

Shoprite and France's Carrefour go toe-to-toe in Kenya

By [Robert Laing](#)

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Kenya is turning into an interesting battleground between South African grocery chain Shoprite and French rival Carrefour.



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Shoprite has the advantage in the short term, but as Kenya's middle class grows, Carrefour will become stiffer competition, BMI Research said in a note e-mailed on Wednesday morning. BMI estimates the number Kenyan households with disposable incomes above \$10,000 a year will grow from 277,000 in 2018 to 483,000 in 2022.

"This is typically the range that grocery stores like Carrefour and Shoprite would target as their core consumer base but this represents less than 3% of the population, BMI said.

"They will therefore also have to compete among the discount segment in order to capture market share. This may result in both companies recording profit losses over the coming years, as they cut prices in order to compete and grow their revenues."

In February, Shoprite announced it had secured space in seven prime shopping malls in Kenya, planning to open them over the course of 2018. The company has concluded lease agreements with Garden City mall and Westgate mall in Nairobi, and sees the potential to expand beyond the capital city.

Carrefour, whose local franchise is held by the UAE-based Majid Al Futtaim group, also announced plans to expand its presence in Kenya by opening its fifth store in April.

"Kenya's growth in household spending is estimated to be one of the highest in sub-Saharan Africa, higher than that of Nigeria and Mozambique that are forecast to average 5.4% and 5.3% annually over the same period," BMI said.

"Kenya's appeal to international grocery retailers also stems from its young demographic profile, with almost a third of the population of the total population falling into the young adult segment of 20 to 39 years old in 2018."

The research firm said considering 92.5% of total households in Kenya still had disposable income of under \$5,000 a year, discount retailers were likely to fare best.



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"Shoprite is likely to be able to meet the demand of price-consciousness consumers in Kenya via its Shoprite brand and its Usave format - the group's small-format hard discount chain," BMI said.

"Meanwhile, domestic retailers like Tusky and Naivas, which have 64 stores and 47 stores respectively in Kenya, are ensuring that prices are kept low by producing goods locally."

Source: BDpro

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