Selected Thoughts on Retail Modernization in Africa

With Special Reference to Zambia

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Retail Modernization: The Supermarket Revolution

- Early expectations of supermarket takeover, even in Africa
  - In 2003: "… (supermarket) requirements will … become those faced by the majority of farmers… in the next 5-10 years"
- Fueling concerns about exclusion of smallholders and small retailers
- And programmatic initiatives to help (mostly farmers)
- Lots of coverage in popular press
- And continued influence on thinking in many quarters

Retail Modernization: More Cautious Voices

- Goldman (2000) in Asia echoed by Ayieko et al in Kenya: "selective adoption" of supermarkets
- Coca-Cola (2003): "… small retailers (in Latin America) have a sustainable business model"
- Farina and Nunez (2005): Rising shares of independent supermarkets and traditional retailers compared to supermarket chains in Brazil
- Humphrey (2006): "the extent of transformation of retailing (in Africa)… is overestimated".
- Tschirley and colleagues in Kenya and Zambia: low supermarket shares in FFV and tough challenges to grow them

Retail Modernization: More Cautious Voices (2)

- Minten (Madagascar, 2008): "… agriculture for local consumption in poor countries will be largely bypassed by the global food retail revolution."
- Reardon and Timmer (2007): "considerable uncertainty about the rate at which the supermarket sector will grow" in SSA

- This more cautious view is born out by patterns in Zambia
  - 12 years after initial supermarket investment

Retail Modernization: Zambia

Market channel shares by food group, urban Zambia 2008/08

Food Group	Market Outlet: Super-market Chains	Indep. Super-markets & Mini-marts	Grocers	Open Market	Ka Sector	Butchery	Other minor outlets
	---------------- % of total expenditure within the food group -----------------						
Staples	8.8%	2.2%	43.8%	17.7%	22.0%	0.2%	5.3%
Dairy	19.6%	4.1%	38.7%	7.8%	23.4%	3.2%	3.2%
Meat	7.1%	1.6%	5.2%	37.8%	12.8%	28.0%	7.6%
Vegetables	1.0%	0.8%	0.4%	67.6%	27.9%	0.0%	2.3%
Fruit	11.1%	1.9%	0.9%	55.7%	28.1%	0.0%	2.2%
Pulses	3.2%	1.2%	5.3%	74.6%	13.7%	0.0%	2.0%
Other	6.7%	1.6%	29.9%	17.6%	26.3%	0.0%	17.9%
Overall	7.3%	1.8%	21.8%	31.2%	21.7%	7.3%	9.0%

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Retail Modernization: Zambia

Market channel shares by total expenditure quintile, urban Zambia 2008/08

Per capita income quintile	Mean per capita income (USD)	Super-market Chains	Indep. Super-markets & Mini-marts	Grocers	Open Market	Ka Sector	Butchery
		Market Outlet					
		---------------- % of total expenditure over all FFV items -----------					
1 (lowest)	256	0.4%	0.0%	0.2%	67.8%	29.0%	0.0%
2	437	0.2%	0.0%	0.1%	69.4%	27.3%	0.0%
3	638	0.7%	0.0%	0.6%	72.6%	23.9%	0.0%
4	974	2.2%	1.1%	0.4%	63.4%	30.6%	0.0%
5 ('highest)	2,582	9.1%	3.1%	1.0%	57.7%	27.3%	0.0%
Overall	977	3.1%	1.1%	0.5%	65.5%	27.6%	0.0%

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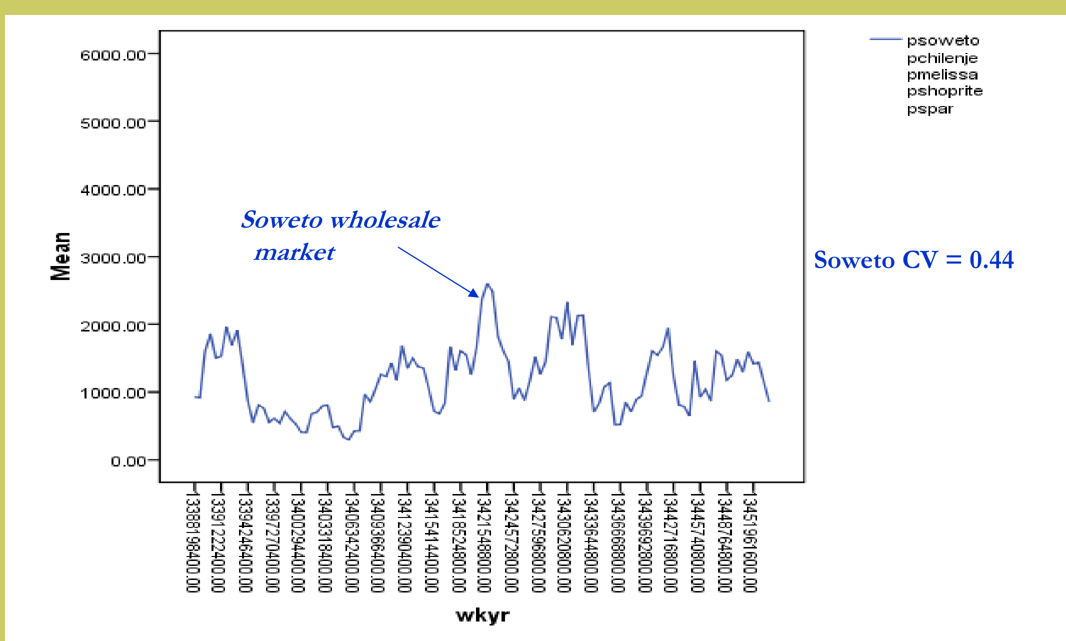
Retail Modernization: Summary

- Supermarket growth likely to be much slower in most African countries than some expected 5-8 years ago
- Though tipping points are possible …
  - SSA has highest urban growth rate of any developing area
  - GDP growth 2000-05 2nd only to South Asia
  - Both favorable to supermarket growth, but a long way to go
- Systems will remain heterogeneous for decades to come
- "Traditional" sector will remain central
- So we need to understand this system much better

Retail Pricing



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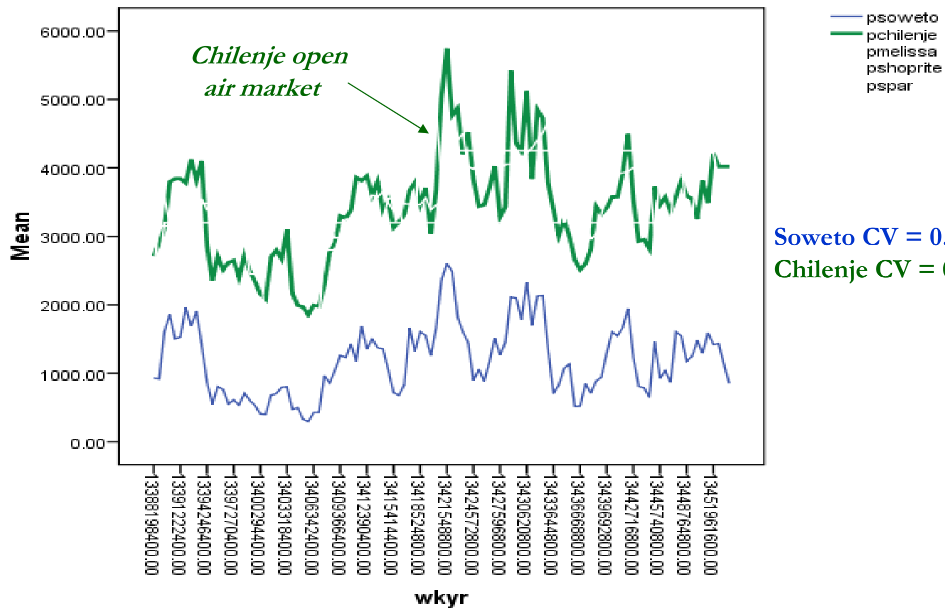

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Chilenje CV = 0.24

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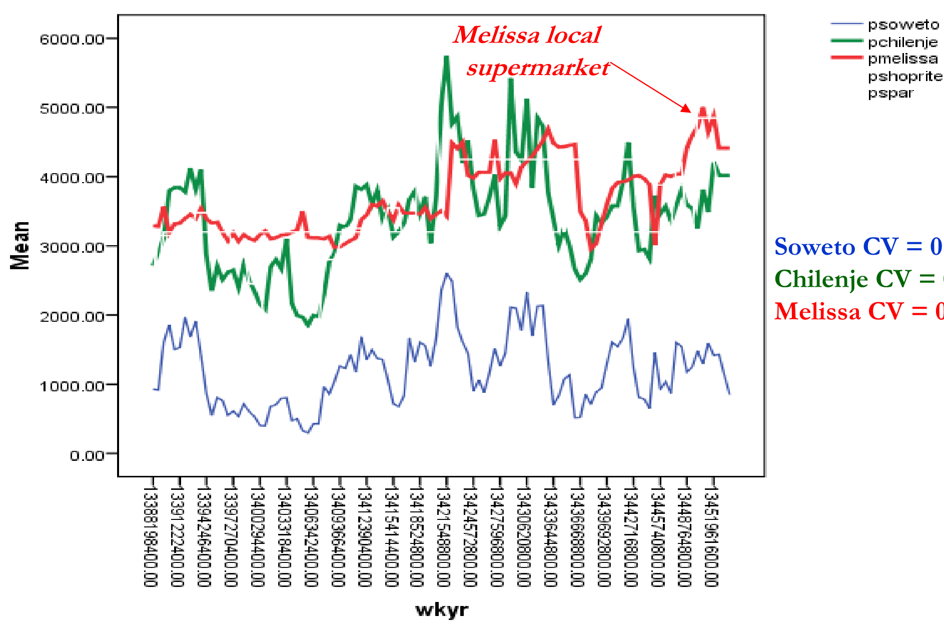

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Melissa CV = 0.14

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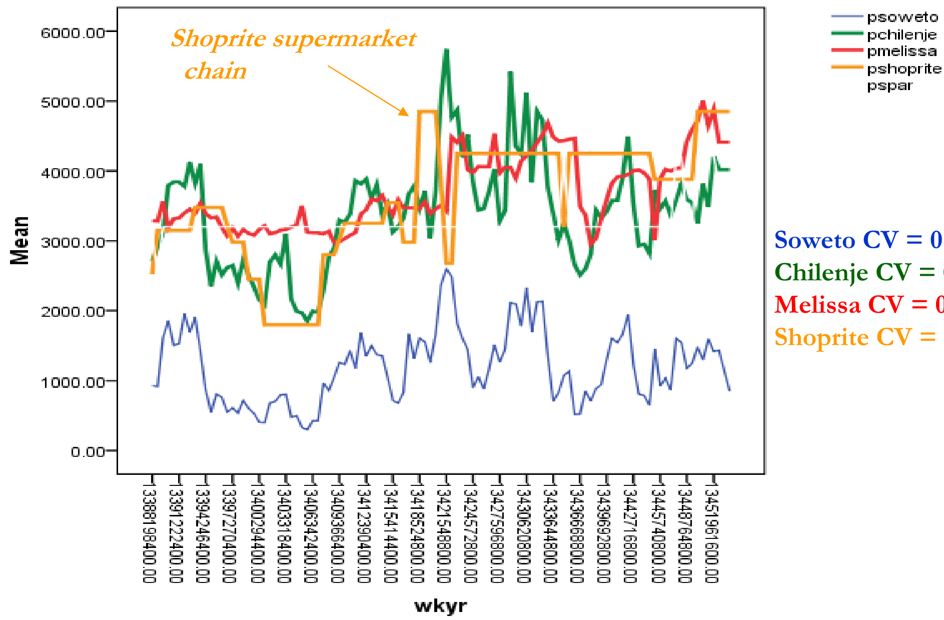

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Shoprite CV = 0.24 *

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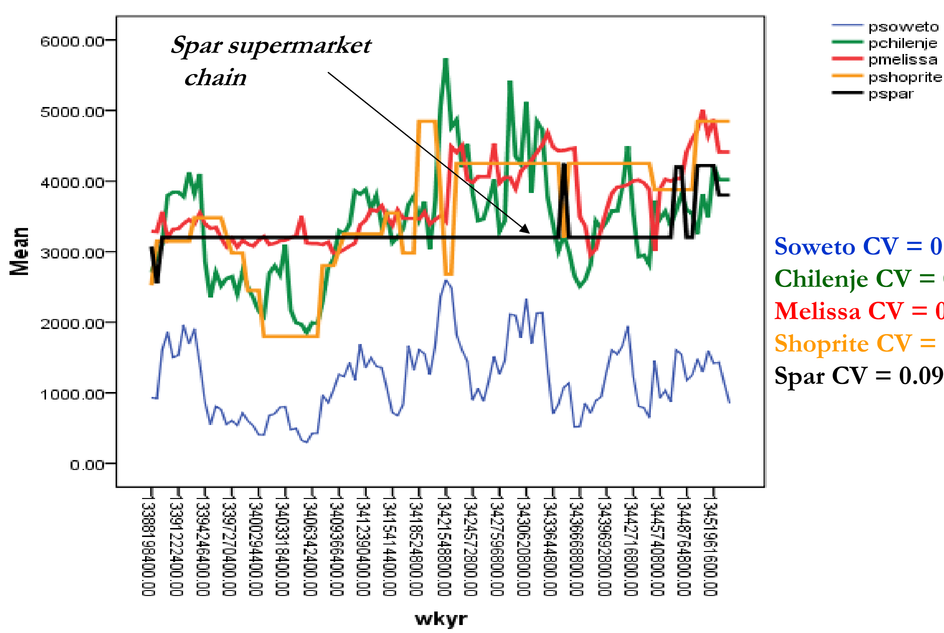

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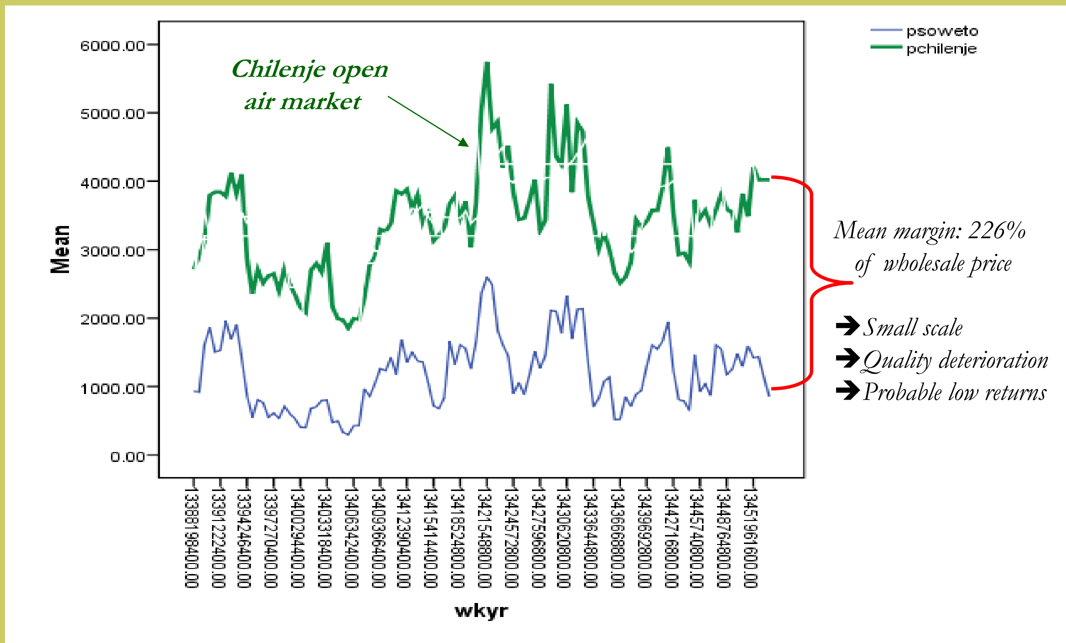
Wholesale – Retail Margins



Conclusions and Implications

- "Traditional" sector will dominate for many years
  - Though supermarkets are likely to grow
  - Heterogeneous systems
- Woefully inadequate investment
  - Physical facilities
  - Cold chain
  - Market information
  - Grades & standards
- Frequently dysfunctional management

Conclusions and Implications

- Price instability a major issue for farmers
  - Accentuated by reliance on traditional channels
- We need a better comparative understanding of the functioning of these channels across countries
  - Standard descriptions of structure and behavior
  - Standard performance indicators
- Link these performance indicators to programmatic interventions
  - E.g., why does Sri Lanka seem to perform better than expected?
  - What explains (presumed) differential performance across African countries?

Thank you!

Description of data

Country	Market Name	Frequency	Time period	Basis of price/Differentiation	Basis of price/Differentiation used in analysis	Cold Chain
Costa Rica	San José	3 times a week (M,W,F)	82months (January 2000 to October 2007)	Differentiation by three quality grades	Chose the highest grade quality	Some cold storage in wholesale market; not clear how developed full cold chain is.
Taiwan	Taipei	Daily excluding Monday	83 months (January 2000 to November 2007	Differentiation by color, size and grade	Chose the large, red tomatoes of standard grade	Likely to have a full cold chain
USA	Chicago	Daily excluding Sat and Sun	82 months (January 2000 to October 2007)	Differentiation by origin, size, color, variety and grade	Chose item size5X6S and mature green variety	Full cold chain
Sri Lanka	Colombo	Daily	46 months (January 2004 to October 2007	Differentiation by variety only	Chose Thilina variety	No cold chain
Zambia	Lusaka (Soweto)	3 times a week (M,W,F)	19 months (January 2007 to July 2008)	Some informal differentiation by grade for a wide range of varieties	Chose standard quality grade	No cold chain