THE RETAIL TRADE ASSOCIATION OF KENYA

Issue No. 06

Retrak Kenya: Value Shift & Digital Resilience

November 2025 Market Analysis | Published December 2025

1. Executive Summary: The Value-Driven Shift

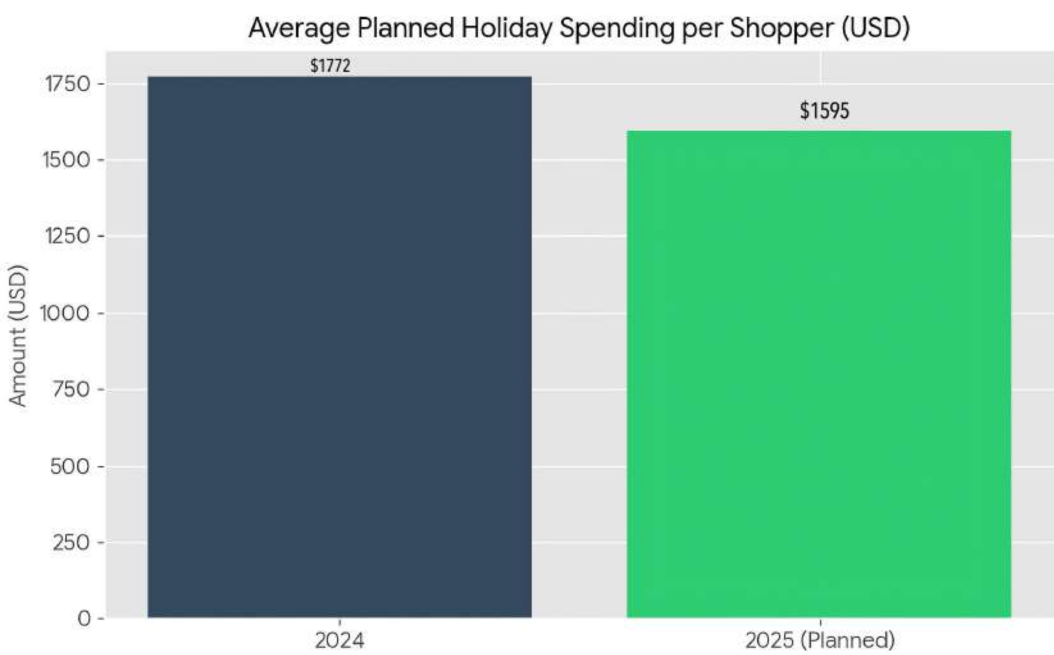
November closed globally on a high note, dominated by record-breaking Black Friday and Cyber Monday (BFCM) sales driven by deals and digital convenience. US online BF sales alone hit a record $11.8 billion. This success underscores a universal theme: consumers remain value-driven, trading down where necessary but still engaging in "selective splurging." For Kenyan businesses, this signals strong potential for end-of-year sales, but caution is warranted. Our market operates under distinct constraints, heavily reliant on Mobile Money, which is sensitive to regulatory changes. Strategic priorities for local retailers must focus on resilient technology infrastructure, transparent pricing, and optimizing logistics in a challenging supply chain environment.

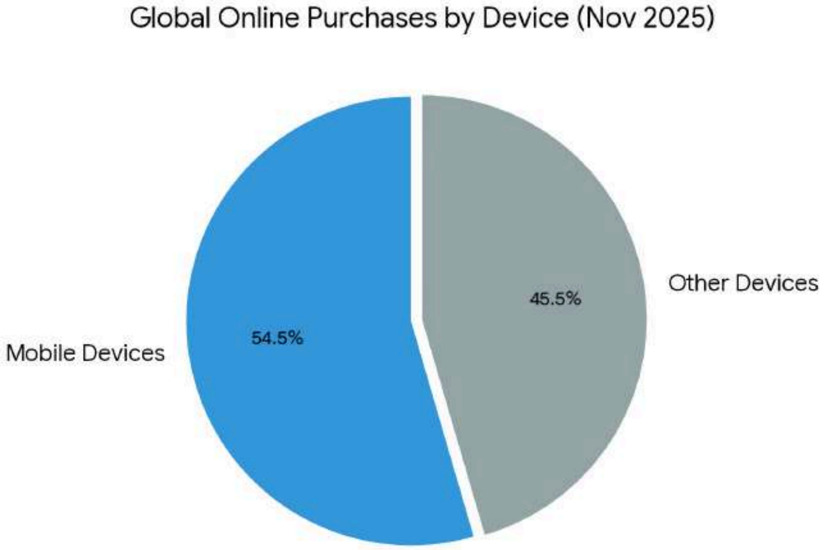
2. Global Retail Intelligence: Digital Dominance

The global retail sector was defined by the aggressive pursuit of value, digital adoption, and persistent economic uncertainty.

Cautious Spending

Despite facing economic headwinds, consumers maximized the BFCM period. Shoppers plan to spend an average of US$1,595 this holiday season, reflecting a **cautious 10% drop** from 2024 budgets. Seven in ten surveyed consumers are actively engaging in value-seeking behaviors.

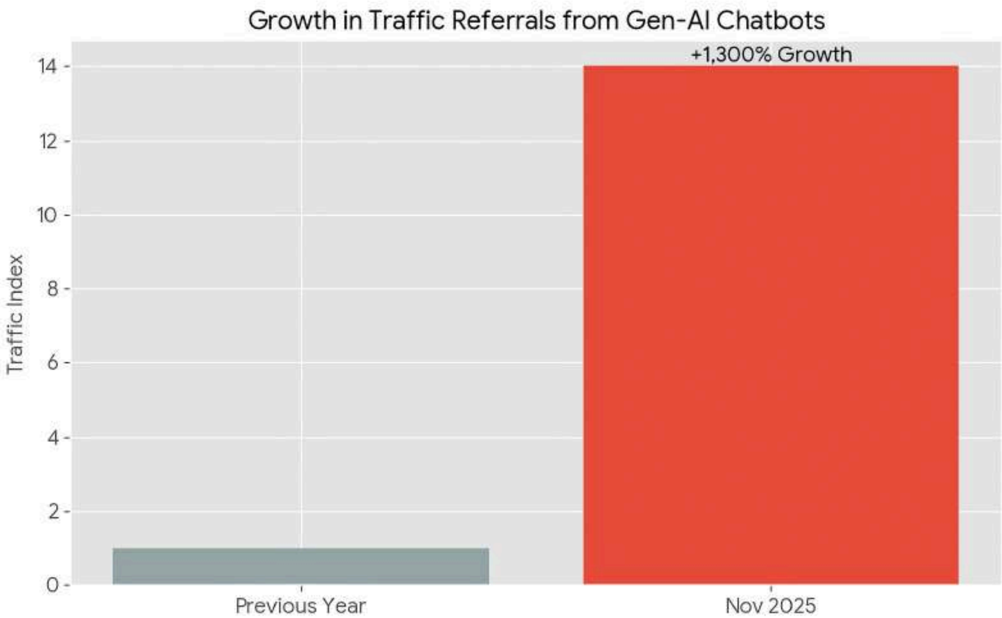




Mobile-First Acceleration

Digital channels cemented their dominance. **Mobile devices drove 54.5% of online purchases**, confirming the critical need for African retailers to adopt a rigorous mobile-first strategy.

Technology also accelerated the shopping journey: traffic referrals from generative AI-powered chatbots saw a **significant surge of over 200% year-over-year**, signaling AI's emergence as a crucial shopping assistant for finding deals.



Supply Chain Volatility

Global supply chains continue to struggle. Geopolitical tensions and issues like the Red Sea disruptions are adding **7-10 days** to typical Asia-Europe transit times, pushing container costs up by as much as **over 150% on some key routes**. This high and volatile input cost places constant pressure on logistics margins.

3. African Retail Dynamics: Fragmented Growth

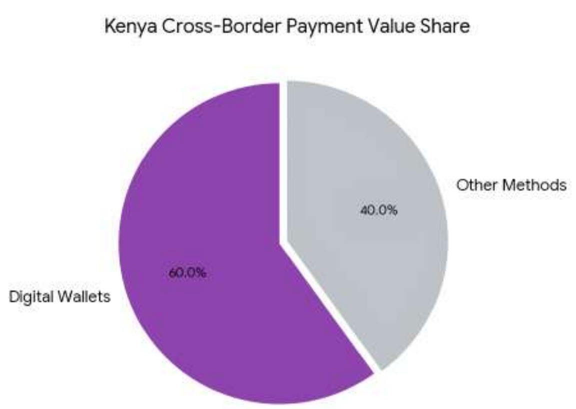
The Sub-Saharan Africa (SSA) economic outlook projects **GDP growth of 3.5% for 2025**, positioning the continent for steady retail evolution. However, the market remains highly complex.

- **Informal Resilience:** The informal retail sector is critical, estimated to account for **40% to 90%** of total food sales outside of South Africa. Its resilience is rooted in offering proximity, customer credit, and lower prices.
- **Digitalization:** Africa is forecast to surpass half a billion e-commerce users by 2025. Yet, formidable challenges remain, including infrastructure deficits, climatic difficulties, and fragmented supply chains, making innovation in smart logistics essential.

4. Kenya Retail Focus: The Mobile Money Engine 🇰🇪

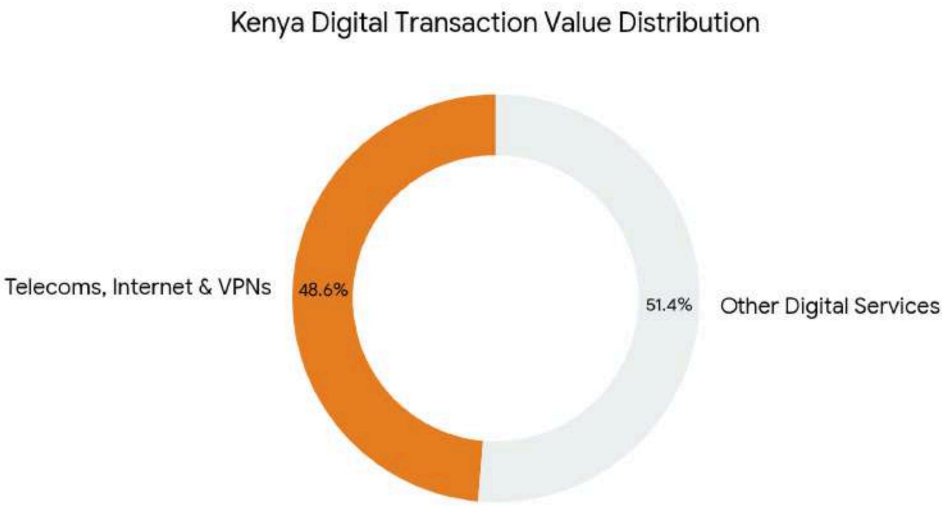
Policy & Regulatory Update

The Kenyan market remains highly responsive to regulatory signals. The debate over the Finance Bill 2024 demonstrated the economic costs of policy uncertainty, showing an immediate, steep decline in the value share of Digital Wallets following proposals to increase excise duty on transfer fees.



Market Performance Metrics

Kenya operates as an archetypal mobile-first economy. **Digital Wallets account for approximately 60% of transaction value** on cross-border payment platforms. The average transaction value (ATV) for these wallets is low (around $1.50 to $2.00), confirming their deep integration into daily life for frequent, micro-transactions.



Local Perspective

The foundation of Kenya's digital consumption is connectivity. Spending on **'Telecoms, Internet & VPNs'** anchors digital consumption, representing **48.6% of total transaction value**. This high spending on connectivity highlights the basic cost of digital inclusion for Kenyan consumers and businesses.

5. Numbers That Matter

This section provides a summary of key economic and market indicators relevant to Kenyan retail:

- **KES/USD Exchange Rate Impact:** High Volatility/Uncertainty (Weak currency limits local purchasing power for imported goods).
- **Fuel Price Trends (Logistics Cost Indicator):** Global Brent average $73/bbl (2025F) (High and volatile input costs place pressure on logistics margins).
- **Consumer Confidence Index (Global):** Highly Cautious/Negative (Domestic consumers remain value-conscious and sensitive to price changes).

- **Retail Space Absorption Rates (Global):** Stabilizing but less buoyant (Limited new supply helps occupancy; focus shifts to enhancing existing store experience).
- **Digital Payment Adoption Rates (Kenya):** Digital Wallet value share ~60% (Mobile money dominance necessitates mobile-first strategies and fee sensitivity).

6. Actionable Insights: Strategic Imperatives

Immediate Actions

1. **Reinforce Value Proposition:** Go beyond simple discounts for post-BFCM promotions. Focus on delivering value through quality and convenience.
2. **Mitigate Out-of-Stock Risk:** Implement proactive, data-driven inventory management. Out-of-stock situations are the biggest revenue killer in African retail.
3. **Optimize Digital Path:** Ensure all campaigns and conversion paths are flawlessly optimized for the mobile-first consumer, eliminating friction points.

Strategic Opportunities

1. **Digital Resilience Investment:** Prioritize technology designed for **offline trading** to maintain business continuity during power and network outages.
2. **Leverage AI for Efficiency:** Investigate embedding AI tools to enhance personalization and efficiency in the digital shopping journey.
3. **Formalize Informal Outreach:** Explore strategic partnerships to improve distribution into the dominant informal retail sector, addressing the fragmented last mile challenge.

7. Forward Look (Next Month Preview)

December brings the final festive sales spike, with spending heavily concentrated on gifts and experiences. Local businesses should watch for continued volatility in logistics costs. Anticipate deeper consumer polarization: affluent households continue to spend, while lower-income segments remain constrained. Further policy discussions around digital economy regulation are expected.

Merry Christmas and a prosperous 2026.

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