THE RETAIL TRADE ASSOCIATION OF KENYA

Execution Over Experimentation

SECTION 1: EXECUTIVE SUMMARY
Month at a Glance

As August 2026 unfolds, the retail sector stands at a crossroads between stabilisation and a fundamental structural reset. Headline inflation has eased across major African markets, but stability has not equalled predictability: consumers continue to reassess loyalties amid shifting lifestyles and a two-speed economy.

Globally, the sector has entered the execution era for digital transformation, where retailers must prove return on investment from AI pilots moving into core operational engines. In Kenya, focus has shifted toward informal-market inclusion and local supply-chain resilience to mitigate global logistics volatility. This month, success is defined not by scale alone, but by intelligence: the ability to use agentic AI for predictive merchandising while humanising the customer experience to secure brand trust that remains fragile.

SECTION 2: GLOBAL RETAIL INTELLIGENCE

The global retail landscape in 2026 is defined by a flight to value as shoppers navigate persistent cost-of-living pressures and elevated interest rates. Bain & Company's 2026 Global Retail Sales Outlook forecasts a growth slowdown across mature markets: US retail sales are projected to grow 3.5% (to US$5.3 trillion), the UK 2%, Germany 2.5%, and France 1.5%. Underlying volume growth in these regions remains flat, pushing retailers toward precision merchandising and margin discipline rather than top-line expansion.

The primary technological disruption of the year is the rise of agentic AI commerce. Major players including Walmart and Amazon have integrated autonomous agents that compare products and execute transactions on a shopper's behalf, shifting demand generation inside AI ecosystems rather than traditional storefronts or mobile apps.

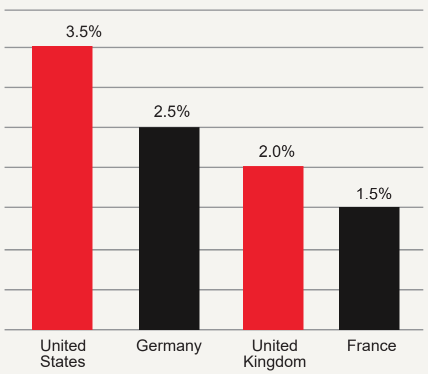
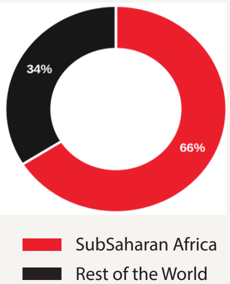


Figure 1. Bain & Company, 2026 Global Retail Sales Outlook (26 January 2026).

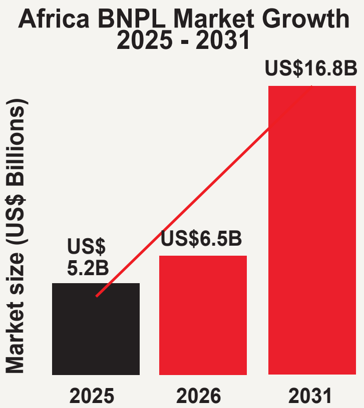
SECTION 3: AFRICAN RETAIL DYNAMICS
Continental Commerce: Africa's Retail Evolution



African retail is currently being reshaped by a mobile-money economy now moving at unprecedented scale. According to GSMA's State of the Industry Report on Mobile Money 2026, Sub-Saharan Africa accounted for approximately 66% of global mobile-money transaction value in 2025, roughly US$1.43 trillion of the US$2.09 trillion moved through mobile wallets worldwide. Regulatory pushes for cross-network interoperability, including Ghana's centralised switch model, are widely cited as templates for how payment infrastructure matures into a broader financial ecosystem. Kenya's own interoperability story is somewhat different: PesaLink is a bank-to-bank interbank switch operated through the banking sector, distinct from the CBK-driven interoperability work happening separately between mobile network operators; worth keeping distinct when briefing members on which rails are converging.

In mass-market retail, Carrefour is executing its Carrefour 2030 strategy, targeting operations across 22 African countries by 2030 (up from 14 today) using an asset-light franchise model. This expansion contrasts with Shoprite, which has exited Nigeria, Kenya, Uganda, the Democratic Republic of Congo and Madagascar, and is in the process of exiting Ghana and Malawi, to concentrate capital on core operations in Southern Africa. Carrefour is deliberately entering several of the markets Shoprite has vacated, including Ghana
.

In fintech, Africa's Buy Now Pay Later market is projected to reach approximately US$6.5 billion in 2026, up from US$5.2 billion in 2025, and is forecast to reach US$16.8 billion by 2031 (ResearchAndMarkets, Q1 2026 databook). Investors have moved away from growth-at-any-cost models, favouring providers integrated with regulated microfinance institutions to ensure debt recoverability.



A note on framing

The split below is Pied Piper's analytical lens on where AI is currently delivering ROI, not a reported industry classification: mature markets and Sub-Saharan Africa are both experimenting with both models, but the centre of gravity differs by region.

Mature markets are currently seeing the fastest returns from B2C autonomous commerce, where AI agents sit between the shopper and consumer-facing apps. In Sub-Saharan Africa, the more immediate ROI is in B2B supply-chain optimisation: digital replenishment tools connecting manufacturers to informal kiosks.

Separately, the physical store continues to be redefined as an experience hub. In-store still accounts for the large majority of retail transactions globally (estimates vary by market and category; NRF and McKinsey both put US in-store share in the high 70s to low 80s as a percentage of total retail sales), but these spaces are evolving into centres for socialisation, entertainment, and data collection, increasingly amplified through phygital technologies such as AR try-ons.

SECTION 4: KENYA RETAIL FOCUS
Kenya Retail Focus

4A: Policy and Regulatory Update

Regulatory focus has sharpened around extended producer responsibility and packaging waste. Kenya's Sustainable Waste Management Act (No. 31 of 2022) and its Extended Producer Responsibility Regulations (gazetted November 2024) place strict lifecycle-compliance requirements on retailers and manufacturers. The compliance registration deadline for producers was 4 May 2025; this has already passed. Any retailer not yet registered with NEMA under an EPR compliance scheme is currently exposed, not mid-transition, and this is worth flagging plainly to members rather than framing it as forward-looking. Businesses are moving away from multi-layer laminates toward recyclable single-material packaging as part of ongoing compliance. Separately, the Central Bank of Kenya continues to advocate for full payments interoperability between banking rails and M-Pesa to reduce cross-border transaction friction.

4B: Market Performance Metrics

Kenya is navigating a middle-income pinch, with anecdotal reporting from retailers suggesting middle-class consumers are showing higher price sensitivity due to sticky overhead expenses; this reflects direction of travel our members are describing rather than a single external index, and should be presented to members as such. Footfall in modern supermarkets remains stable, but consumer spending has shifted toward private labels and smaller pack sizes (for example, 1kg laundry detergent or micro-sachets) to manage household liquidity between wage cycles. Urban retail-space absorption remains consistent as store layouts adapt to serve as localised fulfilment nodes.

4C: Local Success Story

Kyosk Digital Services illustrates the potential of B2B informal-sector digitisation. By connecting neighbourhood kiosks directly to FMCG manufacturers via a digital ordering and inventory platform, Kyosk improves supply-chain transparency and credit access for micro-retailers.

Key Insight: In Sub-Saharan markets, informal over-the-counter trade is commonly estimated at up to 80% of retail activity, though the precise figure varies by country and source. Within that context, AI and digital tooling appear to yield the fastest ROI when applied to B2B supply-chain optimisation for kiosk owners, complementing rather than competing with, the B2C agentic-commerce workflows taking hold in Western markets.

SECTION 5: DATA DASHBOARD
Numbers That Matter - as of July 2, 2026

All figures below reflect the most recent published data as of 4 August 2026 and are current for the pricing cycles indicated.

Key Metric	Status / Benchmark (as of 4 Aug 2026)	Strategic Impact
KES/USD Exchange Rate	Stable (~128.6-130.3 KES/USD in 2026; +0.11% YTD)	Currency stability is easing FX-driven cost pressure on imported inventory, but sourcing diversification remains prudent given global volatility risk.
Pump Fuel Prices (Nairobi)	Super Petrol KES 214.03/L; Diesel KES 222.86/L;Kerosene KES 191.38/L (EPRA, 15 Jul-14 Aug 2026 cycle, unchanged from prior cycle)	Elevated fuel costs continue to pressure last-mile distribution margins on essential staples despite the government's extended 8% VAT relief on petroleum products.
Consumer Sentiment	Fragile (middle-income squeeze; member-reported, not a published index)	High-end stability contrasts with budget consolidation among middle-income cohorts.
Retail Space Absorption	Stable (urban distribution hubs)	Commercial footprint is evolving into hybrid experiential retail and e-commerce fulfilment hubs.
Mobile Money Transaction Value (SSA)	US$1.43 trillion in 2025; 66% of global value (GSMA, 2026 report)	Deepening mobile-money reliance continues to reduce checkout friction and cash-handling overhead for retailers.

Kenya Pump Fuel Prices, Nairobi | EPRA maximum retail price, 15th Aug 2026

SOURCE: Energy and Petroleum Regulatory Authority (EPRA)

SECTION 6: ACTIONABLE INSIGHTS
Strategic Imperatives for This Week

6A. Immediate Actions

- **Empower frontline teams.** Shift training investment toward point-of-sale staff. Anecdotal and industry commentary consistently links strong in-store associate relationships to repeat visits; we recommend members treat this as a coaching priority even where a hard regional loyalty statistic is not yet available to cite.
- **Audit data governance.** Ensure compliance with local data-protection regulations by clearly communicating in-store data practices, including foot-traffic analytics and AR usage, to protect brand equity.
- **Implement flexible pricing units.** Roll out bundled pricing, refill options, or smaller unit sizes to support liquidity-constrained shoppers during mid-month wage cycles.

6B. Strategic Opportunities

- **Localise supply chains.** Re-evaluate procurement pipelines to increase local manufacturer representation, reducing FX exposure and aligning with statutory EPR packaging requirements, noting that the compliance window for registration has already closed.
- **Partner with informal trade.** Adapt SKUs for the informal market by supplying micro-pack sizes engineered for kiosk price points.
- **Prepare for agentic commerce systems.** Structure catalogue taxonomy and maintain clean, accessible APIs so products can be indexed by emerging autonomous shopping agents and B2B ordering platforms.

SECTION 7: FORWARD LOOK Next Month Preview

- **WAEMU Payment Interoperability:** track the operational rollout of the West African Economic and Monetary Union switch as a model for cross-border settlement.
- **Q3 Financial Reporting:** review early Q3 earnings releases for margin updates affected by store-level operating costs and supply-chain disruption.
- **EAC Tax Policy:** monitor proposed updates on digital-transaction taxes and cross-border payment compliance within the East African Community.