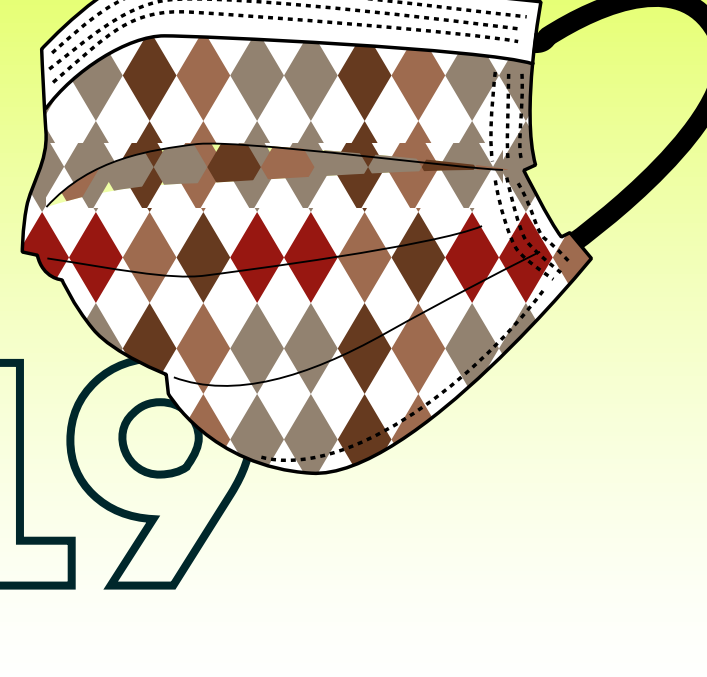




COVID-19



IMPACT OF COVID-19 ON CONSUMERS & CORPORATES IN KENYA

HOW NEEDS, EXPECTATIONS AND BEHAVIOURS ADAPT IN THE PRESENT AND FUTURE FOR SILICON SAVANNAH

by
NENDO

Insights that drive income and impact

Introduction

With millions ill, hundreds of thousands of lives lost and markets reeling in the wake of the COVID-19 pandemic, the globe continues to come to grips with the impact of the Novel Coronavirus.

People's health and wellbeing, as well as their behaviour and routines have been affected. Nendo, in response to this, has done a review of ten sectors in a bid to explain the impact and the consequences on the individual consumer and the institutions - be they public or private - that are part of that sector.

Nendo uses the word 'demand' to capture the ongoing changes. Nations and states across the world are taking measures to mitigate the impact of COVID-19. As a result, consumer and corporate demand is changing.

Within this are new patterns of behaviour, needs, and expectations.

The impact of COVID-19 in a number of cases has been fatal. Businesses have shut down, institutions have laid off employees, cut wages, and individuals' livelihoods have been upended. In some cases, COVID-19 is accelerating digital transformation. Necessity is the mother of invention and the world is defining means of communication, collaboration, and cooperation while combating the virus.

This report seeks to cover the impact of this on Kenyan society with illustrations and implications for each of the following sectors:

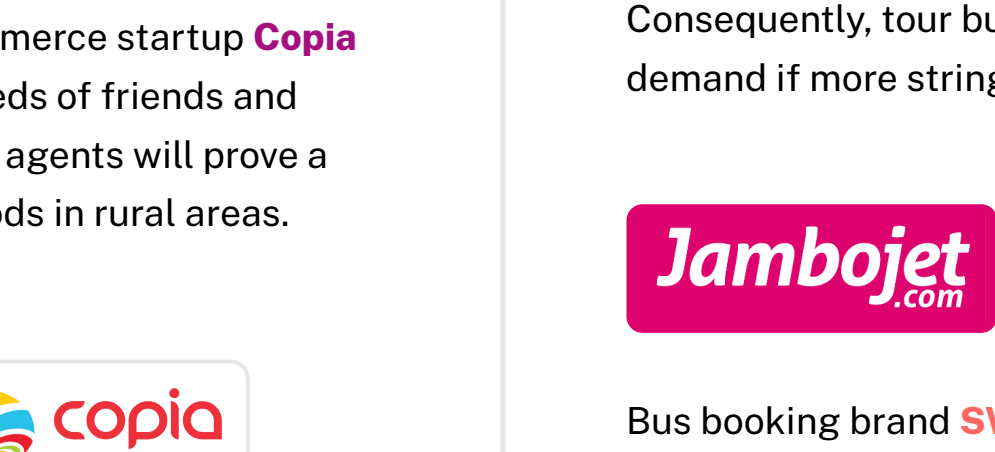


RISING DEMAND

Trusted marketplaces for boda boda riders such as **SafeBoda** can expect to gain in prominence. Their brand proposition of safety standards and above-average customer experience positions them as the preferred option for movement of cargo or customers.

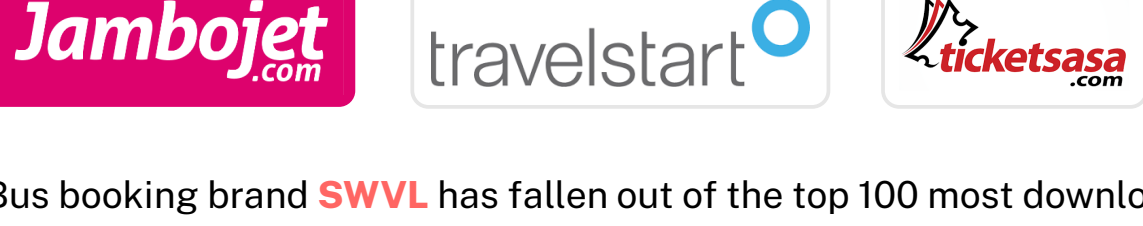
Inter-county logistics companies such as **Sendy**, which connects an ecosystem of motorbikes, pickups, vans and lorries through a mobile app, have become uniquely positioned. Such services are likely to see an increase in demand as Kenyans seek logistical solutions.

With limited inter-county movement, rural e-commerce startup **Copia** can expect additional demand to cater to the needs of friends and family up-country. Their peer-to-peer network of agents will prove a valuable resource in sourcing and delivery of goods in rural areas.



Transport

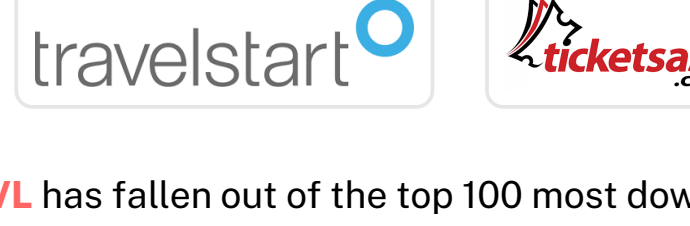
Inter-county travel has been limited in respective counties for a 21-day period. Consequently, tour bus, shuttle, and fleet operators may experience lower demand if more stringent 'lockdown' measures are put in place.



Bus booking brand **SWVL** has fallen out of the top 100 most downloaded apps in Kenya. The brand has adapted by incorporating trips to cater to riders who must move between locations. The Egyptian-bus app is among the best positioned mobility startups to create the 'new normal' of how social distancing looks in commuter buses going forward.

DISRUPTED DEMAND

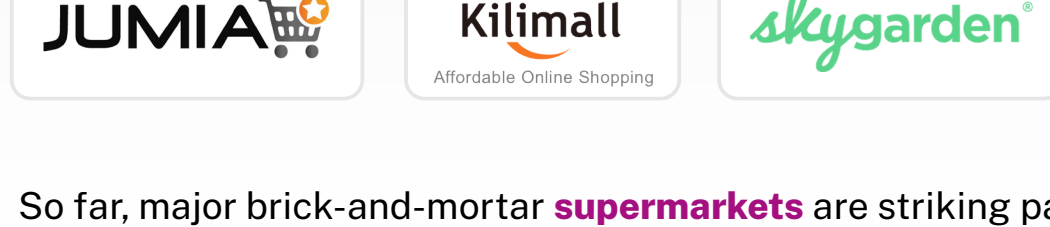
Ride-hailing companies such as Uber, Little and Bolt will experience the impact of the social distancing and stay-in-place orders. A sizable drop in total rides per day will continue as long as the curfew and limited mobility is in place.



Travel websites such as low-cost airline Jambojet.com have seen a complete drop in website search queries and share of voice during this period.

RISING DEMAND

e-Commerce players such as Jumia, Kilimall, and SkyGarden are experiencing greater demand during COVID-19. However, their supply chains may suffer to satisfy demand depending on how soon China and Asia rebound after COVID-19.



So far, major brick-and-mortar **supermarkets** are striking partnerships to accelerate their digital transformation and serve customers: For example:

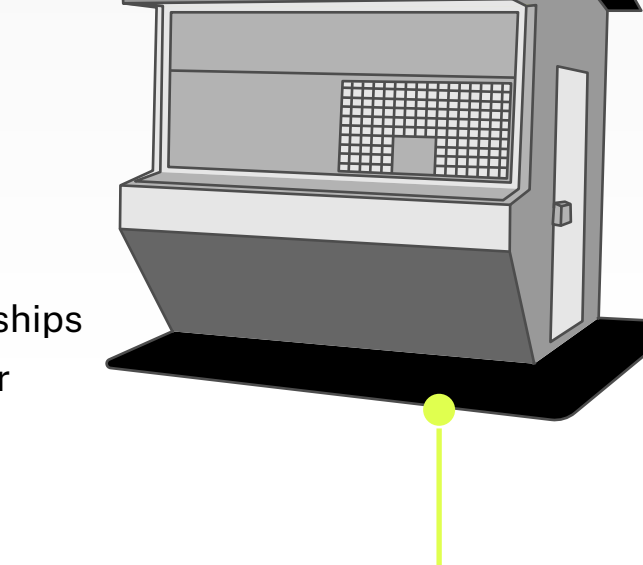
01. Tuskys partnered with Sendy
02. Carrefour partnered with Jumia
03. Naivas partnered with Glovo

Kiosks and local stores will benefit from being closer to customers and from their small size. The 'kadogo' economy will be put to the test and stretched to its limits. Building stock-keeping units (SKUs) for this period will be key.

Solutions built with a **pay-as-you-go** model will thrive during COVID-19. **M-Kopa**, for example, permits its customers to pay for solar power one day at a time. **PayGo**, **Envirofit**, and **M-Gas** offer liquefied petroleum gas (LPG) cylinders that release pay-as-you-go gas using a smart-meter. This means that a customer can pay a few shillings to fry one egg or cook one meal at a time, based on their disposable income.



Retail



DISRUPTED DEMAND

Shopping malls and their tenants will face significant business pressure as brick-and-mortar retail suffers from less foot and car traffic.

The brands agile enough to blend delivery into their business models stand a better chance of weathering the storm.

Stalls and microenterprises in the busy Central Business District may experience less footfall and sales as consumers spend on essentials, non-perishables, and fast moving consumer goods.

Mama Mbogas may benefit in the short term provided they can keep up with the supply of fruit and vegetables in and out of Nairobi, Kilifi, Mombasa and Kwale Counties respectively but may have their industry disrupted in light of issues with mobility.

Supermarkets face tougher times screening and implementing measures to deal with the threat of COVID-19 and providing a safe shopping experience.

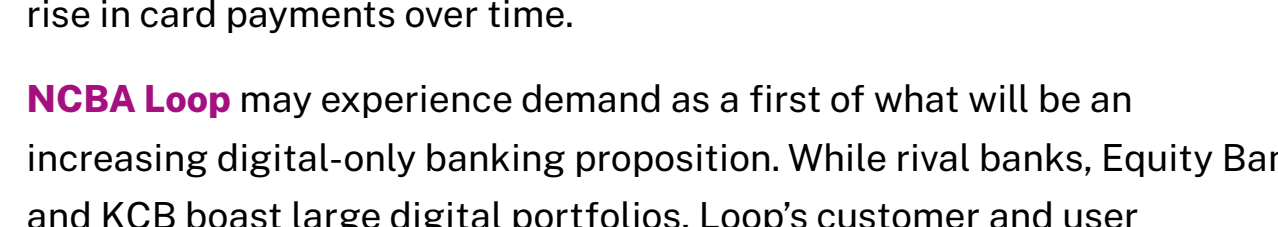
RISING DEMAND

The demand for **mobile money transfer** has increased. This is aided by the Kenya Central Bank's decision to lift the ceiling on mobile money balances. Here, daily limits of KES 300,000 (\$3,000) in transaction and in mobile wallet limits respectively were set. PesaLink and Safaricom's M-Pesa have also waived fees on respective transfer limits.

There will be increased demand for **online banking**. Banks have been encouraged to open up their mobile and online banking platforms in a bid to move away from cash. This includes suspending fees for customers checking balances and performing Bank-to-Mobile Money wallet transfers.

Besides mobile money, **VISA** and **MasterCard** will see greater demand for their cards and a rise in payments by plastic. While it may not come close to mobile money, the percentage of cashless transactions will lead to a rise in card payments over time.

NBCA Loop may experience demand as a first of what will be an increasing digital-only banking proposition. While rival banks, Equity Bank and KCB boast large digital portfolios, Loop's customer and user experience may set it apart and give it an advantage in the short and medium term. The digital transformation agenda of legacy banks isn't purely on technology but also in attracting and cultivating an audience. Loop's mobile app and ground-up design integration with mobile money will be one to watch.



Financial Services & Payments

DISRUPTED DEMAND

Banks are set to be inconvenienced as they restructure corporate and consumer debt and manage the impact on their growth and projections.

There will be less demand for technology products and solutions from the **tech-illiterate**. Members of society who do not own a smartphone may find themselves at some disadvantage. They will require the knowledge on how to transact, communicate, and participate in the present economy.

Cases of fraud around mobile money and card payments as well as identity theft are likely to emerge as individuals may aim to take advantage of the less technologically literate in society.

The lending industry will be disrupted. Lending apps in the **Digital Lenders Association of Kenya** for example, have waived late fees on customers.

Market leading mobile app **Tala** has adapted to the Pandemic by launching a KES 600 million (\$6 million) COVID-19 Rebuild Fund to lend to essential-services businesses.

Mobile apps are also slowing their decision process from minutes to days, as the impact hits consumers. The non-performing loans ratio can be anticipated to rise while the apps see dampened growth.

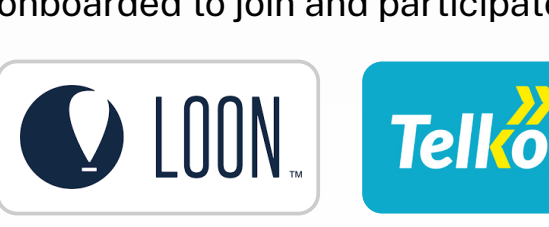


RISING DEMAND

BRCK, as providers of free Wi-Fi, will be critical to watch at this time. Their models of permitting users to 'earn' their connectivity by completing research and other activities may attract consumers eager to save cash without sacrificing connectivity.

However, social distancing measures may mean that BRCK's infrastructure may not be fully utilised. This is because there will be fewer passengers inside buses and around bus stops.

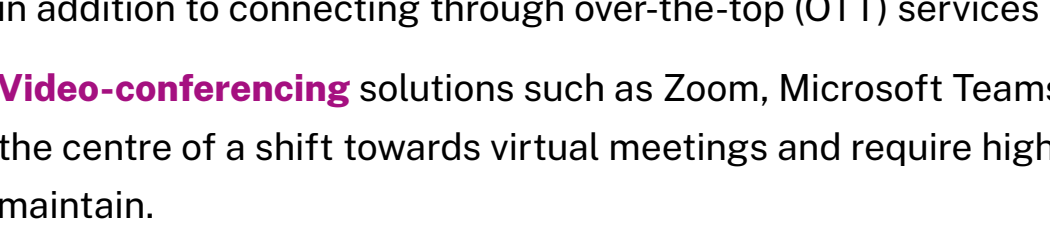
Poa Internet, with its Wi-Fi home broadband connectivity in informal settlements and underserved areas, will likely see a spike in web traffic due to limited movement in and out of these residential areas.



Telkom Kenya and **Google's Loon** project are beaming 4G connectivity from the Telkom network into remote and under-connected areas. Increased demand for connectivity where the physical infrastructure is yet to be built could see new users onboarded to join and participate online.



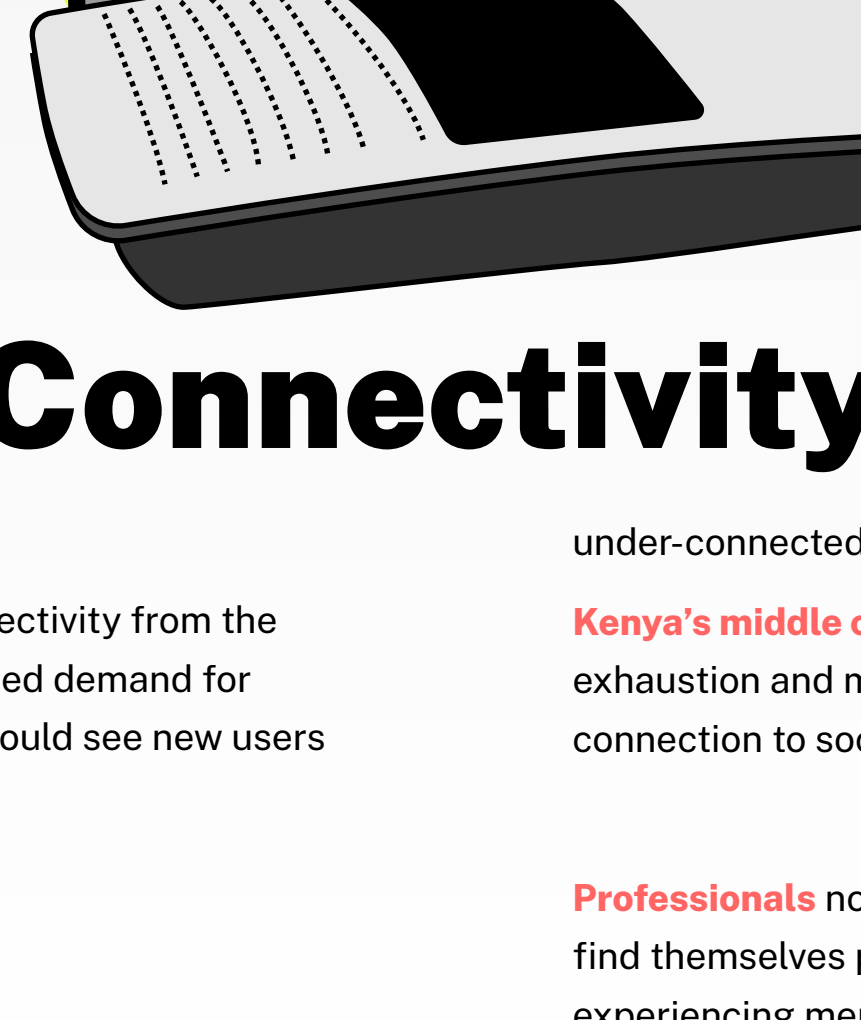
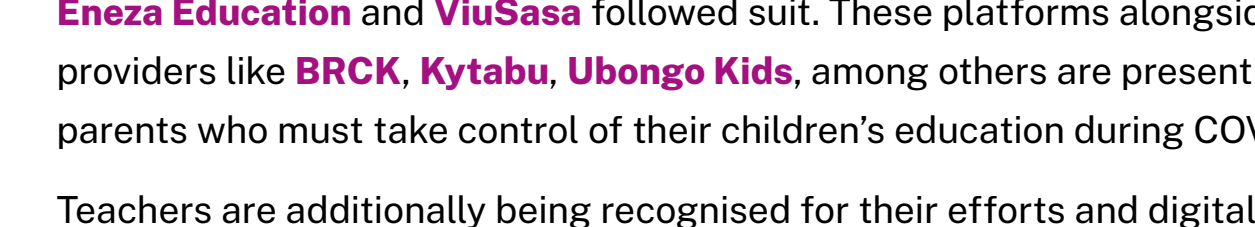
Internet Service Providers such as Safaricom Home Fibre, Zuku and Faiba will experience new demand and consequently strain on their networks. Quality of service, speeds and outages will undergo close scrutiny as customers expect to stay connected.



Mobile networks will experience quality of service challenges as residential areas experience higher traffic for persistent periods of time.

The amount of airtime being consumed will also be higher as people talk on the phone in addition to connecting through over-the-top (OTT) services like WhatsApp calls.

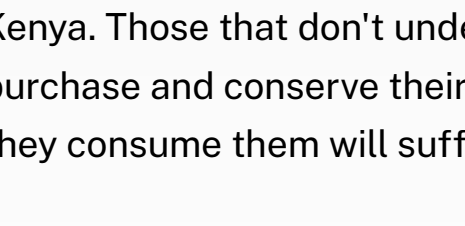
Video-conferencing solutions such as Zoom, Microsoft Teams and Google Meet are at the centre of a shift towards virtual meetings and require high fidelity connectivity to maintain.



Connectivity

DISRUPTED DEMAND

The Kenyan Internet Exchange Point is set to experience its greatest pressure on bandwidth. Globally, streaming platforms such as Netflix have been directed not to stream movies in HD and Ultra-HD. YouTube is similarly disabling 4K videos in developed countries.



As Nendo posited in the **2019 State of Mobile Data: Connection, Consumption and Control**, megabytes are a form of 'currency' in Kenya. Those that don't understand how to purchase and conserve their mobile bundles as they consume them will suffer from being

under-connected.

Kenya's middle class consumers may experience fatigue, exhaustion and mental health challenges due to persistent connection to social media and the internet.

Professionals not already on the front lines of the pandemic may find themselves providing virtual consultations to those amid experiencing mental health challenges.

Organisations such as **Mental 360** will rise in prominence as businesses, teams, individuals and families come to grips with the mental health impact of COVID-19.

RISING DEMAND

There is increased demand for e-learning platforms. Parents also benefit from easier access to material. **Longhorn Publishers** for example, has waived all fees for its Class 1 to Form 4 curriculum.

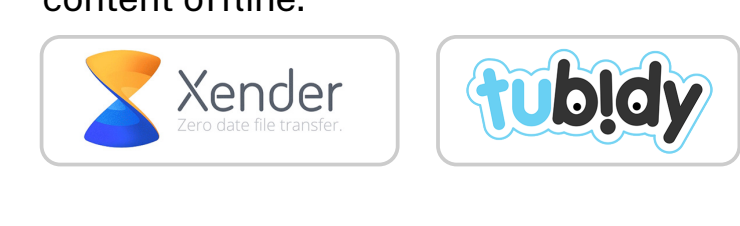
Eneza Education and **ViuSasa** followed suit. These platforms alongside e-learning providers like **BRCK**, **Kytabu**, **Ubongo Kids**, among others are presenting options to parents who must take control of their children's education during COVID-19.

Teachers are additionally being recognised for their efforts and digital tutoring through video is growing in demand.



While **piracy** is often mentioned when it comes to entertainment content such as movies, education content may be one of the next areas to experience this. DVDs and flash disks with local Kenyan curriculum video material will grow in demand. While it may be sourced from online platforms, it is likely to be sold for offline viewing.

Mobile apps like **Xender** and **Tubidy** which promote peer-to-peer file sharing without using mobile data testify to Kenyans' desire to consume content offline.



Education



DISRUPTED DEMAND

Brick-and-mortar providers of books, school supplies, school uniforms and other associated items will suffer from less demand from parents. While some items can be purchased online, the digital realm provides an alternative that may change the way that books are consumed in the short term.

COVID-19's impact on education will force **publishers** to transform their business models for the present in printing and the future in publishing and digital content.

RISING DEMAND

Kenyans' online mobile data consumption habits as noted in the **2019 State of Mobile Data Report** are likely to be impacted. These include: **Search** i.e. Google.com, **Sports**, **Sex**, **Social media** and **Stories** including local music and news.

TikTok is quickly solidifying its place as the world's leading short-video mobile entertainment platform, as predicted in Nendo's 2020 Trend Report. In Kenya in 2019, TikTok grew 487% in downloads compared to 2018.

Instagram Live is emerging as a key platform for artists to connect with fans. Kenyan R&B and Hip-Hop artist Nyashinski performed to a 15,000 YouTube livestream audience and to 8,000 people on his Instagram Live.

YouTube is emerging as a platform for DJs and entertainers to livestream content. DJs such as DJ Bash, DJ Nijo, and G-Money are among DJs bringing their mixes to their audiences. Their technology switches between YouTube, Instagram, and Vimeo for live streaming as artists seek the ideal platform to connect with their audiences.

Netflix has remained in the Google Play Store and iOS App Store's Top 10 Free Downloaded Apps for the better part of 4 weeks. Netflix traffic on Safaricom's mobile data and home fibre network has risen four-fold from March to mid April.

South Africa's Showmax has reportedly seen a 50% increase in daily active users from March 15th onwards, driven by the country's lockdown.

Globally, **adult entertainment sites** have seen a rise in web traffic, even discounting premium memberships to encourage people to stay home during COVID-19.



Entertainment

DISRUPTED DEMAND

Bars, clubs and restaurants are shut down, except for take-away and deliveries. This impacts the hotel and hospitality industry as well which is undergoing a challenging time with debt and overheads and a lack of the customer support to match.

Sports-betting websites are experiencing lower demand in Kenya given the global slowdown in live sports leagues in football, basketball, rugby and major events. Many have resorted to virtual games of chance including casinos, eSports, and virtual matches.

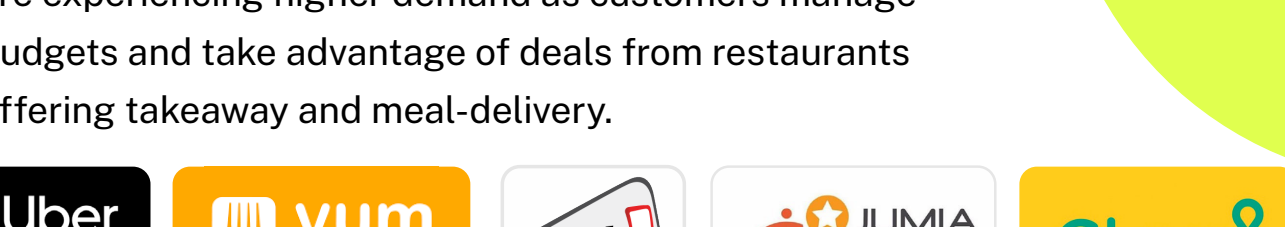
Event, conference, and festival organisers experience low demand with cancellations while artists are losing money from lost ticket sales.

Tourist attractions where social distancing is difficult to maintain are experiencing challenges. Kenya, as a tourist destination, is reeling from restricted movement in Nairobi and Kilifi Counties, a nationwide curfew and a ban on international passenger flights. Public venues have been requested to shut down to abide by the government's social distancing rules.

RISING DEMAND

Dark kitchens, or food and beverage businesses built to serve meals-on-delivery, could see an increase in demand. Uncle Nene's, which serves burgers, wings and fries is one such example and may be a foreshadowing of a larger line of business built for a post COVID-19 world.

Food delivery apps such as Glovo, Jumia Food and Yum are experiencing higher demand as customers manage budgets and take advantage of deals from restaurants offering takeaway and meal-delivery.



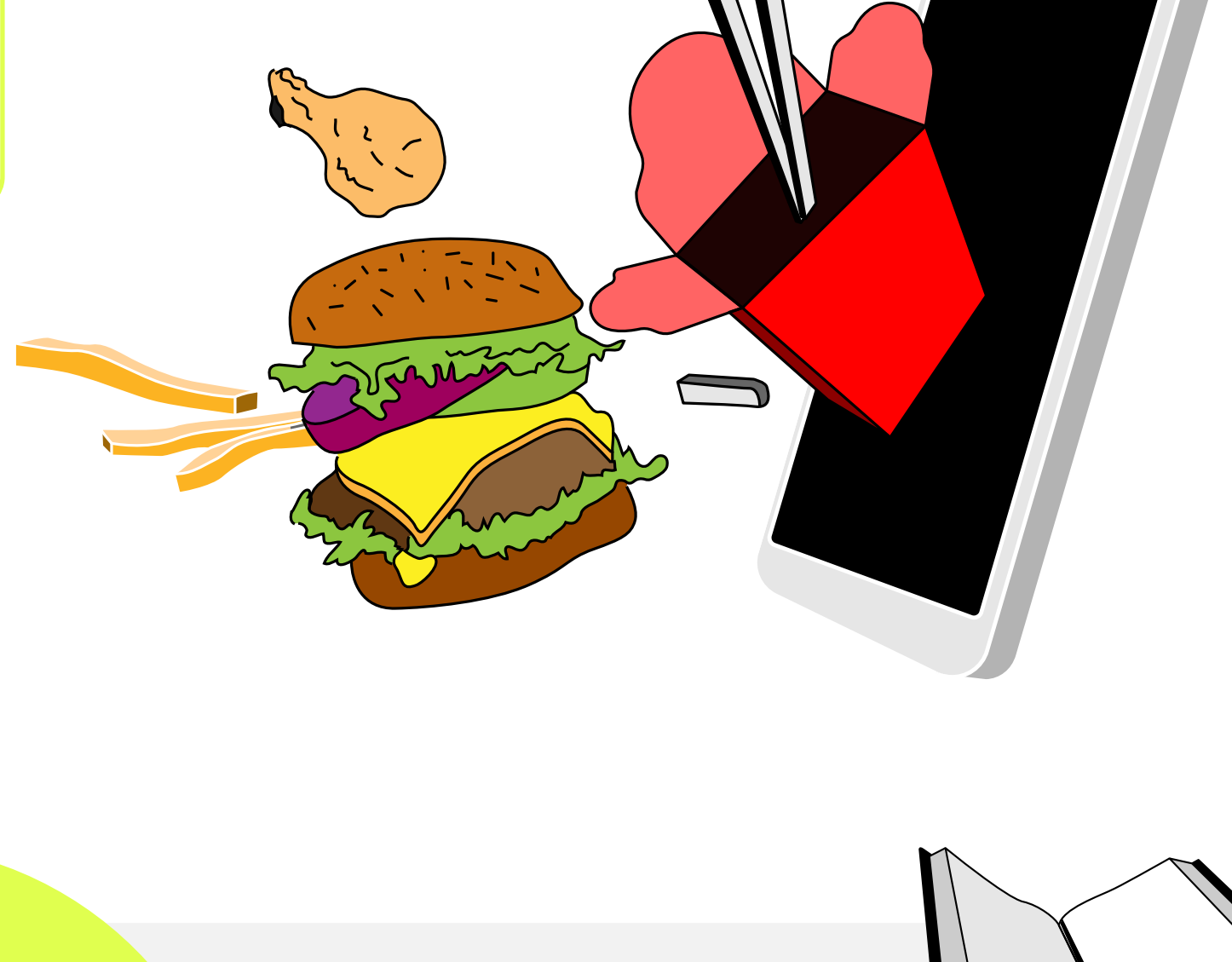
Fast-food outlets are raising their rate of orders for collection and drive-thru.

Alcohol and drinks-delivery services like Chupachap, Yum Turnup, Jumia Party, Dial-A-Drink, Nairobi Drinks, Oaks and Corks, and other

drink-delivery services are seeing a greater demand from customers who are stocking up in anticipation of a lockdown or for sporadic consumption at home.



Food & Supplies



DISRUPTED DEMAND

Consumers lose out as fake suppliers of sanitizers and other in-demand products crop up.

Restaurants with front-of-house and back-of-house staff have had to shut down, close, and lay off staff due to the measures put in place to mitigate the spread of COVID-19.

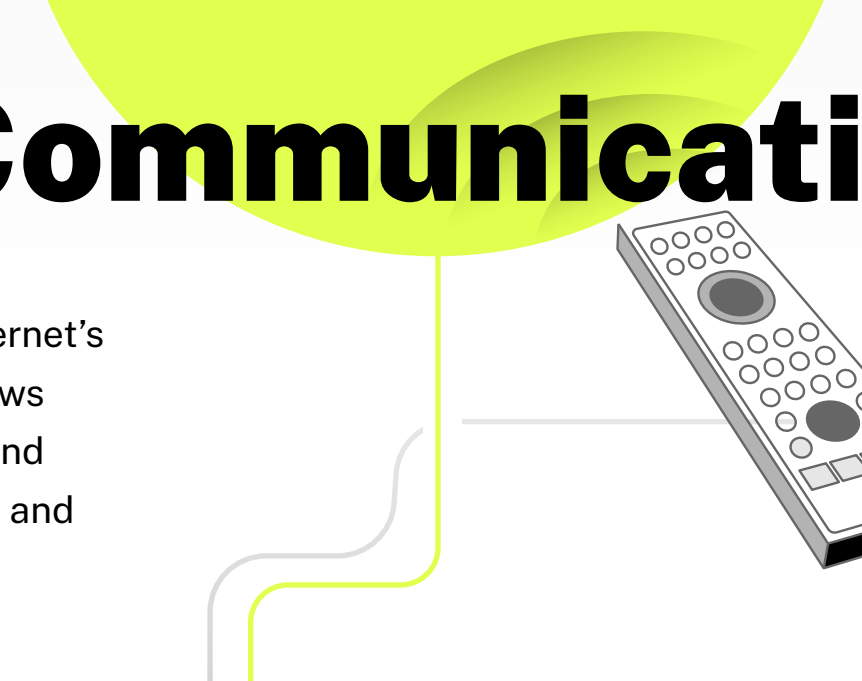
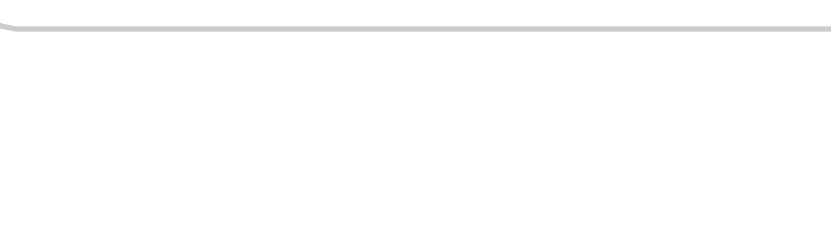
Restaurants serving gourmet meals are having to adapt menus for price and value for customers with lower demand for high-end meals.

RISING DEMAND

Traditional broadcast media platforms are experiencing greater demand. As one of the official sources for government press conferences, radio and television are key touchpoints.

Twitter is experiencing a surge in activity. While it may not be from new users, the platform is considered Kenyan social media's public square.

WhatsApp continues its place as the Kenyan internet's key chat app for groups and individuals. False news forwards and misinformation about jobs, cures, and conspiracy theories thrive in the encrypted chats and private groups of WhatsApp.



Communication

DISRUPTED DEMAND

Social and religious gatherings in churches, mosques, and synagogues are being redefined. We are yet to determine how religious ceremonies such as weddings, funerals, baptisms, and fundraisers will take place in the digital realm. Live-streaming, for those that can afford the mobile data to engage in it, is the present.

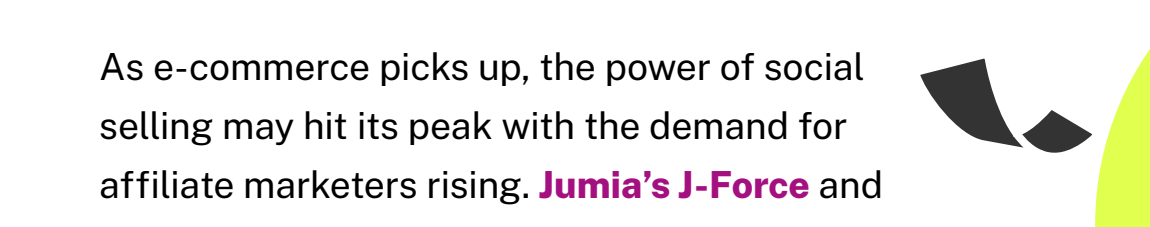
A decrease in **advertising revenue** from clients goes against the marketing convention to spend even during a recession.

RISING DEMAND

Online pharmacies such as MyDawa.co.ke and telemedicine companies will experience increased demand for consultations.

Insurance companies will seek to provide digital vouchers for payment and specialists will require to book and schedule patient consultations virtually.

Affordable and secure face mask providers will experience demand from frontline healthcare workers and the public.



Healthcare

RISING DEMAND

As e-commerce picks up, the power of social selling may hit its peak with the demand for affiliate marketers rising. **Jumia's J-Force** and social media influencers who can incentivize spending and purchase from friends, family, and social circles may generate new streams of incremental income particularly through WhatsApp.



Income Generation

DISRUPTED DEMAND

Day labourers and vulnerable members of society from the informal sector have the greatest risk by staying-in place.

Digital knowledge workers, such as freelancers on Upwork.com, article writers, transcribers etc. will get fewer requests for work in a more competitive market.

Creative professionals who need to meet physically for rehearsals are at a disadvantage when it comes to their ability to gather.

