



The Microretailers' Roadmap



Four Capabilities All Shop Owners Need
In Order to Transform Their Businesses...
and the Developing World

From Lima to Lagos, small retailers are vital to local economies, selling \$11 trillion worth of goods annually in developing countries.



In Nairobi, for example, small stores called dukas sell **over 80% of consumer products.**

And it's not just a question of how much microretailers sell, but to whom they sell—often to base-of-the-pyramid customers that larger retailers miss. For that reason, they are a vital source of basic goods, employment, and opportunity in low-income neighborhoods.

At the international nonprofit TechnoServe, we have worked alongside a wide variety of partners to support **more than 8,000 microretailers in more than half a dozen countries.**

Examining our research and results over the years, we began to recognize common capabilities that microretailers need in order to achieve success across a range of geographies and sectors. While adapting programs for local and personal needs is important, these four elements emerged as the most important skills required for an entrepreneur's success.

Skills are not everything. But when a shopkeeper brings a hunger to learn and grow to a working entrepreneurial ecosystem, these four capabilities have proven transformative: the retailers we work with have been able to improve their revenues by more than 30% within a year.

We present these four capabilities here, with analysis and advice based on our extensive program experience. We hope that sharing these findings more widely will help microretailers around the world—and the public- and private-sector partners who support them—to better capitalize on the transformative potential of these small shops.

Microretailers' Journey to Gain Key Skills for Success

Key Capabilities for Microretailers

**RECORDKEEPING AND
FINANCIAL MANAGEMENT**

MERCHANDISING

**CUSTOMER SERVICE
AND PROMOTION**

**INVENTORY
MANAGEMENT**



1.

RECORDKEEPING AND FINANCIAL MANAGEMENT

Better Information for Better Decisions

If a retailer doesn't know her shop's financial situation, she won't know how to improve and grow it.

Yet we rarely find shop owners who really understand their business's finances. Retailers tend to keep informal or incomplete records and often mix their personal and business finances, which makes it difficult for them to understand the performance of their shop.

At the start of one of our projects in Nairobi, for instance, we found that half of duka owners kept no sales records at all.

With better information, shopkeepers can make better decisions. How much money can they take out of the business for personal or family expenses, and how much money should they re-invest every month? Are new promotion strategies increasing sales? Do the prices they charge cover all of their costs? The answer to these questions—and many others—lie in data that can only be created through better recordkeeping.



The first step in microretailer training often involves helping microretailers understand their financial situation through basic record-keeping.

We work with retailers in order to:



**Separate household
funds from business
funds**



**Make sure the
entrepreneur makes
and evaluates
decisions based on this
financial information**



**Understand how much
money the business is
making or losing and
why**



**Keep complete records
of the business's sales
and costs**

ABUJA, NIGERIA


Charity Dangana

SUNLIGHT WATER CENTER

Voices from Behind the Counter

Charity Dangana owns a Sunlight Water Center in a peri-urban community outside of Abuja, Nigeria. Through a partnership between TechnoServe and Unilever, she received support to run a small retail shop selling clean water and basic household items. Charity had a strong entrepreneurial spirit, having worked as a hairdresser, event planner, and vendor for wedding accessories.

She had struggled to make a living with these jobs, but she learned new capabilities through the program that helped her to run the new store more effectively. The most important was better record-keeping. “Before I just did business without keeping any records, I did not keep track of margins,” she said.

Now, she is able to analyze her business’s performance and make better decisions about how to use her revenue.

After replenishing her stock, covering operational expenses and making a monthly capital repayment, Charity is able to pay herself a healthy salary and save the remaining profits—upwards of \$200 in stronger months – for investing back into the business.

2.

INVENTORY MANAGEMENT

Improving Product Flow

To be profitable, stores need to ensure that they don't run out of key products—but also avoid having capital locked up in inventory that doesn't sell. In some of the small Kenyan shops we worked with, for instance, fully half of the store's investment was found in products that sat on the shelves for more than six months.



In order to manage the complicated flow of store inventory, stock, and the assortment and quantity of products that maximize their profits,

microretailers need to:



Anticipate seasonal changes in demand for certain products



Identify new suppliers and negotiate product-supply strategies and discounts with them



Track the sales, stock, and margins of their goods so that they can prioritize those that perform best, ensure that they don't run out of key products, and avoid overstocking certain items



Understand who their customers and potential customers are, adjust the products and service offerings accordingly, and differentiate the shop's offerings from others in the area

NAIROBI, KENYA

**Peninah Karemi**

SMART DUKAS PROGRAM

Voices from Behind the Counter

One of Peninah's greatest challenges as owner of the Hope Shop, outside Nairobi, was managing the store's inventory. "Since I stock a wide variety of products, I had no idea how much stock I had in my shop and when it was about to expire," she recalled. "This meant that at times, I didn't have in stock products needed by my customers, or I stocked more products than the demand."

She often found out that a product was out of stock only when a customer asked for it, resulting in what shopkeepers call *kuuza hakuna*—a missed sale. Through the Smart Dukas program, Peninah received training on entrepreneurial skills, and also participated in a pilot for a mobile application to help her record sales and track inventory.

“This helps me make purchases at the right time and avoid *kuuza hakuna*.”

3.

MERCHANDISING

Shopping Made Easy

The best inventory in the world won't matter if a customer can't find it. Retail merchandising is one of those things that can make or break the success of the store. When implemented correctly, visual merchandising can lead customers to the right products, entice them to buy, and create an excellent in-store experience. Poor layout and atmosphere can discourage easy shopping, leading consumers to take their business elsewhere or reduce their purchases.



Microretailers often notice significant sales improvements when they implement changes such as:



Installing adequate lighting throughout the store



Giving special prominence to hook products, most profitable items, or impulse buys



Ensuring the store is tidy and products are neatly arranged



Grouping similar types of products together

4 .

CUSTOMER SERVICE
AND PROMOTIONKeep the
Shoppers
Coming

Understanding how to “hook” potential customers and keep them coming back are important skills that can increase the sales and profitability of a business. However, shopkeepers don't always approach the question of how to do this in an analytical manner. In a typical situation in Mexico, for example, we found that store owners rarely considered using their own understanding of their customers to create promotion strategies.



Microretailers can gain greater profits if they build upon the promotion strategies offered by the brands they carry and apply their own unique knowledge of their own community, customers, and store.

It is important
that microretailers
understand how to:



Use “hook” products and bundles to bring customers through the doors and increase sales



Segment customers and target their marketing mix to the most profitable ones



Conduct active price scans of local competitors in order to set the most attractive prices, rather than applying a flat profit margin



TechnoServe's Approach

to supporting microretailers
spans the entire value chain.



01

Training shop
owners on the
most effective
practices



02

Working with
partners to develop
innovative financing
products for these
businesses



03

Engaging
stakeholders across
the entrepreneurial
ecosystem



04

Developing new
technological
solutions



This approach has helped

**8,000+ microretailers
by an average of 30%**

across multiple regions and a variety of settings to grow
their businesses and transform their communities.



The insights in this manual were derived from TechnoServe's microretailer-development programs, which are implemented in partnership with a number of leading foundations and private-sector companies:

ABInBev

ExxonMobil
FOUNDATION

MOODY'S
FOUNDATION

Citi Foundation

citi



Center
for Inclusive
Growth

Rudy & Alice Ramsey Foundation
Life Is Not a Zero-Sum Game

elea



Unilever

Let's Work Together

If you're interested in learning more about how TechnoServe works with partners to support the growth and livelihoods of microretailers, please contact:

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TechnoServe is a leader in harnessing the power of the private sector to help people lift themselves out of poverty. A nonprofit organization operating in 29 countries, we work with enterprising men and women in the developing world to build competitive farms, businesses, and industries. By linking people to information, capital, and markets, we have helped millions to create lasting prosperity for their families and communities. With over 50 years of proven results, TechnoServe believes in the power of private enterprise to transform lives.



Rated the #1 Nonprofit for Fighting Poverty
ImpactMatters Annual Ranking


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Business Solutions to Poverty