 Household Consumption Patterns

Average Household Budget Share

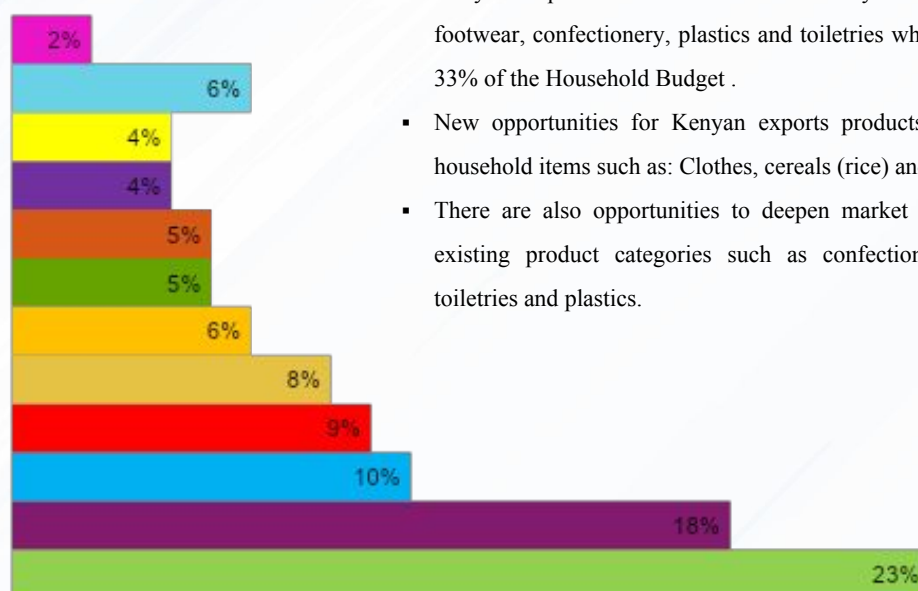
- Average HH size in Burundi is 6. This means that there are 6 people in each HH.
- The total expenditure per HH estimated at BFR 386,868 equivalent to KES 19,343(\$193)**.
- The household expenditure was spent on household items such as: clothes and footwear (32%), Cereals (18%) Meat and groceries (14%), oils (10%) and cooking energy (5%).



****Total monthly expenditure is computed as the sum of actual expenditure of household items categorized as: clothes, cereals, oils and oil products, footwear, meats, groceries.**

There are Opportunities to Diversify Kenya's Offering to Higher Budget HH Items

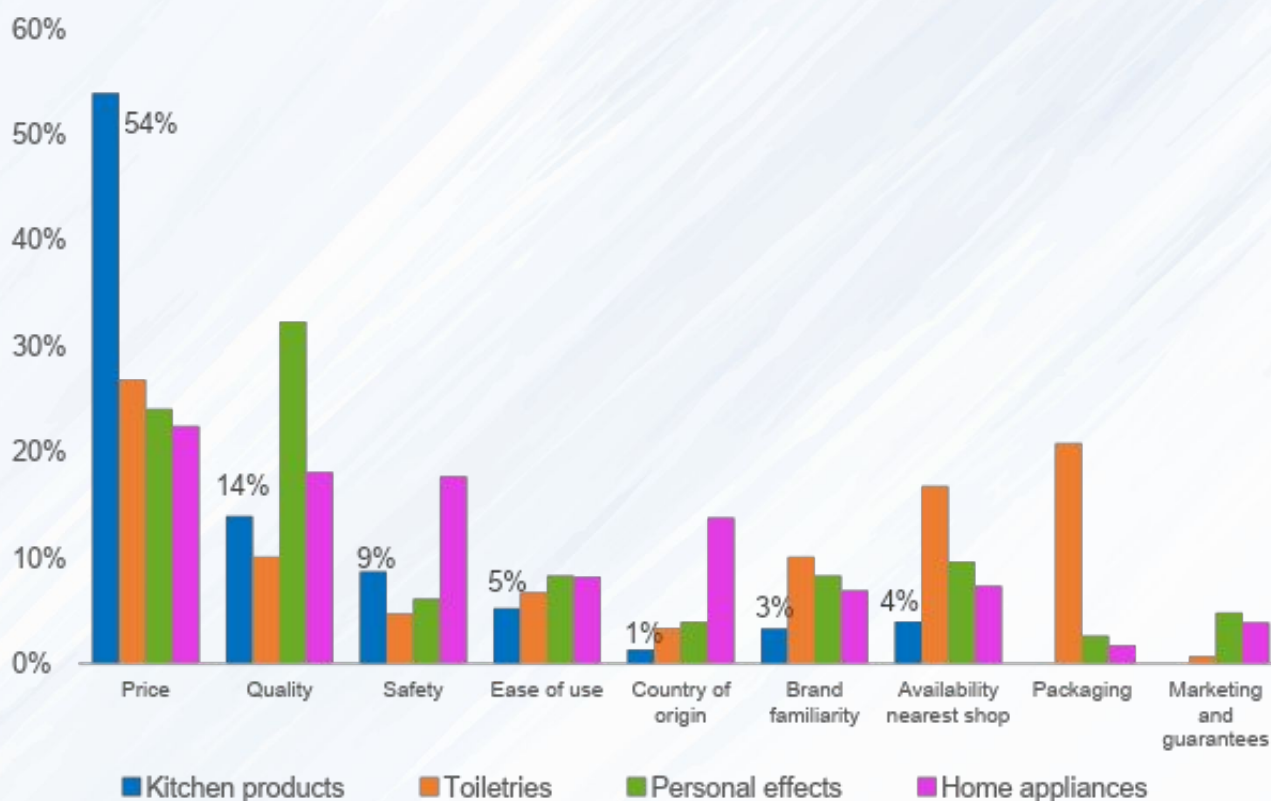
- Clothes
- Cereals
- Oils
- Footwear
- Meat
- Groceries
- Cooking energy
- Dairy
- Confectionery
- Plastics
- Toiletries
- Cosmetics



- Kenya's exports of HH items are currently comprised of oils, footwear, confectionery, plastics and toiletries which make up to 33% of the Household Budget .
- New opportunities for Kenyan exports products should target household items such as: Clothes, cereals (rice) and groceries.
- There are also opportunities to deepen market penetration for existing product categories such as confectionery, footwear, toiletries and plastics.

Consumer Purchase Choices

Percentage of respondents who rated attribute as most important purchase consideration



The survey of consumers in Burundi established that price was the most important driver influencing their purchase decision for most products. For home appliances such as heaters, pots and iron-boxes, there were significant variations whereby a mix of price, quality, safety and country of origin were the primary factors influencing purchase decision.

Interestingly consumers cared more about quality when purchasing personal effects products such as cosmetics, clothes and footwear. Price, packaging and availability were the main purchase drivers for toiletries such as washing detergents. Marketing and guarantees were least influential in the purchase decision.

8.3 Perceptions of Kenyan Products

Key findings about Kenyan products:

- *“Products from Kenya are good quality and durable....*
- *It is difficult to tell which products are truly from Kenya because of counterfeits....*
- *Before we could access Kenyan products from our immediate towns, now its only available in major towns.....*
- *We have switched from utilizing Kenyan products due to high prices resulting to using substitutes from Uganda and Tanzania.....*
- *Consumers are concerned about functionality and safety of new products; thus product warranties and guarantees are key purchase decision points among other factors.....*
- *Local traders are stopping to sell Kenyan products lately and selling products from Uganda and China*
- *Kenyan products are increasingly becoming expensive because of the transport costs.....*



The perceptions and attitudes of the Burundian households are largely positive towards Kenyan products, known for quality and durability. There is a notable trend in the abandonment of the Kenyan brand due to increasing prices, unavailability and competition from substitutes and counterfeiting. Availability of price discounts and product guarantee or warranties are important purchase decision points.

Consumers are vigilant about counterfeit products and a stand: needs that were emphasized in the consumers focus discuss shops/retail outlets. This is coupled with increasing prices thus





8.4 Awareness of Kenyan Products

Which of the following statements best describes your experience with	Has Purchased	Fully aware	Ever heard of	Never heard of it
1. Construction products like iron sheets	28.14	29.87	15.58	26.41
2. Kitchen items like cooking oil	73.71	15.52	8.62	2.16
3. Alcoholic products like beer	23.38	10.82	26.84	38.96
4. Soft drinks like juice	4	5.78	19.56	70.67
5. Toiletries like washing detergents	15.22	13.04	35.65	36.09
6. Steel products like sufurias and pans	33.63	19.47	22.12	24.78
7. Insecticide like anti-mosquito spray	2.16	5.19	9.09	83.55

This study investigated the rate of awareness of Kenyan brands among Burundian consumers under the above product categories*. Key findings on awareness of selected products are:

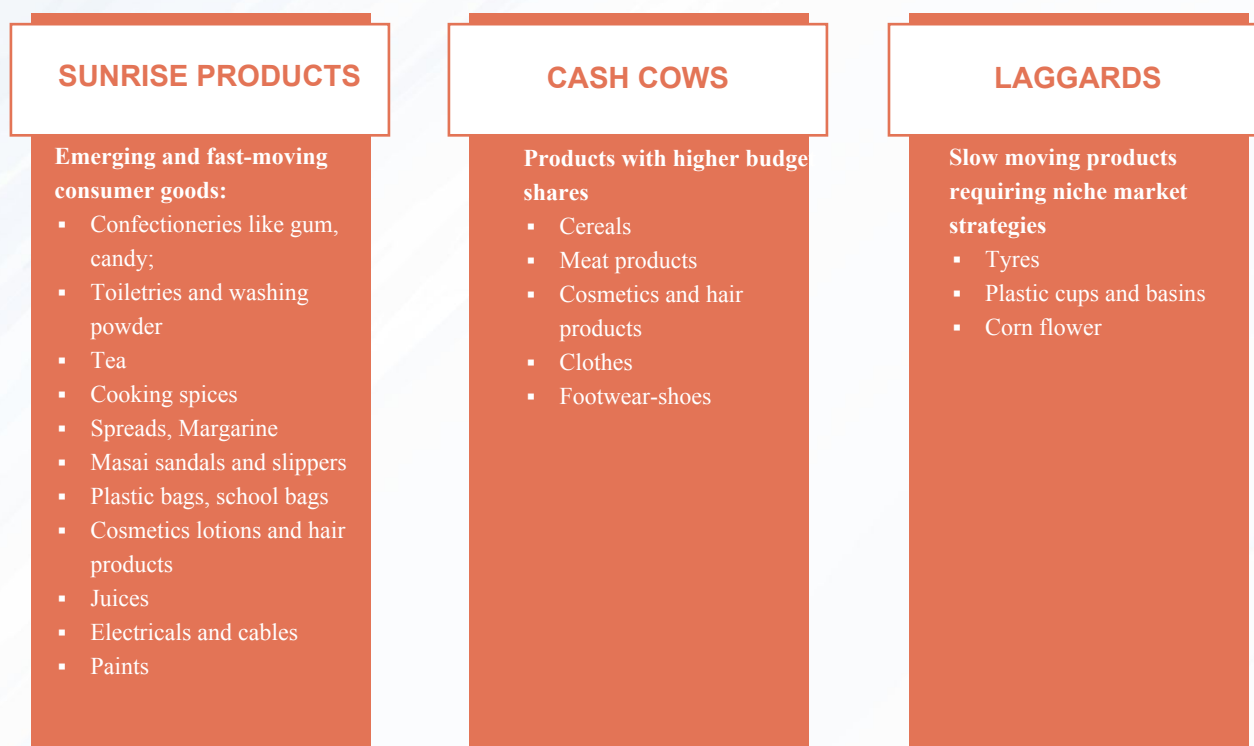
- Awareness of Kenyan products is high across major towns in Burundi.
- Kenyan cooking oils brands have the highest awareness rates at 90% of whom 74% had purchased. This is followed by iron sheets with awareness 58% being fully aware while 28% had purchased.
- Steel products like *sufurias* and pans were also renowned among 53% of whom 34% had ever purchased the products.
- Kenya's alcohol brands were popular among 34% of the HHs with 23% saying they ever purchased the products.
- Awareness of washing detergent brands was low at 28% with only 15% saying they have ever purchased the products.
- Other products like premium soft drinks and insecticides recorded limited brand awareness.

Market Opportunities in Burundi

1. Diversifying to new product categories

- This study audited 3 retail outlets selling Kenyan products in Bujumbura and Ngozi towns in Burundi and discovered that small quantity packaging 'Kadogo' were fast moving and that Kenyan products were 16% higher priced than competitor products. Other findings were:
- Kenyan products were stocked more in outlets with middle- and low-income settlements with a variety of products: spices, tea, cooking oil, washing detergents, cosmetics/hair products, lotions, margarine and fruit spreads, icing sugar and juices, among others.
- This study noted that Kenyan products are faster moving than competitor products. The shelf space allocation was medium especially in bigger supermarkets where foreign products had higher shelf occupancy.
- Kenyan brands are 16% more expensive than competitor products from Uganda, China and Belgium.
- Smaller quantity packaging were faster moving than bulk sizes.

Kenyan exporters and manufacturers should diversify their product strategies to exploit the market for three segments categorized as sunrise, cash cows and laggards product categories.



2. Innovation by Using Locally Sourced Inputs to Benefit More from Common External Tariff

- Kenyan manufacturer should Innovate with use of locally sourced inputs to Benefit from the Common External Tariff.
- Producers and manufacturers who source inputs within the EAC or import should aim to process within compliance with the provisions in the EAC rules of origin guidelines.
- Obtaining the rules of origin certificate has immense tax benefits while exporting within the East Africa partner states.

3. Utilize Burundi's Strategic geophysical Location to reach Eastern DRC Markets

- Rwanda is strategically located convenient to access Eastern DRC towns: Goma, Bukavu, Uvira towns through Uvira border.
- Eastern DRC markets have high economic power than Burundian consumers.

4. Leverage Trade Exhibitions and Market Events held in Burundi and other towns

- Exporters of Kenyan products who participate in trade events organized by various stakeholders in Burundi to exhibit their products and more importantly to identify local partners in distribution or marketing of the products.
- The Ministry of Foreign Affairs (through the Embassies), EPC and Trade ministries organize expos whereby exporters can transport goods cross-border and selling during the trade fair tax free.
- Such opportunities provide market intelligence thus leading to more understanding of the markets.





5. Opportunities to Finance Export Business to Kenyan exporters and importers

- It emerged that receiving and making payments was the exporters biggest challenge when it comes to export trade. Exporters require full payment of goods ordered before releasing a consignment.
- Financial service providers could exploit the opportunity to design new financial payment solutions.

6. Establish Local Representation in the Burundi






- Pharmaceutical companies have benefited from having local representatives in both countries who handle customer complaints, support in holding local market campaigns and providing customer feedback.
- Manufacturers of Kenyan products could hold joint market campaigns.

7. High demand for Kenyan commodities

- Burundi is a post-conflict economy and has low levels of industrialization.
- Burundi is largely an imports economy and portend high demand for FMCGs, pharmaceuticals and services.
- In the economy to recovery phase other sectors such as real-estate; construction materials and services, tourism and cosmetics sector will grow.

Debunking Myths About Burundi as a Market

5 Myths about the Burundi market impede Kenyan exporters from making robust export strategies for Burundi as a market. The myths are demystified below:

	SIZEABLE MARKET
	EASY TO DO BUSINESS
	SECURE
	STRONG DIPLOMATIC TIES BETWEEN BURUNDI AND KENYA
	KENYANS SPEAKS ADEQUATE SWAHILI

- Burundi is not a small market, it only has a small geography.** Burundi has a population of 11.1 million with among the highest growth rates in East Africa. Despite recent slow economic growth as a result of the political situation, Burundi has potential to rebound to its growth experienced in 2014.
- Swahili language is understood by most traders in Burundi and adjacent towns of Eastern DRC.** Also, most business registration documents by government institutions are provided in versions of French and English languages. Kenyans trading in this region will be just fine with English and Swahili.
- Kenya's strong bilateral ties with Burundi supports trade of Kenyan products to this market.** Kenya has an Embassy in Bujumbura and a vibrant association of Kenyan traders in Burundi.
- Burundi is a secure and safe trading environment contrary to the media perception of high violence.**
- Easy to start company and do business in Burundi (World Bank, 2019)** Business registration takes a day with the registrar providing templates such as the Articles and Memorandum of Association.

Burundi market constraints

This study identified the following constraints as key hindrances to Kenya's export trade to Burundi:

1. Unavailability of Kenyan products is a consistent challenge across major town in Burundi.

Household customers decried more than the increase in price, the profound challenge of accessing their preferred Kenyan products in local retail shops. This was echoed by local traders who experienced months of delays in obtaining their order deliveries thereby failing to meet the high demand for certain Kenyan brands.

2. Weaknesses in Exporter Distribution Mechanisms.

Despite the high demand for Kenyan products this study noted that Kenyan products were mainly available in major towns(Bujumbura and Ngozi) with no constant supply in towns such as Gitega, Muyinga, Rumonge and Kayanza. It was also evidenced that the exporters lacked local agent representatives in Burundi who could gather market intelligence to inform the distribution strategies. There is low awareness among exporters of the market landscape in Burundi and what distribution channels would best achieve deep market penetration of the export products. Most exporters rely on dealers who purchase the products in Kenya with no clear local distribution strategies.

3. High Transportation Costs Resulting from Border Delays.

Importers of Kenyan products to Burundi market highlighted that border delays increase the cost of transportation which are born by the customers through price hikes. It was noted that a truck ferrying goods from Kenya to the Rusizi or Namanga borders makes on average four stops, where illegal road levies and parking fees are charged estimated at KES 1,000-5,000 per road bloc. There are levies charged by county governments (tilling Kaputa and Kiruhura districts) increasing the cost of transport.

Other Non-Tariff Barriers were reported at the border with Uganda (Katuna border) and Kenya-Tanzania (Namanga borders) where the customs officials are stringent and the delays in crossing in/to Uganda and Kenya on the two respective routes. This problem is heightened by the Rwanda and Burundi border differences that are yet to get resolved.

4. Political Situation and the Interim Foreign Exchange Controls in Burundi.

It was impressive that the business community in Burundi is resilient to the political situation and the interim foreign exchange controls emplaced in the 2016-2018 period. However, the 'rationing' of foreign currency may have had direct impacts such as reducing the supply of Kenyan products in the Burundi market.

5. Customs Systems efficiencies. Transporters ferrying goods across borders along the Uganda, Rwanda and Burundi routes noted that lack of harmonization of the customs systems increases delays at the borders. One transporter noted that a rotation code issued by the Kenya Revenue Authority customs system in Nairobi may fail to be read by the Uganda system and the Rwanda systems causing border delays. The scanner systems were also found to fail resulting to manual interventions that are much slower.

6. High cost of financial transactions. The importers and exporters reported that bank transfers from Kenya to Burundi, with regional banks costs 4% of the transaction value. Despite the risks involved, most of the traders result in carrying dollars in cash. There is also lack of a trust among traders whereby the exporters require full payment before releasing a consignment to Burundi. This inhibits remote import trade despite the existence of transport agencies.

7. Low Compliance by Exporters to Customs Requirements. Exporters are held responsible for ensuring that dealers or importers transporting goods comply with the customs management rules including appropriate declaration and payment of determined tariffs. Manufacturers revealed that non-compliance by dealers is a key challenge that results to penalties from the authorities.



Conclusions

11.1 Rwanda and Burundi are Strategic Markets for Kenya's Products

Rwanda and Burundi are slowly emerging economies moving towards free market systems which portend both opportunities and challenges for the Kenyan export market actors. The governments have been recognized by the World Bank Ease of Doing Business Index (2019)* for tremendously reducing complexity and cost or strengthening institutions making it easier to start business, enforcing contracts and trading across borders. Despite heavy reliance on donors for reconstruction and development, both economies who are recovering from post-political conflict have benefited from Foreign Direct Investments from Kenyans and are therefore respectful of the Kenyan trade community.

Rwanda and Burundi markets together have a population of 25 Million, with high population growth rates** (2.4 % Rwanda and 3.3% for Burundi) and among the highest rates of urbanization at 6.4% and 5.7% respectively. This implies higher demand and market growth especially for household consumed commodities in both countries.

Kenya maintains strong bilateral relationships with the two countries who are committed to the East African Community trade agreements. Rwanda and Burundi are members of the World Trade Organization trade facilitation committee, an observatory that ensures adherence to rules of origin, common external tariffs and elimination of NTBs. The implementation of the common market protocol in the two countries is seamless facilitating free movement of labor and capital to and from Kenya. The manufacturing industry in Kenya is therefore poised to benefit greatly from this integration given the lower levels of industrialization in Rwanda and Burundi.

The two countries are strategically located to adjacent markets such as Eastern DRC, Northern Zambia, and Western Tanzania which can be best served from Rwanda and Burundi. Access to Eastern DRC: Goma through Rubavu (Gisenyi border), Uvira and Bukavu through Bujumbura (Uvira border), Northern Zambia through Bujumbura (Lake Tanganyika) and Western Tanzania through Kobero border which is nearer Burundi's capital (Bujumbura) than major towns in Tanzania. Opportunities in the Rwanda and Burundi markets should therefore be considered in the greater context of providing access to DRC, Zambia and Western Tanzania.

**World bank Ease of Doing Business -2019 **http://data.un.org/CountryProfile.aspx/_Images/CountryProfiles (2015)*

11.2 Factors for the Declining Kenya Exports to Rwanda & Burundi

1. Macro factors

An analysis of the macro environments in the Kenya, Rwanda and Burundi markets revealed the factors influencing this trend as follows:

- i. Strains in bilateral relations between Rwanda and Burundi, Rwanda and Uganda; Tanzania and Kenya which affect cross-border trade for Kenyan goods in transit
- ii. Non-Tariff Barriers (NTB) especially multiple roadblocks and inspection of trucks ferrying Kenya goods in transit especially via Tanzania to Burundi
- iii. Foreign Exchange (FOREX) related factors ranging from availability of dollars to different EAC countries running varying exchange rate regimes which constraints importers of Kenyan goods
- iv. Trade policies such as protectionism versus investment promotion initiatives.
- v. Intermittent shocks such as the demonetization and devaluation of currency .

2. Supply-side Factors

- i. High cost of production faced by Kenyan companies (despite Kenya being rated #61 on Ease of Doing Business (WB, 2019) due to electricity, labour costs, transport costs
- ii. Competition from China and India (effects of globalization)
- iii. Growth in local capacity of industries in the target countries
- iv. Relocation of manufacturing operations by Kenyan firms into target countries (FDI outflow from Kenya)
- v. Weaknesses in distribution strategies by Kenyan manufacturers
- vi. Attractiveness of operating environment in Rwanda and Burundi (including Special Economic Zones giving incentives for export-oriented investors)



3. Demand-side Factors

- i. **Shift in demand due to affordability/availability of substitute goods:** Consumers of clothes, shoes, paints and napkins have shifted preferences to buy cheaper substitutes from Uganda, Tanzania and China. The Chinese have a strategy of making their goods available by having agents working directly with local traders.
- ii. **Growing demand of Kenyan products.** Supermarkets and shops in Rwanda and Burundi are stocking Kenyan goods from juices to flour to soaps, spices, beverages, detergents, etc. Kenyan footwear and pens are associated with a high sense of style and status while flowers, medicaments from Kenya are known for affordability and quality.
- iii. **Globalization and dumping:** Despite strict standards, Rwanda and Burundi still grapple with infiltration of counterfeits which are creating consumer apathy.
- iv. **Effect of inflation:** Increase in prices has affected purchasing and consumption habits resulting to consumers buying lower quantities and switching to lower quality products. "Price of sugar has gone up. Last month a kilogram of sugar was at RWF 700 now its RWF 1100. Last time I could buy like 5 kilograms of sugar but now I can only buy 1 kilogram" (evidenced by consumers in Kayanza, Burundi).

4. Customs and related barriers

This study revealed that, following customs harmonization of the customs union protocol which has EAC single customs territory, tax and standards harmonization, it has become easier for traders to export to East Africa. However, there are still complaints about delays for clearance procedures at the ports of entry/exit, weighbridges and numerous roadblocks. Even though Rwanda and Burundi display greater recognition of standards from Kenya, some Kenyan goods are still being tested but this mainly affects goods which lack the EAC rules of origin certificate.

Recommendations and strategies

This section provides recommendations-to exploit the identified market opportunities- through exporter strategies, trade facilitation and policy interventions for various stakeholders involved in promoting Kenya's exports.

Analysis of the Rwanda and Burundi markets for Kenyan exports has evidenced similarities in the factors influencing trade in both countries. Such as:

- Cultural dynamics: Rwanda and Burundi are the same people with common language only separated by political borders.
- Proximity to Kenya. Rwanda and Burundi are fairly in proximity with Kenya and are accessed through the same borders.
- Similar border constraints are affecting trade especially in Gatuna, Namanga and Kanyaru borders
- Similarities in product categories sold to the two markets regional manufacturers
- Both countries are reliant on imports to meet their household demand.

This study has therefore established common strategies and recommendations ideal for both markets addressed to the key stakeholders:

Recommendations of Exporters: Strategies for Rwanda and Burundi Markets

Understanding the market and making product tweaks in features such as packaging sizes and packaging materials to align with customer willingness to pay and changing preferences.



1.Product Strategy

The analysis of Rwanda market is that it is a battleground market with its consumer market being lower emerging middle-class segments characterized by price sensitivity, demanding high quality products (global standard) and localized features.

Rwanda and Burundi are Battleground Markets

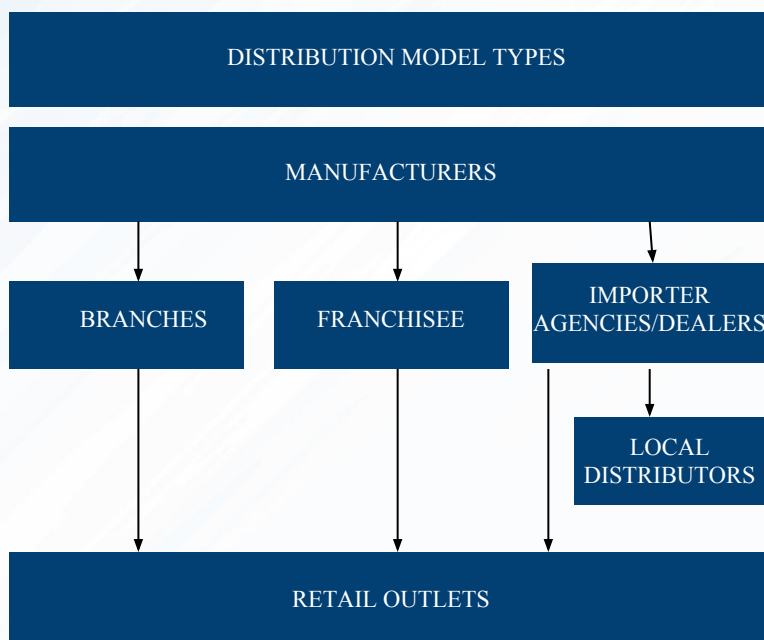
Segment	Global	Emerging middle class		Local	Bottom
Price	Global	Global	Local	Local	Lowest
Quality	Global	Global	Global	Local	Lowest
Features	Global	Local	Local	Local	Fewest
Advantage	Multinationals	Battleground	Battleground	Domestic	Domestic*

** Some foreign companies have targeted this segment with products that require foreign technology though with reduced features and subsidized initiatives.*

A framework proposed in the 'Winning in Emerging markets' by the Harvard Business Review Press (2010).

- Kenyan manufacturers need to offer products that meet the needs of their customers in Rwanda and Burundi. For this, they need local knowledge to redesign products that satisfy unique local needs, retaining only those features that are truly valued by customers without sacrificing quality. Some of these features may include the packaging materials and the size/quantities variations to cater for lower income households.
- Provide anti-counterfeiting product features to ensure that customers can differentiate from counterfeit goods infiltrating the market.

2. Distribution strategy



Exporters use blended distribution models direct, franchise and dealers, all which have varying risks and controls levels. The models are described on the left:

Distribution model characteristics:

- **Establishment of local branches.** In this model, the manufacturer registers a local company in the target country and manages locally, further distributions to retail stores outside the capital towns. The manufacturer manages the cross-border transportation logistics and the requisite customs obligations.
- **Branded franchisees and management contracts.** The manufacturer in this model works with local companies in the target country that have established distribution networks in major towns. The franchisee obtains the products from the manufacturer with no payments but manages the logistical and requisite customs obligations to deliver the goods to the local hubs/outlets. The manufacturer benefits from a proportion of the sales revenue at the end of the month, while the franchisee bears the operational costs and draws a net profit. This model is preferred by manufacturers who prefer to focus on production rather than distribution.
- **Dealerships.** This is the most common exporter distribution model as it has minimal risks. The dealers usually hire trucks to ferry assorted goods including competitor products. Manufacturers are pushed to accept lower margins to ensure that the dealers buy large stocks of products. Exporters are liable to non-compliance of the dealers to customs exports requirements such as disclosure, and Rules of origin.

To strengthen their distribution strategies, exporters/ manufacturers of Kenyan products should:

1. Exporters should develop clear strategies **that value relationships and provide a competitive proposition to distribution chain players**. Franchisees who have developed distribution outlets across major towns should be preferred. Dealers would be best fit to channel the products in the smaller towns. However, important to maintain these relationships is the benefits: discounts, return-policies and credit facility. Clear standard level agreements (SLAS) should be enforced with the distribution actors to safeguard from brand erosion and competition.
2. **Market intelligence gathering** is a critical factor in ensuring that the distribution challenges remain relevant to the changing market environment in terms of consumer characteristics, competitor activity and other market factors.
3. Also important is to practice **professionalism when working with local trade agencies** e.g. importers, transport marketing agencies such as honoring contractual and general trade agreements.
4. **Deepen market penetration to non-capital areas**. The product audit revealed that many Kenyan products are available in capital cities and not so much in other towns.

3. Marketing Strategies

- Manufacturers are prioritizing distribution linkages over market linkages despite Rwanda and Burundi being nascent markets for most Kenyan products.
- Manufacturers should appoint local representatives to maintain relationships with the distributors and customers
- Conduct product launches and road shows in and out of the capitals to create awareness and consumption.
- Importers and distributors in Rwanda and Burundi, recommend support from manufacturers in marketing activities that would increase demand for the products.
- Offering price discounts in markets or periods when there is low demand or low consumer purchasing power.



A market strategy is important in creating awareness and influencing purchase of a commodity. More importantly a powerful marketing strategy should provide useful feedback on any changes in consumer preferences, attitudes and new market needs. (Kotler and Armstrong, 2010)

Recommendations for Trade and Policy actors

4. Establish Local Warehouse Facilities in Rwanda and Burundi

Cross-Border transportation is the biggest challenge when it comes to export trade. However, the study established that the per unit costs incurred reduce as the quantity involved increases. Demand for Kenyan products is projected to grow and spillover to adjacent countries DRC, Zambia and Tanzania buoyed by the positive attitudes towards Kenyan products.

A market approach to resolve the distribution weaknesses is therefore recommended. A warehouse establishment is recommended in strategic towns. **The Ministry of Trade, Kenya** can leverage the good bilateral relationships fostered by the Ministry of Foreign Affairs and the willingness to collaborate by the local trade ministries in Rwanda and Burundi provide warehouse facilities for Kenyan products. A selection of the most traded products in these markets should be done including among others: Pharmaceutical products, toiletries/washing detergents, confectioneries, clothing and footwear

The proposed strategic locations for the warehouses are:

- Gisenyi in Rwanda for ease of reach to Goma in DRC.
- Bujumbura in Burundi for ease of reach to Eastern DRC Uvira and Bukavu towns

5. Hold Regular Match-making Trade Fairs in Rwanda and Burundi

This study revealed the need to facilitate networking between Kenyan and Rwandan and Burundian traders. By fostering good relationships with the right partners, Kenyan manufacturers/exporters and local importers and distributors can increase work together to lower costs of transportation and build robust distribution mechanisms.

The organizers should involve the Kenyan business community to expose them to the local context of Rwanda and Burundi. This is a great opportunity for the exporters to also challenge their perceptions about the markets. The exhibitors should include a diverse portfolio of Kenyan exporters beyond Maasai sandals and art crafts. During these networking forums Kenyan exporters can learn from those who are operating in the country as well as those exporting.

6. Create a Knowledge Hub for Kenyan Exporters to Increase Compliance to Market Requirements

Findings of this study such as low awareness of market requirements and dynamics such as -Changes in Tariff Headers' require Kenyan exporters to be up to the minute with the guidelines.

The Export Promotion Council should work with Kenyan manufacturer and trade associations to design a knowledge hub with repository on major guidelines, briefing notes or communication on revised market requirements. Export Promotion Council should work with the embassies in Rwanda and Burundi who gather routine market intelligence and disseminate in the knowledge hub platform. It is also crucial to utilize social media as an engagement strategy for exporters dealing with diverse products.

