

The Micro-Retail Market in Addis Ababa, Ethiopia

Findings from a Market Assessment Conducted by TechnoServe

 **TECHNOSERVE ETHIOPIA**

Prepared by Epsilon Economic & Business Consultants
(EEBC) | Commissioned by TechnoServe (TNS) Ethiopia



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Acronyms and Key Terms

Acronym	Full Form
AA	Addis Ababa
BoLS	Bureau of Labor and Skills
BoT	Bureau of Trade
BoWCSA	Bureau of Women, Children and Social Affairs
BOP	Base of the Pyramid
CBE	Commercial Bank of Ethiopia
DFS	Digital Financial Services
EEBC	Epsilon Economic and Business Consultancy
ETB	Ethiopian Birr
FMCG	Fast-Moving Consumer Goods
FGD	Focus Group Discussion
Fintech	Financial Technology
GDP	Gross Domestic Product
II	In-depth Interview
KII	Key Informant Interview
KPI	Key Performance Indicator
MEL	Monitoring, Evaluation, and Learning
MFI	Micro Finance Institution
MoU	Memorandum of Understanding
mPOS	Mobile Point of Sale
MSE	Micro and Small Enterprise
MSME	Micro, Small and Medium Enterprise
PMU	Program Management Unit
POS	Point of Sale
ROI	Return on Investment
SD	Standard Deviation
SPSS	Statistical Package for Social Sciences
TNS	TechnoServe
TOT	Training of Trainers
TVET	Technical and Vocational Education and Training
USD	United States Dollar
USSD	Unstructured Supplementary Service Data
WCSA	Women, Children, and Social Affairs



At a Glance

400,635

Micro-enterprises in Addis Ababa

91%

of Ethiopia's micro-enterprises are in Addis Ababa

75.7%

Male-owned – gender gap is real

97%

Smartphone ownership

93.1%

Enterprises are financed from personal savings

5.8x

Projected program ROI, 3-year lifecycle

About the Market Assessment

This report captures the findings from the comprehensive Micro-Retail Market Assessment commissioned by TechnoServe (TNS) Ethiopia and conducted by Epsilon Economic & Business Consultants (EEBC). It provides the evidence base for the Smart Souk Program – a market systems intervention designed to transform the micro-retail sector in Ethiopia, with the micro-retailers at the center.

Drawing on TechnoServe's Smart Duka program in Kenya, Smart Souk targets the systemic barriers facing the micro-retailers (Souk Owners), including the limited business management skills and knowledge, supply chain challenges, limited financial access, and minimal digital use – to drive inclusive, scalable growth.

Who was reached in the market assessment:

408

souk owners/
operators surveyed

8

sub-cities across
Addis Ababa

25+

Key Informant
Interviews

16

In-depth interviews
(manufacturers &
distributors)

4

In-depth interviews
(souk owners)

Executive Summary

Market Context

Ethiopia's micro-retail sector sits at the heart of urban economic life. Addis Ababa alone hosts around 400,635 micro-enterprises, 91% of the national total, and the majority are engaged in trade. Neighborhood souks provide last-mile FMCG distribution to more than 3.2 million low- and middle-income residents. Despite that centrality, micro-retailers operate in a structurally constrained environment: fragmented supply chains, near-zero formal credit, minimal digital integration, and persistent gender and age gaps keep productivity low and vulnerability high.

Key Findings

The assessment of 408 souk owners across eight sub-cities confirms a sector that is dynamic but deeply constrained. Ownership is overwhelmingly male (75.7%); operations are highly informal, with 93.1% relying solely on personal savings for financing. More than 85% source stock is through Merkato wholesale intermediaries with no direct manufacturer links. Restocking is weekly or less frequent, which drives stock-outs and erodes customer loyalty. Financial record-keeping is weak (40.7% keep none), and only 27% separate households from business finances. Smartphones are universal (97%), yet business-grade digital tools for inventory and financial tracking are almost absent.

Recommended Interventions

To address these constraints, Smart Souk should deliver a bundled intervention covering:

- **Capacity building** in business management practices, financial literacy, and pricing strategy
- **Supply chain strengthening** through aggregation groups and direct manufacturer/distributor linkages
- **Financial inclusion** through MFI partnerships, supplier credit systems, and digital credit scoring
- **Digital enablement** through tools for payments, inventory tracking, and sales records
- **Gender- and youth-responsive design** to address systemic barriers affecting both groups

Financial Viability and Strategic Importance

The financial feasibility analysis projects a 3-year lifecycle ROI of 5.8x on a flat annual budget of \$150,000 per year (\$450,000 total). Across 300 beneficiary retailers, the program is projected to generate \$2.6 million in cumulative net benefits, an average net profit increase of roughly 20% per retailer above the annual sales baseline of \$28,842. Smart Souk is both commercially viable and developmentally essential, positioned to transform survivalist micro-retail enterprises into efficient, digitally enabled, financially included businesses.

Implementation Roadmap Summary

The program follows a pilot-to-scale model: Year 1 pilots with 100 micro-retailers across 2 sub-cities (Addis Ketema and Yeka), scaling to 100 retailers per year in Years 2 and 3, reaching 300 total participants over the 3-year lifecycle.

The program maintains a flat annual budget of \$150,000 across all three years, totaling \$450,000 in investment. Implementation is built on partnerships with BoLS, BoT, BoWCSA, fintech providers, and FMCG manufacturers.



1. Introduction

Ethiopia's urban economy is shaped by the energy and resilience of its micro-retail sector. Across Addis Ababa's neighborhoods, thousands of small shops, locally known as souks serve as the main point of access for fast-moving consumer goods (FMCGs) for millions of low- and middle-income households. They are the last mile of Ethiopia's consumer goods distribution system, connecting formal supply chains with the Base of the Pyramid consumer market.

According to the Bureau of Labor and Skills (BoLS), Addis Ababa hosts approximately 400,635 micro-enterprises, which is 91% of the national total. Trade establishments dominate at 62% of all businesses. The micro-retail sector employs over 2.3 million people nationally and contributes around 14% to Ethiopia's GDP. Yet despite this economic footprint, individual souk operators remain stuck in a cycle of stagnation, informality, and limited access to the tools they need to grow.

The constraints are systemic and interconnected. Supply chains are fragmented and intermediary-heavy, with over 85% of retailers dependent on Merkato wholesale markets and almost no direct links to manufacturers or formal distributors. Financial systems are informal and self-reliant with microfinance penetration standing at a mere

0.2%. Business management is largely manual: inventory tracked by memory, pricing reactive, records inconsistent or absent. The result is thin margins, high vulnerability to shocks, frequent stock-outs, and limited capacity for growth.

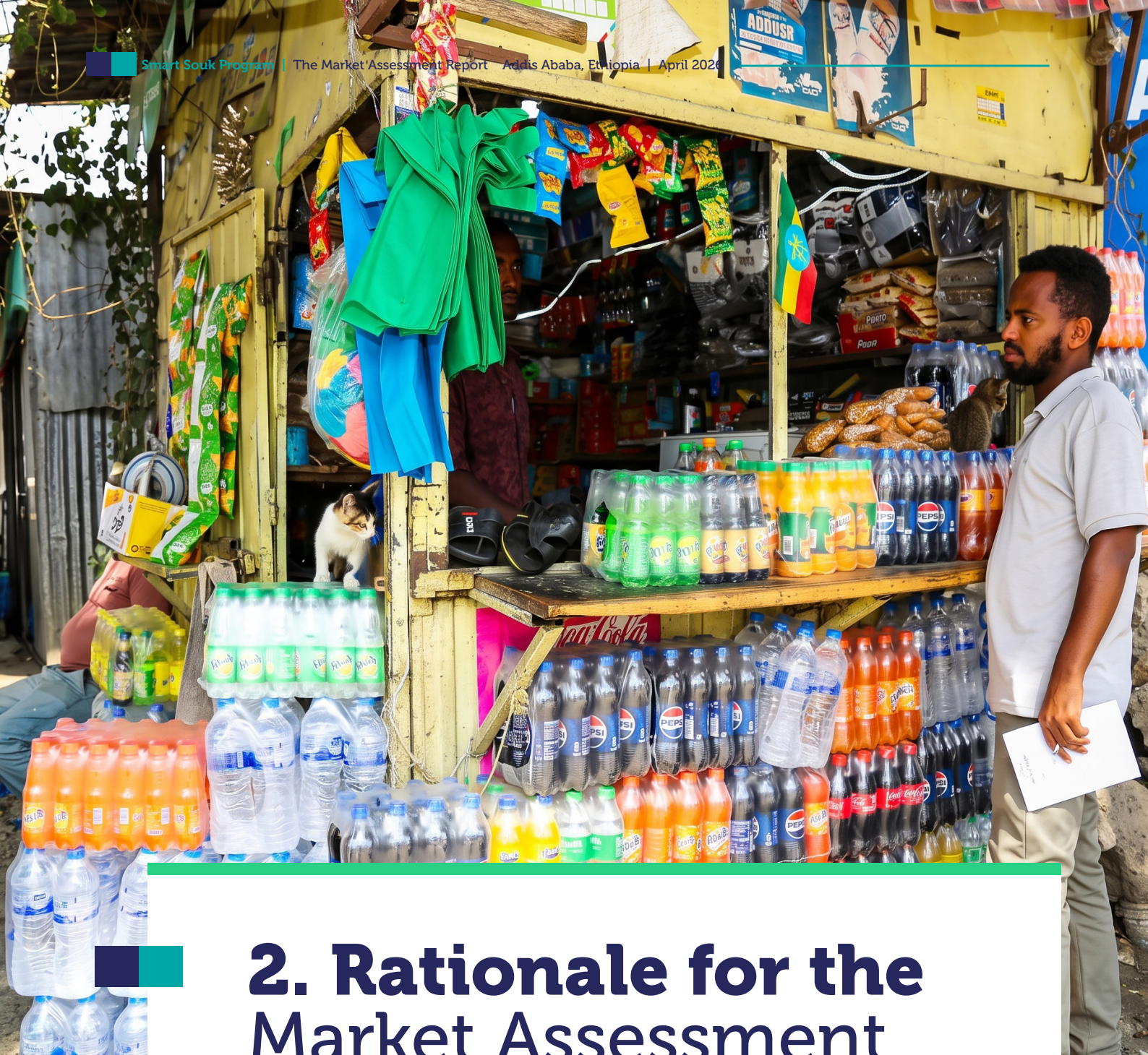
Digital technology offers a real pathway forward. With 97% smartphone ownership and widespread digital payment adoption (TeleBirr, CBE Birr), the infrastructure for digitalization exists. But business-grade digital tools – for inventory, sales analytics, and digital ordering and purchasing are near-absent. That gap is one of the most actionable intervention points for Smart Souk.

Gender and age disparities compound the structural constraints. Women make up only 24.3% of souk ownership and are concentrated in the lowest-revenue segments. Young women face the steepest barriers across every dimension: ownership, sales, supply chain access, and financial inclusion. Without intentional, gender-responsive design, interventions risk deepening rather than narrowing these inequities.



Why Smart Souk?

The Smart Duka Program, implemented in Kenya by TechnoServe, showed that bundled interventions combining business management skills, supply chain strengthening, digital and financial access, and capacity building can meaningfully improve the productivity and resilience of micro-retailers. Smart Souk adapts this proven model to the Ethiopian context, grounded in rigorous market evidence, to deliver change at scale for Addis Ababa's souk operators.



2. Rationale for the Market Assessment

The decision to commission a market assessment before program design reflects TechnoServe's commitment to evidence-based intervention. The Smart Duka model delivered strong results in Kenya – but Ethiopia is in a different context: different regulatory environment, supply chain architecture, cultural dynamics, and digital landscape. A fresh, ground-up diagnostic was necessary.

Specifically, the assessment was needed to: quantify the size, structure, and performance of the micro-retail sector; identify binding constraints limiting productivity and growth; assess digital and financial readiness; map the FMCG supply ecosystem and viable partnership entry points; disaggregate findings by gender and age for inclusive design; and generate a financial feasibility analysis to validate program investment. Without this evidence base, design would risk misalignment with the realities of Ethiopia's micro-retail market and miss the highest-impact leverage points for systemic change.

3. Assessment Objectives

3.1 General Objective

- The overarching objective was to generate comprehensive, actionable evidence to determine the feasibility, design parameters, and implementation modalities for a context-appropriate Smart Souk Program in Ethiopia, specifically within Addis Ababa.

3.2 Specific Objectives

- Characterize micro-retailers in Addis Ababa by size, location, capital, revenue profile, gender, and age
- Assess sales performance, productivity, sourcing patterns, and inventory dynamics
- Examine financial practices, access to finance, and digital readiness – with a specific focus on youth and women
- Map the FMCG retail ecosystem: manufacturers, distributors, wholesalers, financial institutions, digital providers, and regulators
- Identify regulatory, operational, financial, and market risks affecting Smart Souk replication
- Assess economic viability and replication feasibility under alternative scenarios
- Develop evidence-based recommendations and a phased pilot-and-scale-up roadmap



4. Methodology

4.1 Study Design & Analytical Framework

The market assessment used a mixed-methods approach, based on the market systems framework. This goes beyond surface-level market profiling to examine how incentives, relationships, and supporting functions shape outcomes for souk operators. This approach is essential for identifying systemic constraints and designing interventions that address root causes at scale.

The assessment was designed as a diagnostic study for Smart Duka replication, adapted to the Addis Ababa context. It examined not just what micro-retailers do, but why they make the choices they do, and what structural factors constrain their performance.

4.2 Data Collection

4.2.1 Quantitative Survey

- A structured survey was administered to 408 souk owners and operators across eight sub-cities in Addis Ababa; Bole, Yeka, Arada, Addis Ketema, Lideta, Nifas Silk Lafto, Kolfe Keranyo, and Lemi Kura. The sample size was determined using the Yamane (1967) formula, assuming a 95% confidence level and a 5% margin of error, and adjusted to account for a 10% non-response rate. Stratified random sampling with proportional allocation was applied based on estimated souk density across the sub-cities, while individual outlets were selected using a systematic random walk approach supported by geo-tagged supervision. Data collection was conducted between 15 and 27 March 2026 using KoboToolbox, ensuring efficient and high-quality field data capture.



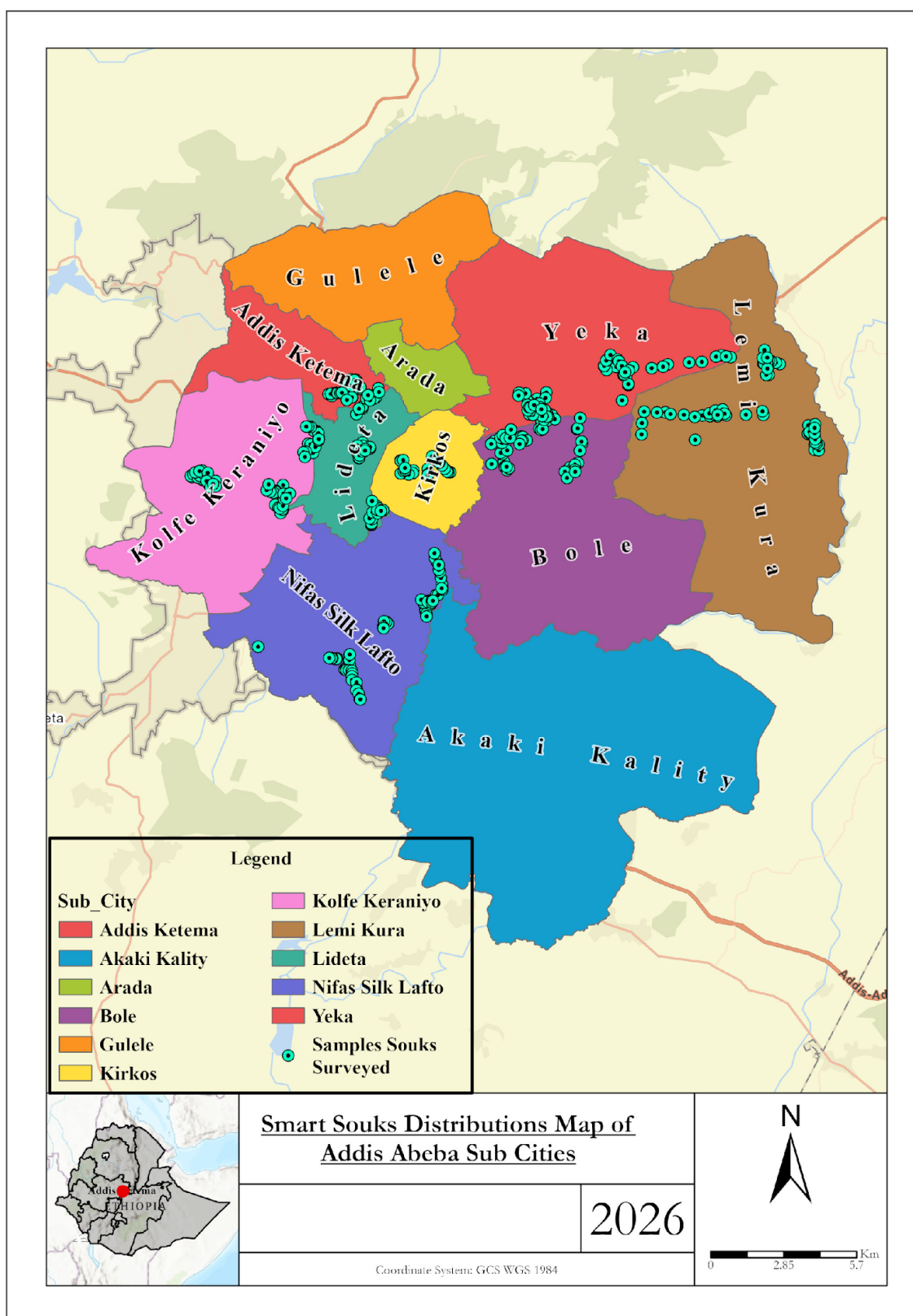


Figure 2: Smart Souks Distribution Map **Source:** EEBC Market Assessment Survey, 2026 (n=408)

4.4.2 Qualitative Methods

Complementing the survey, the study employed a mixed-methods approach that included a desk review of relevant policy documents and industry analyses, as well as Key Informant Interviews (KIIs) with more than 25 stakeholders, including government officials, manufacturers, wholesalers, and fintech providers. The research also conducted four in-depth interviews with souk owners, disaggregated by gender and age, to capture diverse perspectives. In addition, 16 in-depth interviews were held with manufacturers and wholesalers to identify potential partners and understand market dynamics. Structured enumerator observations further enriched the findings by documenting shop conditions, merchandising practices, and the presence of digital signage.

Market Approach

Systems

Rather than treating constraints as isolated business problems, the market assessment examined the ecosystem of rules, norms, incentives, and supporting functions that shape micro-retailer behavior. This market system lens directly informs Smart Souk's integrated intervention model - addressing limited skills and practices, supply chains, financial systems, digital infrastructure, and the regulatory environment together.



5. Profile of Surveyed Souks

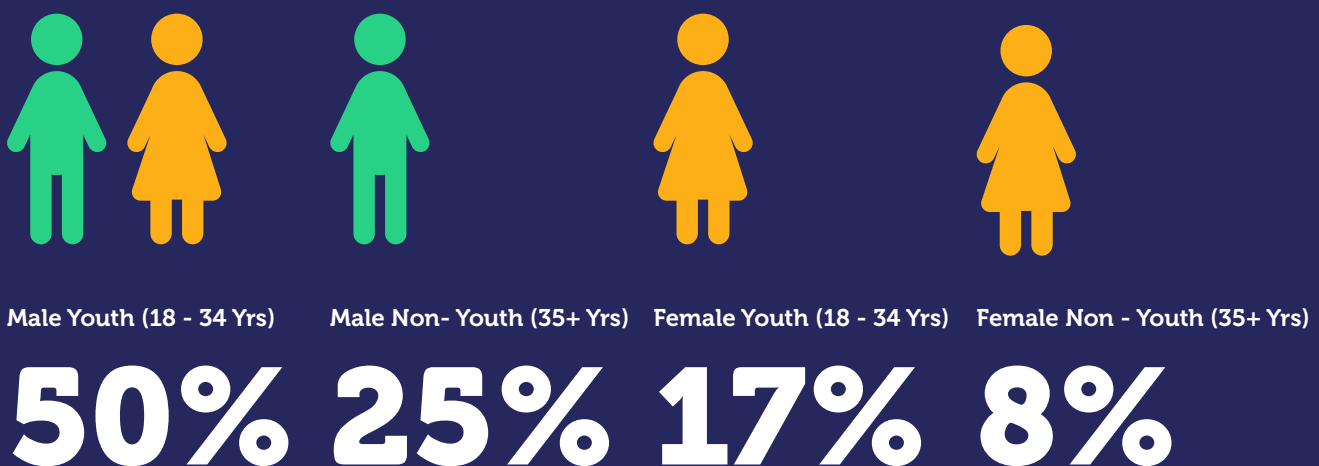
5.1 Souk Owner Demographics & Business Profile

5.1.1 Ownership Structure & Gender Dynamics

The micro-retail sector remains predominantly male-dominated, with men accounting for 75.7% of primary souk owners compared to just 24.3% for female. This disparity extends beyond representation and reflects underlying structural barriers faced by women entrepreneurs, including limited access to start-up capital, heavy care burdens, restricted mobility, and weaker business networks. The qualitative interviews specifically highlighted that spousal or family authority frequently limits women's ability to travel to central Merkato markets for high-volume purchasing, forcing reliance on local, higher-cost intermediaries.

Business ownership is largely characterized by sole proprietorships, with family-owned enterprises serving as the second most common model. A closer examination of the gender-age profile reveals significant disparities in participation. Among sole proprietors, male youth (15 - 34 years) account for 50% of business owners, compared to only 17% for female youth. Similarly, female aged 35 years and above represent just 7% of family-owned enterprises, while male non-youth (35+) account for 25%.

Souk Ownership by Gender



Souk Ownership by Gender & Age Group Source: EEBC Market Assessment Survey, 2026 (n=408)

Youth entrepreneurs constitute 42% of souk operators, while 58% are aged 35 years and above. Although this indicates a meaningful level of youth participation, youthful entrepreneurs are disproportionately concentrated in smaller, lower-revenue businesses. This has important implications for sector modernization: younger retailers generally demonstrate greater awareness of digital tools and technologies, positioning them as potential drivers of digital transformation. However, limited access to capital, inventory financing, and supplier networks constrains their ability to adopt and scale digital solutions.

42%

Youth-owned souks
(15–34)

58%

Non-Youth-owned
souks (35+)

70%

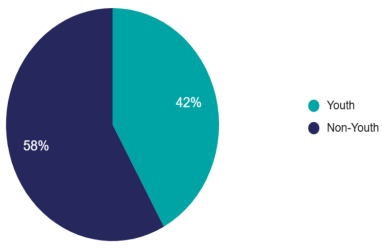
Completed secondary
or tertiary educatio

60%

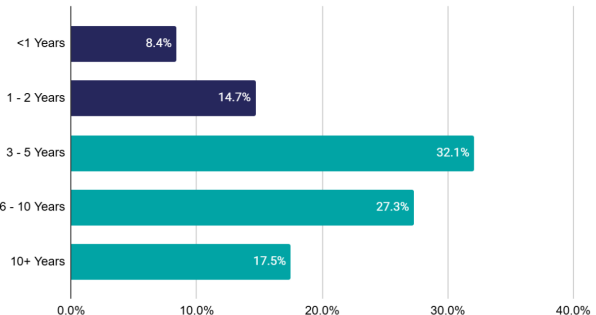
Have 3 – 10 years of
business experience



42% of the Souks are Youth Owned



Years in Business Experience



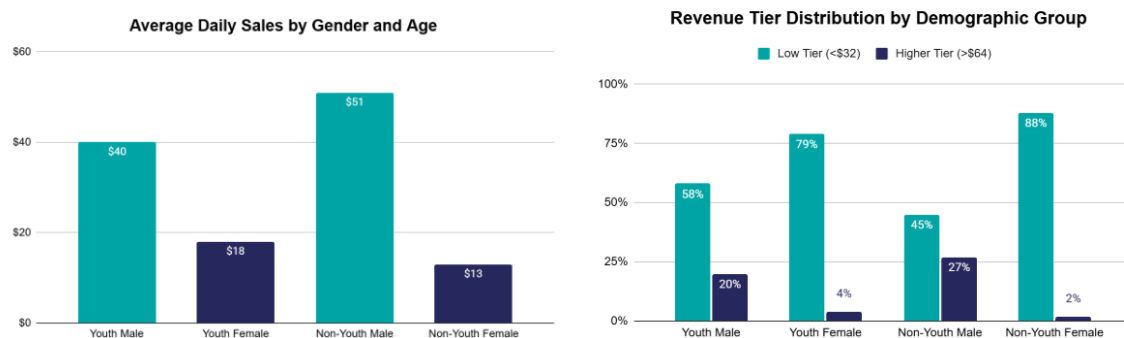
Source: EEBC Market Assessment Survey, 2026 (n=408)

Figure 3: Retailer Age Distribution and Years of Business Experience **Source:** EEBC Market Assessment Survey, 2026 (n=408)

5.1.3 Education & Business Experience

The sector has a strong foundation for growth and modernization, with over 70% of respondents having completed secondary or tertiary education, indicating high potential for skills uptake and technology adoption.

Business experience is also relatively strong, with nearly 60% of retailers having operated for 3–10 years, reflecting business stability and resilience. However, a notable proportion of youth-owned businesses have been in operation for less than three years, highlighting continued entrepreneurial interest alongside persistent barriers to business establishment and growth, particularly around access to capital, supplier networks, and business support services.

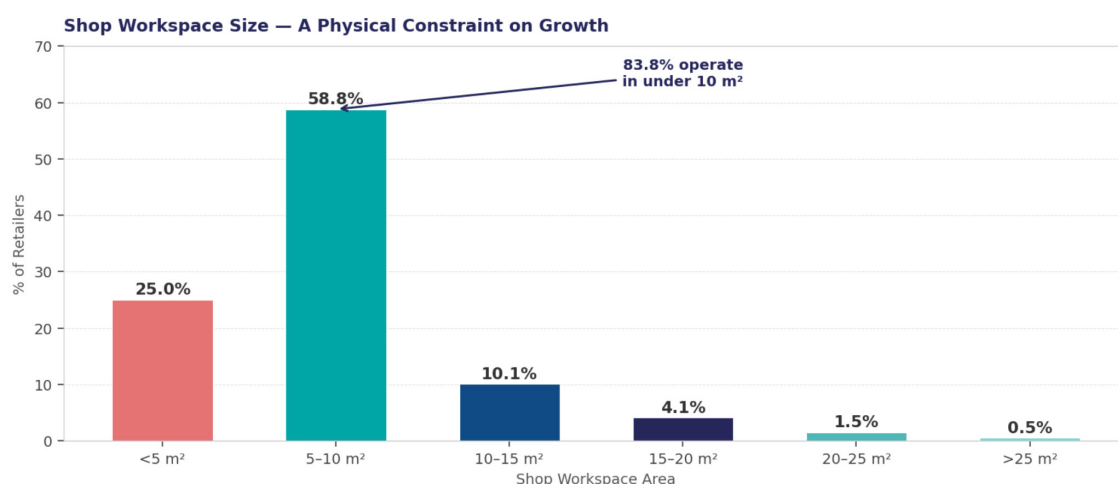


Source: EEBC Market Assessment Survey, 2026 (n=408)

Figure 7: Average Daily Sales and Revenue Tier Distribution by Gender and Age **Source:** EEBC Market Assessment Survey, 2026 (n=408)

5.1.4 Formality & Business Licensing

A striking 99.3% of surveyed retailers hold a business license – a near-universal rate that challenges the conventional characterization of souks as entirely informal. But that formal licensing coexists with deeply informal operations: manual inventory, cash transactions, no financial records, no separation of household and business finances.



Source: EEBC Market Assessment Survey, 2026 (n=408)

Figure 7: Average Daily Sales and Revenue Tier Distribution by Gender and Age **Source:** EEBC Market Assessment Survey, 2026 (n=408)

The Formality Paradox

Despite 99.3% license coverage, operational informality is near-universal. Smart Souk must therefore focus on enhancing operational capacity, financial record-keeping, digital integration, and supply chain structuring – not assume that licensing translates to formalized business management.

6. Key Findings

6.1 Sales Performance & Revenue Dynamics

6.1.1 Product Categories & Revenue Drivers

Micro-retailers maintain diversified FMCG portfolios, operating primarily as convenience outlets for daily household needs. Product mix is fairly balanced across beverages (18.5%), staple household items (18.3%), packaged foods (16.8%), personal care products (16.2%), snacks and confectionery (14.7%), and household cleaning products (13.0%), while fresh and perishable foods remain marginal at 2.3%, largely due to limited cold storage and higher spoilage risks.

account for 58% of top-selling items, underscoring a high-frequency, low-margin business model anchored in essential household demand. Beverages and snacks play a secondary role, primarily driving incremental and impulse purchases. Given these thin margins, even modest reductions in procurement costs or improvements in supply efficiency can have a significant impact on overall profitability.

Sales are dominated by staple goods, which

Figure 2: FMCG Product Category Participation (%)

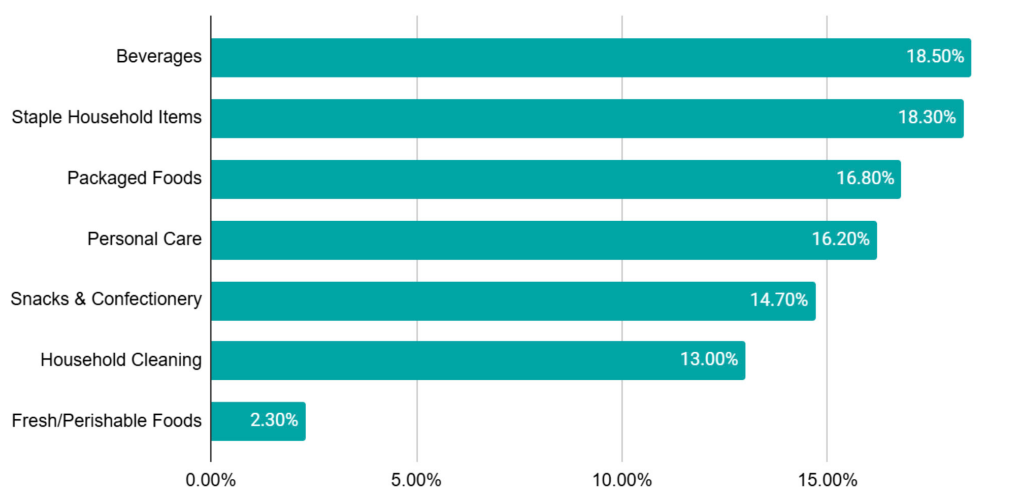


Figure 6: FMCG Product Category Participation Source: EEBC Market Assessment Survey, 2026 (n=408)

6.1.2 Daily Sales Values & Gender Income Gap

The daily sales data reveal a pronounced gender income gap. Most retailers operate in the USD 6–32 per day range. Male-owned souks are more concentrated in the mid-to-higher revenue band of USD 32–65 per day, while female-owned souks are largely concentrated in the lowest bracket, below USD 6 per day.

Upward movement into higher income tiers is male-dominated. The highest revenue segment (USD 65–130 per day) is almost exclusively male,

though a small percentage of women (2–4%) do operate at this level.

Sub-city geography matters too. Retailers in centrally located sub-cities; Bole, Addis Ketema, Nifas Silk Lafto – report higher daily sales, reflecting proximity to supply hubs and stronger foot traffic. Peripheral sub-cities record lower average sales, compounded by higher transport costs and less reliable supply access.

Education Level by Gender - 70%+ Have Secondary and Higher Levels

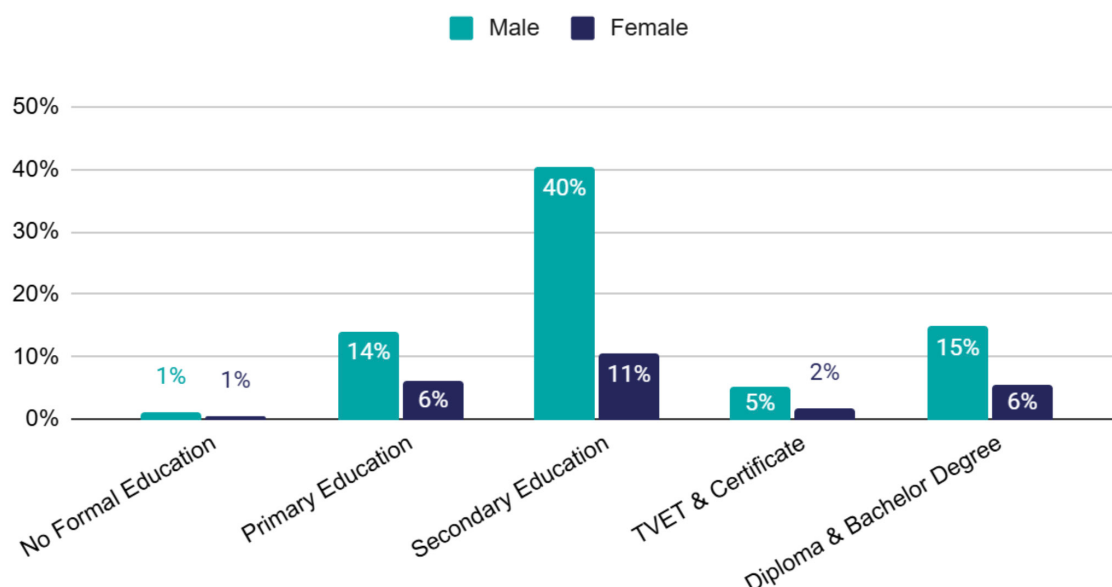
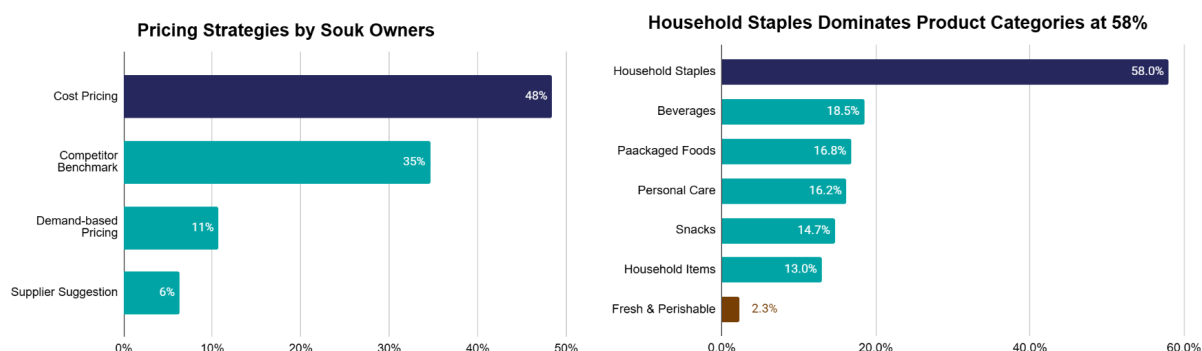


Figure 4: Education Level by Gender **Source:** EEBC Market Assessment Survey, 2026 (n=408)

Pricing behavior among micro-retailers is largely informal and reactive. Nearly half (48%) rely on cost-plus pricing, while 35% set prices based on competitors. Only 11% apply demand-based pricing approaches.

This indicates limited use of strategic pricing methods, presenting a clear opportunity for targeted training. Strengthening skills in margin analysis and demand-responsive pricing could improve profitability without requiring additional capital investment.



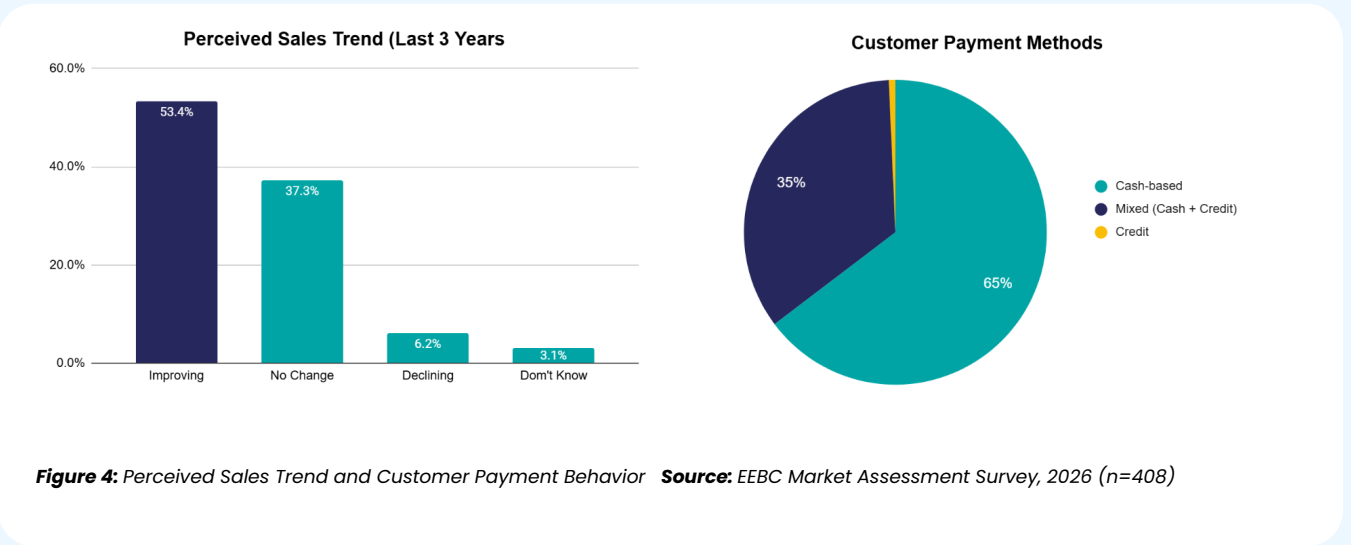
Source: EEBC Market Assessment Survey n = 408

Figure 4: Pricing Strategy and Product Category Participation **Source:** EEBC Market Assessment Survey, 2026 (n=408)

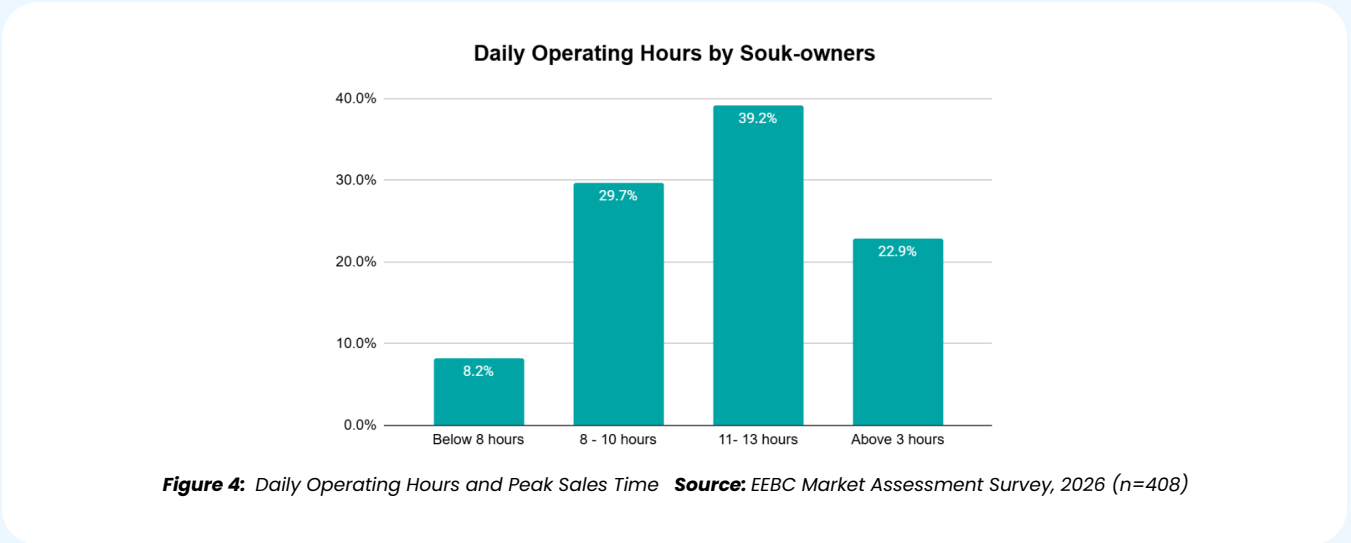
6.1.3 Business Performance Trends & Customer Dynamics

Despite structural constraints, 53.4% of retailers report improved monthly sales over recent years, indicating modest but sustained market growth. A further 37.3% report no change, suggesting underlying structural stagnation rather than decline. Qualitative insights corroborate a gradual increase in trade volumes; however, profitability remains volatile due to fluctuating supplier prices and inconsistent supply chains. Female micro-retailers attribute sales growth primarily to product diversification and improved responsiveness to customer needs, while those in peripheral sub-city locations highlight irregular supply deliveries as a persistent constraint on performance.

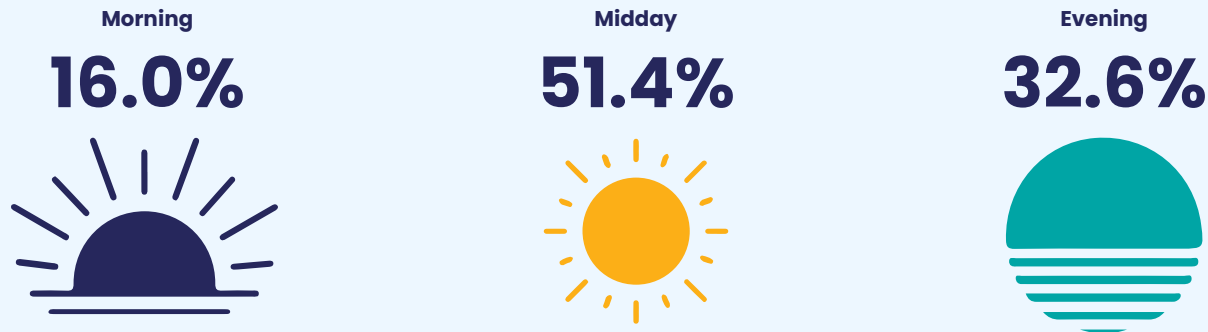
Customer transactions are predominantly cash-based (64.7%), with a substantial share of mixed cash-and-credit arrangements (34.6%). The widespread use of informal, trust-based credit strengthens customer loyalty and retention but simultaneously constrains cash flow and heightens financial risk for already capital-constrained retailers. Managing this trade-off represents a key focus area for Smart Souk’s financial literacy training.



On operating patterns: most souks run 8–13 hours per day (39.2%), with 22.9% operating over 13 hours. Peak sales are concentrated at midday (51.4%) – which analysis shows is largely a function of opening hours rather than genuine consumer demand patterns. Over 83% of shops operate in under 10 m² of workspace, creating severe physical constraints on product variety, storage, and customer flow. These physical limitations are a real barrier to growth that training alone cannot solve.



Peak Sales of the day



6.1.4 Revenue Segmentation & Distributional Analysis

Analysis of daily sales data reveals a highly segmented revenue structure across three distinct tiers. This segmentation is not just descriptive – it is the foundational basis for Smart Souk’s differentiated, targeted intervention design.

Middle Revenue

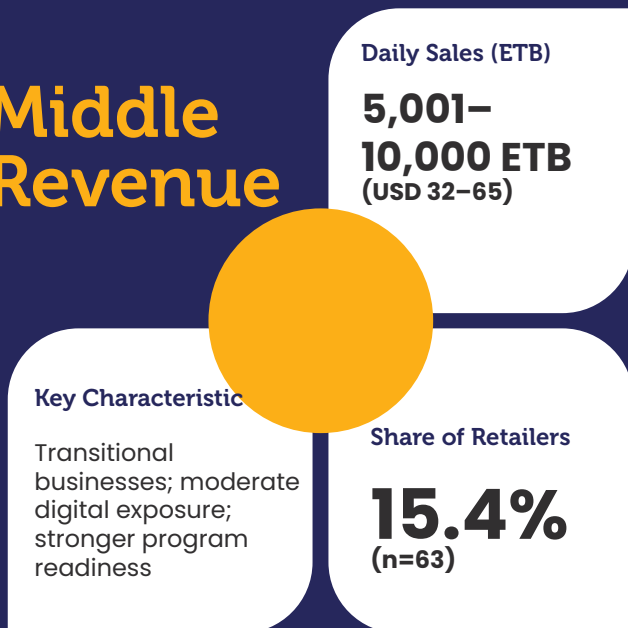
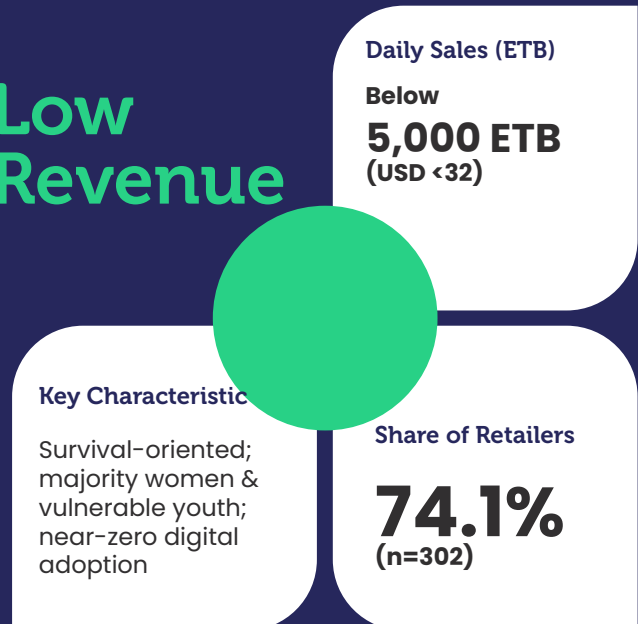
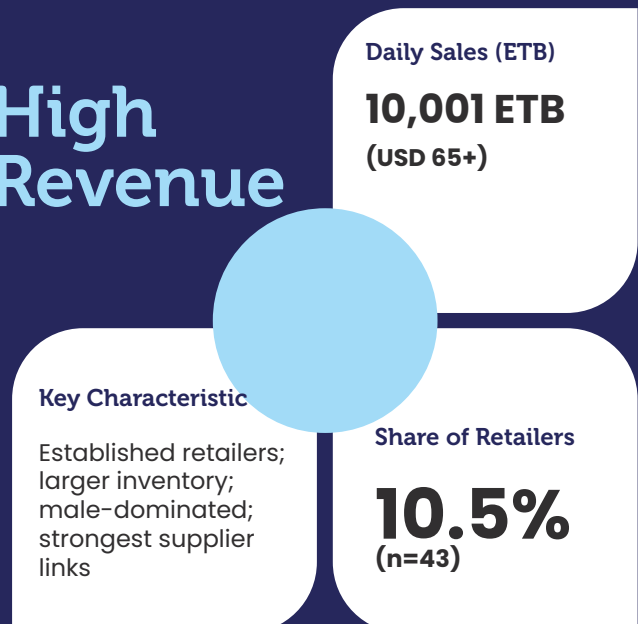


Figure 3: Revenue Tier Distribution Across Surveyed Souk Operators
Source: EEBC Market Assessment Survey, 2026 (n=408)

Low Revenue



High Revenue



The low-revenue segment – 74.1% of all retailers, is characterized by constrained working capital, limited stock size, heavy dependence on informal finance, and very low digital adoption (60.1% report a digital sales share of under 10%). Women make up 52.9% of this group, and youth 37.6%. Many operators here are educated but remain trapped in survival-mode businesses.

The middle-revenue segment (15.4%) represents businesses in transition. They show moderate digital exposure, better operational stability,

and growing capacity to absorb more advanced interventions. This group has high potential for rapid upgrading – particularly if structural barriers for women and youth are actively addressed.

The high-revenue segment (10.5%) consists of more established retailers with larger inventory, stronger supplier relationships, and greater business resilience. However, many still operate informally and lack advanced growth systems. This group can serve as anchor retailers and peer mentors once Smart Souk interventions take hold.

6.1.5 Revenue Disaggregated by Gender and Age

Breaking down daily sales by gender and age group reveals where income concentration and exclusion are most acute. The data below are drawn from the survey of 408 retailers and show the percentage of retailers within each demographic falling into each revenue tier.

4x

Gender income gap

Older men earn on average ~\$52/day versus \$13 for older women - a near 4x gap. Youth FEMALE are closer to youth men but still earn roughly half as much per day (~\$18 vs ~\$39).

88%

Exclusion from high-value tier

88% of older women and 79% of youth women operate in the low-revenue segment. For older men, that figure drops to 45%. The high-revenue tier (above \$64/day) is almost exclusively male - only 2-4% of women operate at this level.

58%

Youth men: entry concentration

Despite being the largest single group (49.7% of all retailers), 58% of youth men still operate in the low tier. Youth are better represented in the middle tier than any women's group, but are largely absent from the high tier - pointing to capital and experience as the key barriers.

6.7%

The compounded disadvantage

Women of all ages combined account for just 6.7% of retailers in the middle and high revenue tiers combined. This is the sharpest indicator of structural exclusion in the dataset - and the clearest justification for targeted, gender-intentional program design.

Revenue Segmentation: What it Means for Smart Souk

The stark concentration at the low-revenue tier - nearly three-quarters of all souk-owners - is not simply a static snapshot. It reflects structural and systematic exclusion: from credit, from efficient supply chains, from digital tools, and for women, from the higher-value market tiers. Smart Souk's differentiated, tiered intervention model is a direct response to this structure - with different packages for each tier designed to unlock upward mobility rather than simply support the status quo.

6.1.6 Revenue Profiles & Differentiated Intervention Approaches

The three profiles below translate the revenue segmentation directly into program design, highlighting the distinct needs, characteristics, and targeted Smart Souk approach for each tier.

The three profiles below translate the revenue segmentation directly into programme design. Each profile describes who retailers in that tier are, what they need, and how Smart Souk should approach them differently. The profiles are grounded in the survey of 408 retailers and the analytical framework of the full market assessment report.

Profile 1 - Low Revenue Segment

Daily sales below ETB 5,000 (~USD 32) | 74.1% of all surveyed retailers (n=302)

Who they are

- 74.1% of all surveyed retailers
- Relatively-low stock size
- Constrained working capital
- Digital sales mostly under 10%
- 74.1% depend on informal finance
- 52.9% are female; 37.6% are youth
- Many have secondary/diploma education but remain survival-oriented

What they need

- Basic bookkeeping and cash-flow management
- Pricing and profit calculation
- Simple inventory recording
- Mobile money and QR payment tools
- SMS/USSD-based business tracking
- Flexible training formats that take into women's time constraints
- Entry-level supplier credit access

Smart Souk approach

- Peer learning through Ekub and women's networks
- Visual, local-language, short training modules
- Inclusive quotas to ensure women and youth are onboarded first
- Supply chain aggregation clusters of 20-30 members for collective procurement
- Progressive digital adoption: start with payments, then move to inventory tools

Strategic goal:

Enable survival retailers to transition into stable, digitally connected businesses through structured support and market integration.



Profile 2 - Middle Revenue Segment

Daily sales ETB 5,001–10,000 (~USD 32–64) | 15.4% of all surveyed retailers (n=63)

Who they are

- Transitional businesses – moderate stock size
- Growing digital exposure
- Better business resilience and emerging operational stability
- Higher-than-average program readiness
- Mostly male-owned, but with high-potential women and youth retailers who can advance quickly

What they need

- Advanced bookkeeping and sales forecasting
- Business planning and supplier negotiation
- Customer analytics and retail marketing
- Inventory management applications
- Digital procurement systems
- Structured mentorship from more experienced retailers
- Leadership and advocacy skills for market governance

Smart Souk approach

- procurement, sales analytics
- Structured mentorship linking experienced retailers with emerging women and youth retailers
- Support women and youth participation in market governance and association leadership
- Active facilitation for suppliers upgrading from Merkato to direct distributor sourcing



Strategic goal:

Accelerate business upgrading, enhance operational efficiency, and advance digital-commercial integration – turning growth potential into growth reality.

Profile 3 - High Revenue Segment

Daily sales above ETB 10,001 (~USD 65+) | 10.5% of all surveyed retailers (n=43)

Who they are

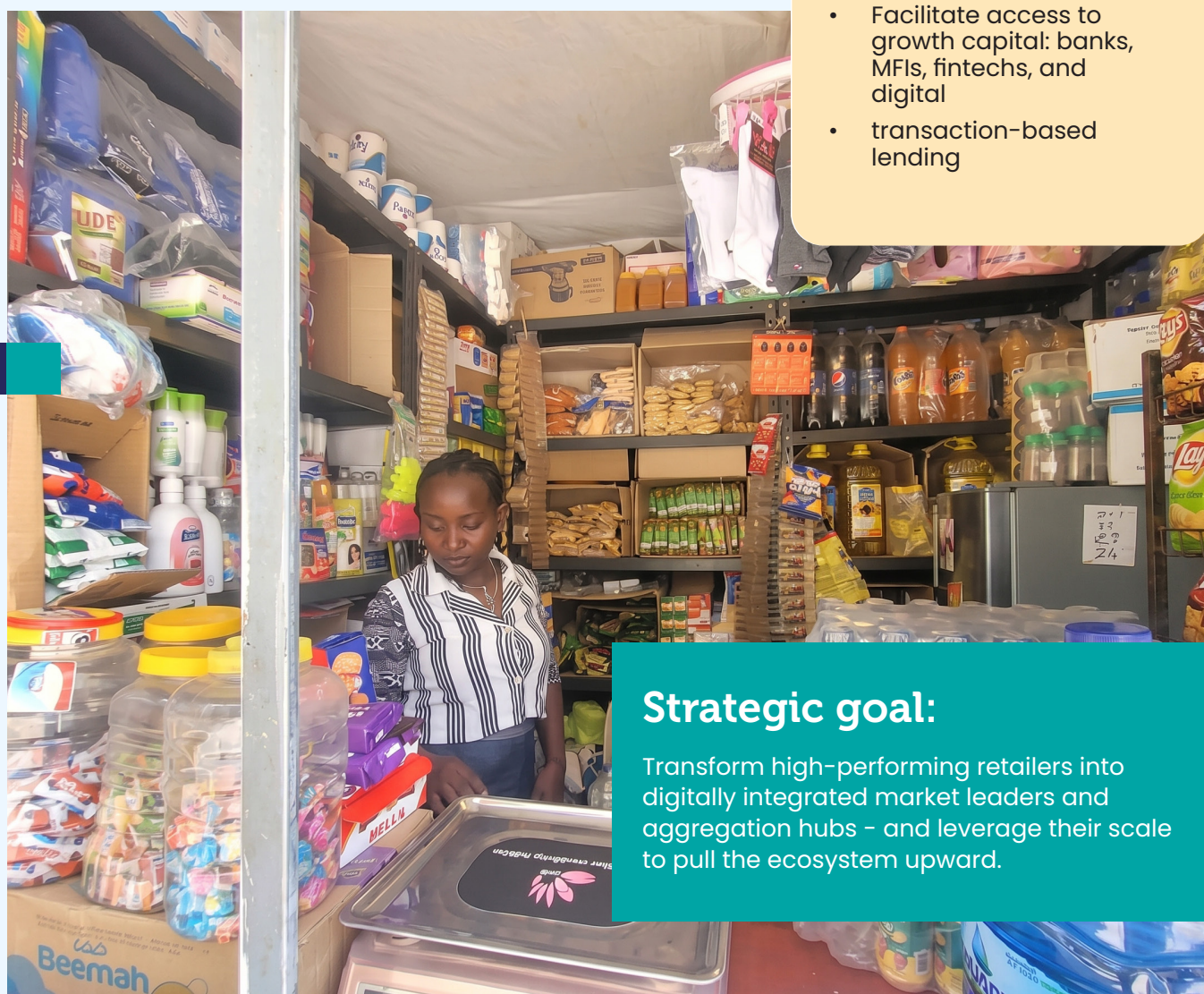
- Relatively established retailers
- Larger inventory volumes
- Stronger supplier relationships
- Better operational experience and resilience
- Predominantly older male-owned
- The highest-value tier – but many still operate informally without advanced growth systems

What they need

- Strategic business expansion planning
- Supply chain management
- Financial planning and enterprise scaling
- Advanced inventory management support
- Integrated supplier-retailer platforms
- Digital marketing and e-commerce integration
- Access to expansion loans especially from formal institutions

Smart Souk approach

- Workshops and accelerator supports for enterprise growth
- Position as market champions and peer mentors for lower tiers
- Facilitate partnerships with fintech companies, suppliers, and innovation hubs
- Establish women leadership platforms for successful women micro-retailers as market anchors
- Support adoption of advanced digital systems: e-commerce platforms, digital marketing.
- Facilitate access to growth capital: banks, MFIs, fintechs, and digital
- transaction-based lending



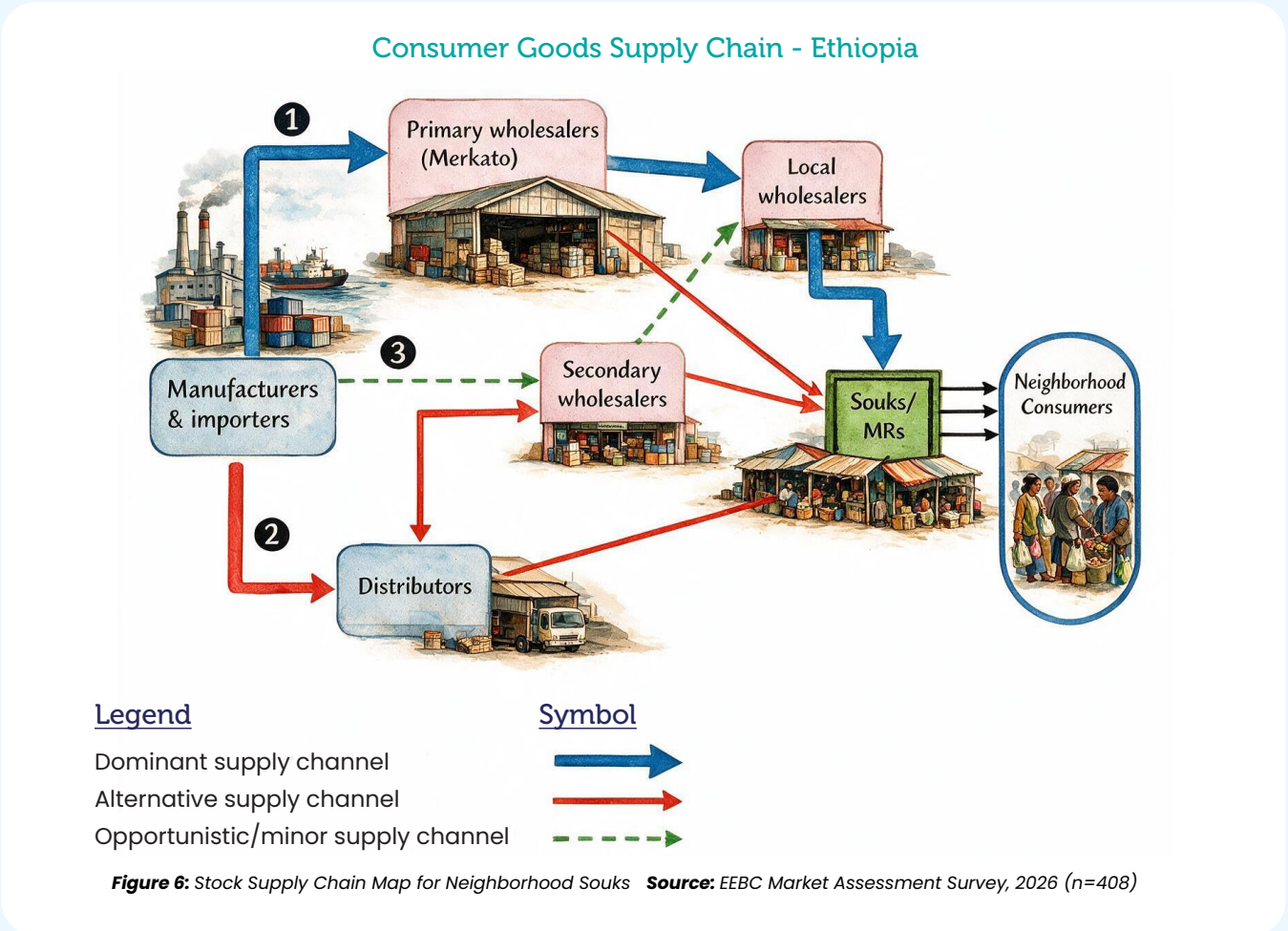
Strategic goal:

Transform high-performing retailers into digitally integrated market leaders and aggregation hubs – and leverage their scale to pull the ecosystem upward.

6.2 Supply Chain & Products Access Analysis

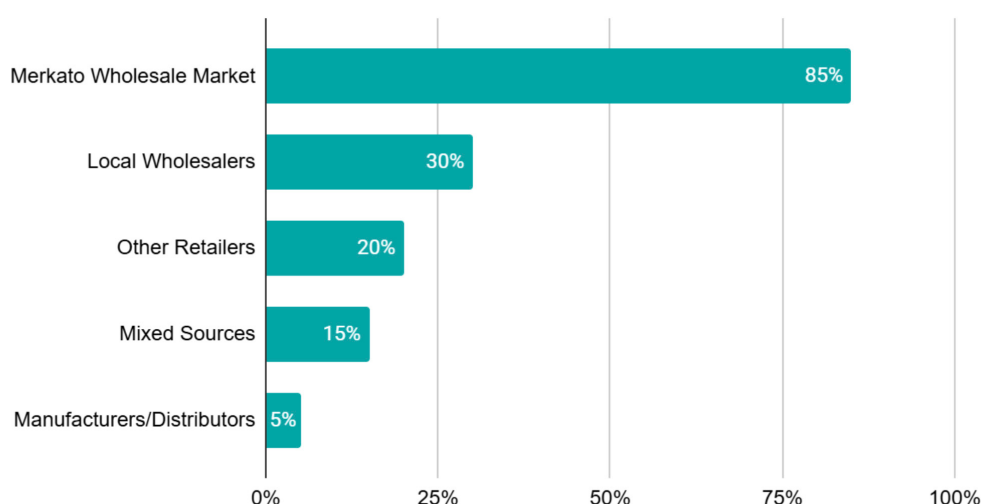
6.2.1 Supply Chain Structure

The supply chain serving Addis Ababa's micro-retailers is highly fragmented, informal, and intermediary-driven. Over 85% of retailers source stock primarily from Merkato through multiple intermediary layers. Direct links with manufacturers or authorized distributors are minimal, resulting in higher procurement costs and exclusion from bulk purchasing. Three main supply routes are identified:



Informal sourcing: more common among women and youth **Source:** EEBC Market Assessment, 2026

Figure 3: Primary Stock Suppliers (% of retailers)

Figure 4: Primary Stock Suppliers **Source:** EEBC Market Assessment Survey, 2026 (n=408)

Supply Chain Gender Stratification

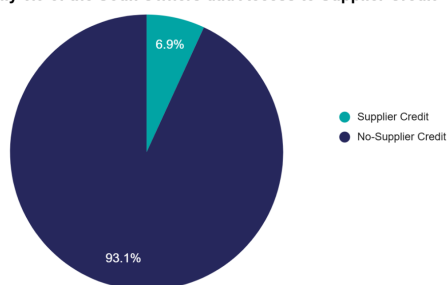
The supply chain is gender-stratified: upstream, high-value nodes (manufacturers, large distributors) are dominated by older men. Middle-tier sources (local wholesalers) are shared but skewed male. Bottom-tier, low-margin sources (other retailers) are dominated by women – especially young women. This stratification systematically disadvantages women in procurement efficiency, pricing, and margin capture.

6.2.2 Product Sourcing Practices & Inefficiencies

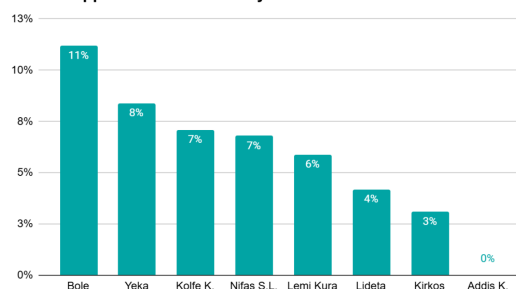
Sourcing remains largely manual, time-intensive, and costly. A significant share of souk owners (41.9%) physically travel to suppliers to restock, while 35.9% rely on phone calls, with no reported use of digital procurement platforms. This manual procurement model increases transaction costs, reduces productive business time, and limits transparency in pricing.

Restocking is infrequent: 46.8% of retailers restock weekly, and a substantial proportion do so biweekly or less. Although more frequent restocking correlates with improved sales, the current low frequency reflects deeper structural constraints, particularly limited working capital and logistical inefficiencies.

Only 6.9 of the Souk Owners had Access to Supplier Credit



Supplier Credit Access by Sub-Cities in Addis Ababa

Figure 4: 13: Supplier Credit Access by Sub-City **Source:** EEBC Market Assessment Survey, 2026 (n=408)

Supplier credit is accessible to only 6.9% of souk-owners – a critical working capital gap. Without it, retailers cannot maintain adequate inventory levels. Bole has the highest credit access at 11.2%; Addis Ketema records zero supplier credit penetration.

Stock-out incidence is widespread and shows clear gender and age disparities. Male retailers report more chronic stock-outs (4+ times per month: 7.9% vs 1.4% among women), but also a higher share reporting no stock-outs (26.5% vs 9.6% for women), suggesting more polarized or uneven supply chain outcomes among male-owned businesses.

Women, by contrast, are more concentrated in the mid-frequency range of 1-3 stock-outs per month, indicating more consistent but recurrent supply disruptions. This pattern points to weaker supply chain resilience, driven by constrained working capital and more limited supplier access.

Youth retailers are similarly more vulnerable than older operators, reflecting less established supplier relationships and weaker financial buffers. The findings suggest that reducing stock-out frequency requires integrated solutions that jointly address finance, supplier access, and logistics rather than treating them as separate constraints.

6.3 Financial Management & Access to Finance

5.3.1 Sources of Business Finance

T 93.1% of retailers depend entirely on personal savings to finance their businesses. Formal credit from banks or MFIs is negligible – microfinance penetration sits at just 0.2%. Family support and Ekub (rotating savings groups) fill part of the gap, particularly for women, but these informal mechanisms cannot meet the scale of capital needed for business growth.



93.1%

Finance from personal savings

0.2%

MFI penetration rate

21.8%

Ekub participation

6.9%

Supplier credit access levels

6.3.2 Financial Record-Keeping & Discipline

Weak financial management is near-universal: 40.7% of retailers keep no financial records, and only 27% separate household and business finances. That separation is a fundamental precondition for accurate profit assessment and creditworthiness. Education level is the strongest predictor of record-keeping – higher education correlates with better records. Gender matters too: male retailers maintain records more consistently, reflecting both larger operational

scale and fewer time constraints.

Ekub participation reveals an important entry point: 64% of members make monthly contributions, 33.7% weekly. While Ekub provides critical lump-sum capital – especially for women – it doesn't build formal credit history. With over half of members actively saving, Ekub structures can serve as a bridge toward formal financial systems and digital credit products.

6.4 Digital Readiness & Technology Utilization

6.4.1 The Digital Paradox

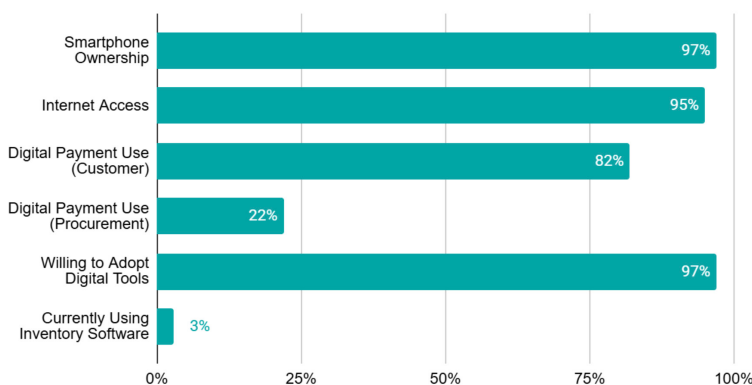
The assessment reveals a clear digital paradox: extensive mobile technology access coexists with near-zero adoption of business-management digital tools. 97% of retailers own and use smartphones. Digital payments – primarily TeleBirr and CBE Birr – are widely used for customer transactions. Internet access is common, though mostly through data bundles.

Yet tools for inventory tracking, sales analytics, digital bookkeeping, and digital procurement are almost entirely absent. The main barriers: lack of awareness of available tools, low digital literacy for business applications, and the absence of affordable, user-friendly solutions designed for micro-retailers' specific contexts.

Strong Latent Demand for Digitalization

Despite near-zero current adoption, 96.8% of retailers expressed willingness to adopt digital tools if barriers of cost, complexity, and relevance were addressed. That latent demand – combined with near-universal smartphone ownership – confirms the infrastructure exists. Smart Souk's role is to bridge the gap from awareness to actual adoption.

Figure 4: Digital Readiness - Access vs. Business Tool Adoption



6.4.2 Digital Payment Adoption

Digital payment use is widespread for customer-facing transactions but limited for products payments when ordering. TeleBirr and CBE Birr dominate. A gender gap exists, but it narrows significantly among younger cohorts – young women's digital payment use is approaching parity with young men, suggesting age drives adoption more than gender for this technology. On the products payment/access side, only 13% use mobile banking for stock payments; cash remains dominant at 36.3%.

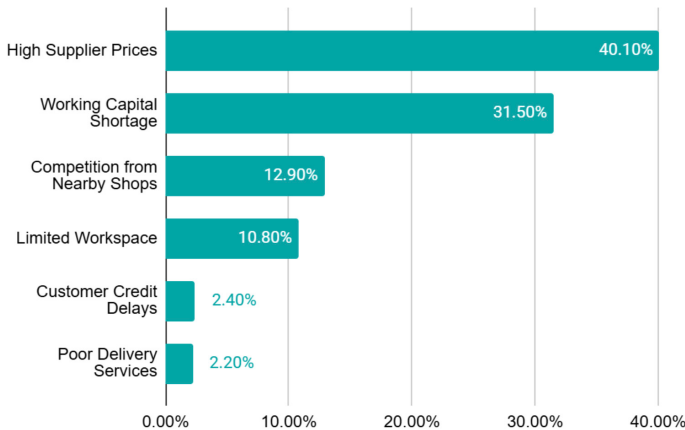
6.4.3 Digital Inventory Management Awareness

Awareness of digital inventory tools is low but positively correlated with digital payment adoption and younger age. Retailers with higher digital sales shares are more aware of inventory applications – a virtuous cycle: payment digitization expands exposure to the broader digital ecosystem, raising awareness of management tools. This directly informs Smart Souk’s digital onboarding strategy: start with payments and use that as the gateway to inventory and business management tools.

6.5 Business Challenges & Growth Aspirations

6.5.1 Business Challenges

Figure 5: Primary Business Challenges (% of respondents)



Micro-retailers face a web of interconnected challenges. The most critical: high supplier prices (40.1%), working capital constraints (31.5%), competition from nearby shops (12.9%), and limited workspace (10.8%). These are not isolated – they reinforce each other. High supplier prices erode thin margins; capital constraints prevent bulk purchasing (which would reduce unit costs); competition intensifies pressure to maintain availability; limited workspace restricts variety and customer flow.

6.5.2 Growth Aspirations & Support Needs

Entrepreneurial spirit is strong: 70.3% plan to expand their businesses. Expansion priorities are increasing product variety (81.5%), expanding workspace (39.4%), and opening additional outlets (26.8%). These are incremental, low-capital strategies – reflecting capital scarcity, not ambition. Access to finance is the dominant expansion barrier (cited by 84.6%), followed by limited business skills.

Growth strategies differ by gender. Women’s expansion plans are concentrated on product variety and workspace – conservative, survival-focused approaches. A larger share of men plan to open additional outlets – a more capital-intensive, growth-oriented strategy. This difference matters for program design: women need pathways into growth, not just support for survival.

6.5.3 Training Needs

Only 6.9% of retailers have received prior formal training. However, self-assessed training demand is surprisingly low–most souk owners do not know what they are missing. That gap between objective need and perceived need is itself a design challenge. Smart Souk’s capacity-building approach must build awareness of skill gaps and demonstrate the direct link between training and profitability – using pilot outcomes to create pull demand.

Business management is the most preferred training area across all revenue tiers and both genders. Marketing and customer service is the second priority for low- and middle-revenue retailers; inventory management is ranked

higher by the middle tier. Digital solutions training is currently low-demand but this reflects low awareness, not low need – and is expected to grow as digital tool adoption increases.

Women face specific structural barriers to training participation that go beyond preference: household responsibilities make multi-day sessions difficult or impossible; spousal decision-making authority can limit participation even when training is accessible; and mobility constraints rule out travel-intensive delivery formats. These barriers call for a specific delivery design – on-site coaching, mobile-based digital learning, and short modular formats – not simply a generic training calendar.

6.5.4 Smart Souk Program Readiness & Demand Validation

Demand for Smart Souk is strong. Over half of surveyed retailers (56.9%) have some prior exposure to support programs – indicating familiarity with the concept of external assistance. Interest in Smart Souk participation is high across all sub-cities and demographic groups, with the highest expressed interest coming from Bole, Kolfe Keranyo, and Nifas Silk Lafto. Youth and women show comparable interest levels to men, dispelling any assumption that program reluctance tracks gender or age.

Business association membership is unevenly distributed – strong in some sub-cities, near-absent in others. This geographic variation in associational infrastructure has direct implications for delivery: sub-cities with stronger associations (Nifas Silk Lafto, Bole) provide natural aggregation points for cluster-based training and collective procurement; those with weaker structures will need community mobilization investment before clusters can function effectively.

Program Readiness: What the Numbers Say

96.8% of retailers expressed willingness to adopt digital business management tools if cost and usability barriers are addressed. 56.9% have prior program support exposure. Interest in Smart Souk participation is near-universal and cuts across gender, age, and sub-city – confirming that the demand side is not the constraint. The program design challenge is on the supply side: delivering tools, training, and supply chain solutions that are genuinely accessible, affordable, and relevant to the realities of Addis Ababa's souk operators.

6.6 Market Size, Ecosystem & Regulatory Context

6.6.1 Retail Market Scale

Addis Ababa's micro-retail market is one of the largest in sub-Saharan Africa. The city hosts around 400,635 registered micro-enterprises. The Trade Bureau records 60,375 licenses classified as 'small shops (kiosks)' out of 306,124 total trade establishments registered since 2008. An estimated 70 – 80% of all retail sales in Ethiopia pass through MSE outlets. With 3.2 million low-to-middle-income residents within reach of last-mile souk distribution, the addressable market for Smart Souk is substantial.

Sub-City	New MSEs (2025/26 Q3)	Youth Male	Youth Female	Adult Male	Adult Female
Bole	722	832	939	680	796
Lemi Kura	2,008	3,695	5,800	479	722
Nifas Silk Lafto	1,368	238	788	804	1,082
Addis Ketema	511	1,263	1,669	187	235
Kolfe Keranyo	607	416	438	87	151
Gulele	343	402	461	257	214
Akaki Kaliti	774	619	583	303	443
Total (All Sub-cities)	7,126	8,218	11,497	3,125	3,917

Table 3: New MSEs Established to End of Q3 2025/26 by Sub-City & Demographics **Source:** BoLS Performance Report, 2025/26

6.6.2 Revenue Disaggregated by Gender and Age

Breaking down daily sales by gender and age group reveals where income concentration and exclusion are most acute. The data below are drawn from the survey of 408 retailers and show the percentage of retailers within each demographic falling into each revenue tier.

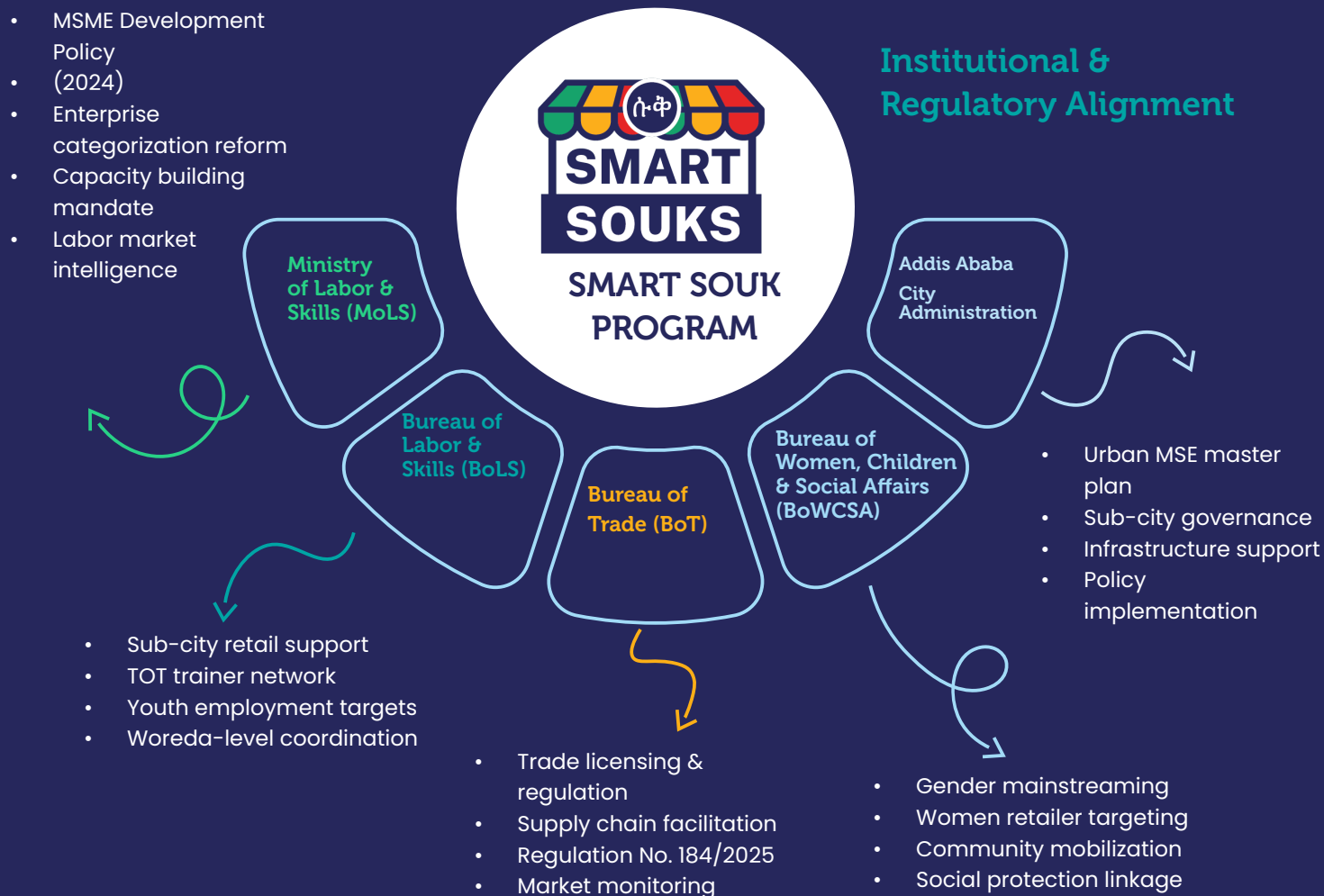


Figure 4: Institutional & Regulatory Alignment for Smart Souk **Source:** EEBC Regulatory Assessment, 2026

Ethiopia's regulatory framework for micro-retail is evolving. The revised 2024 MSME Development Policy redefines enterprise categorization and mandates the Ministry of Labor and Skills to coordinate implementation. The revised Regulation No. 184/2025 expands the definition of informal trade to include street-based activities with capital up to USD 1,268.

The environment is broadly supportive of Smart Souk objectives – policy alignment across BoLS (capacity building, job creation), BoT (trade regulation, supply chain), and BoWCSA (gender mainstreaming). Institutional fragmentation and limited sub-city-level capacity create implementation risks, but these are manageable with deliberate PMU coordination.

6.7 Partnership Ecosystem & Digital Infrastructure

6.7.1 Public Sector Partners

Three government institutions are essential partners: Bureau of Labor and Skills (BoLS) for retailer targeting, capacity building, and livelihood monitoring; Bureau of Trade (BoT) for market regulation, licensing, and supply chain facilitation; and Bureau of Women, Children, and Social Affairs (BoWCSA) for gender mainstreaming and targeting of women retailers.



6.7.2 Digital & Fintech Ecosystem

A tiered digital partnership strategy is proposed:

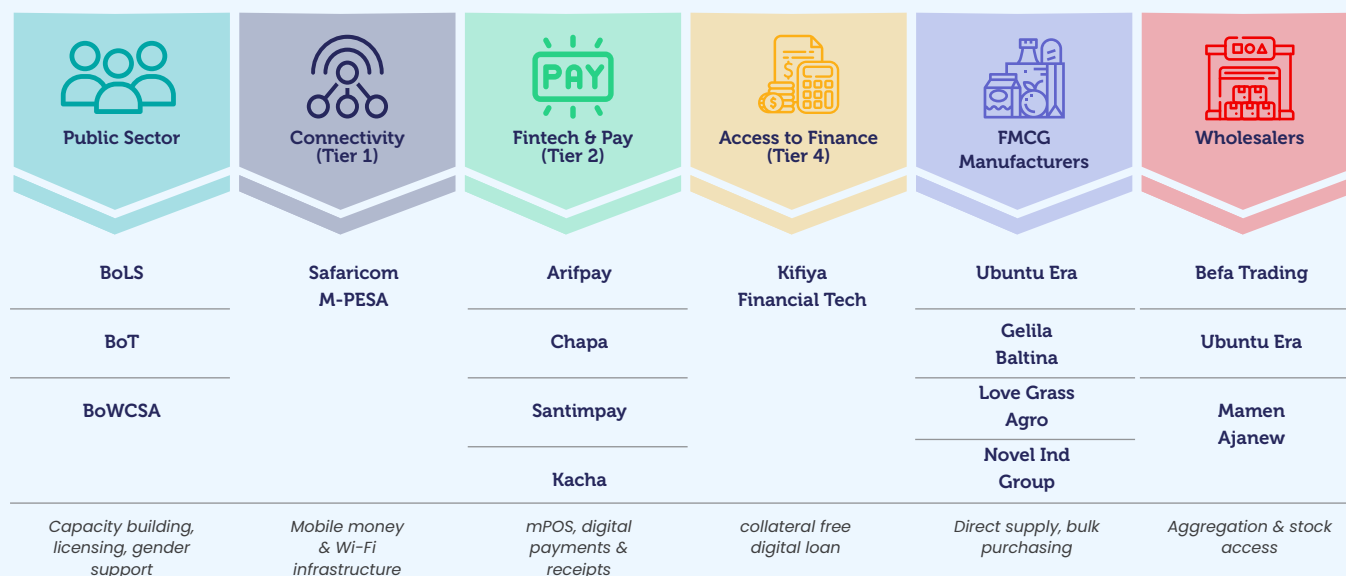
Tier 1 (Connectivity): Safaricom-M-PESA for mobile money backbone and Wi-Fi infrastructure

Tier 2 (Fintech & Payments): Arifpay for mPOS terminal deployment and digital receipts; plus Chapa, Santimpay, and Kacha

Tier 3 (Merchandise Management): Local software developers identified via Expression of Interest

Tier 4 (Access to Finance): Kifiya Financial Technology for collateral-free digital loan products across 17 categories

6.7.3 FMCG Manufacturers & Distributors



Qualitative assessments with 9 manufacturers and 4 wholesalers identified strong partnership potential. High-readiness partners include Ubuntu Era PLC (soaps, detergents, hygiene - high readiness for bulk supply); Gelila Baltina (processed Ethiopian spices and food mixes - women-owned, seeking retailer network expansion); Love Grass Agro-processing (gluten-free pasta, energy drinks, snacks - ready for direct retailer integration); and Arifpay (mPOS for payment and inventory).

7. Program Risks & Mitigation

Every intervention of this kind carries risks. The assessment identifies four categories that require active management. Naming them here is not a caveat – it is the foundation for a realistic, adaptive program.



Risk Category	Key Risks	Likelihood / Impact	Mitigation
Operational	Low training uptake, especially among women; digital tool adoption below projections; partner coordination gaps	Medium likelihood, Medium-High impact	On-site coaching and mobile delivery; digital literacy support before tool rollout; dedicated PMU with clear coordination protocols
Financial	Micro-retailer finance pressures reduce program engagement; inflation erodes the \$1,500/retailer budget; working capital gaps limit supply chain participation	Medium likelihood, Medium impact	Flexible, modular engagement; link training completion to credit access; proactively secure a dedicated loan guarantee fund or MFI loan window; budget review trigger at mid-Year 1
Regulatory & Institutional	Delays in MoU finalization; sub-city-level capacity constraints; regulatory changes affecting digital financial services	Low-Medium likelihood, Medium impact	Early government engagement; MoU signing as Year 1 precondition; PMU embedded in woreda offices; regulatory scenario planning
Market & External	Merkato price volatility disrupts aggregation; fintech partner instability; macro-economic shocks affecting retailer incomes	Medium likelihood, Medium impact	Diversify supply chain partnerships; select two fintech partners per function; MEL early-warning triggers for macro-level stress

Cross-Cutting Risk: Gender & Youth Exclusion

The biggest risk running through every category is unintentional exclusion of women and youth. Without deliberate design – quotas, on-site delivery, gender-sensitive selection, and disaggregated MEL – program benefits will default toward already-advantaged male retailers. This is what happened in earlier MSE programs without gender intentionality. Smart Souk's MEL framework must track gender and age outcomes from Day 1, with course-correction triggers built in.



8. Conclusion and Recommendations

8.1 Conclusion

The Smart Souk Market Assessment paints a vivid picture of a sector that is simultaneously vital and vulnerable. Addis Ababa's souks are the backbone of last-mile FMCG distribution – providing livelihoods for hundreds of thousands of entrepreneurs, disproportionately youth and women, and serving millions of BOP consumers. Their potential is severely constrained by systemic inefficiencies that no individual micro-retailer can overcome alone.

These are market system failures, not individual deficiencies. The Smart Souk Program is therefore not only viable but necessary. It addresses these failures at the system level through a bundled, evidence-based intervention targeting the interconnected constraints simultaneously. The financial feasibility analysis confirms strong returns: a 3-year lifecycle ROI of 5.8x on a \$450,000 total investment (\$150,000 per year), generating \$2.6 million in cumulative net benefits for 300 retailers – a model built to scale.

The Theory of Change: From Market Failures to Retailer Outcomes

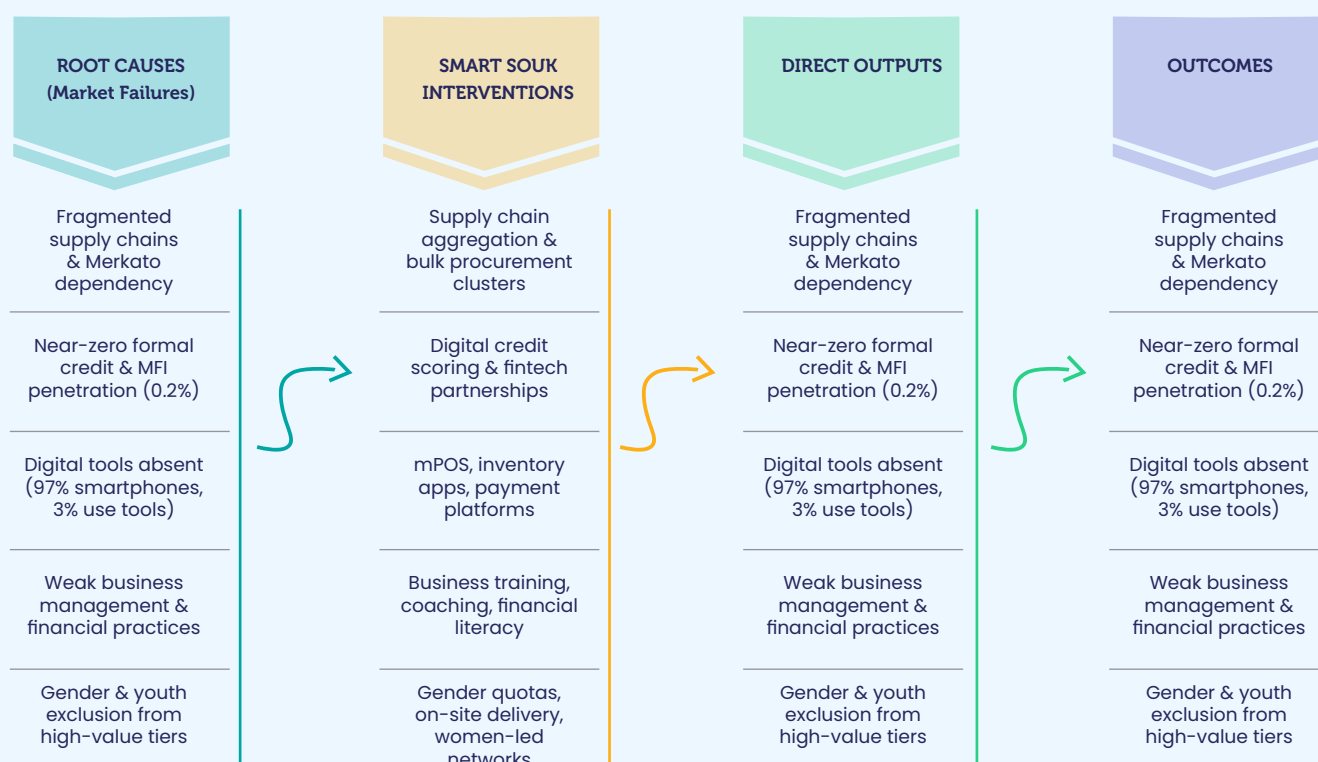


Figure 16: Proposed Smart Souk Theory of Change **Source:** EEBC Market Assessment & Smart Souk Program Design, 2026

8.2 Prioritized Recommendations

Customized Capacity Building

Deliver modular, blended-format capacity building: on-site coaching that brings training to the shop (eliminating travel barriers for especially women); peer learning groups leveraging existing Ekub and association structures; and digital learning platforms for flexible, time-responsive engagement. Priority topics: business management, pricing and margin analysis, inventory management, financial record-keeping, household-business finance separation, and digital tool adoption. Embed gender-intentional recruitment quotas and use BoWCSA as the targeting and mobilization partner.

Supply Chain Strengthening

Design a two-tiered supply chain intervention. Tier 1—form Smart Souk kebele clusters of 50–70 micro-retailers for aggregated bulk purchasing, direct manufacturer/distributor linkages, and collective logistics. Tier 2—for micro-retailers with existing distributor access, integrate digital procurement platforms (stock ordering, inventory tracking, and sales recording). Prioritize women's transition from local wholesalers to larger supply chains through targeted credit, aggregation platforms, and supplier network facilitation.

Financial Inclusion & Digital Credit

Develop tailored micro-retail financial products in partnership with MFIs and fintechs: working capital loans with simple requirements; digital credit scoring models that leverage Smart Souk transaction data from POS systems; and graduated credit access tied to digital tool adoption and training completion. Prioritize women and youth. Use Kifiya Financial Technology's collateral-free digital loan products as the primary credit access vehicle.

Digital Enablement

Deploy simple, low-cost digital tools designed for low-data environments through a two-tiered rollout: Tier 1 USSD/SMS-based stock tracking for basic users, and Tier 2 app-based inventory management with sales analytics for more advanced users. Inventory tools should be paired with digital payment enablement to drive mutual adoption. The program will specifically target young women in digital literacy training and utilize Arifpay's mPOS platform as the primary payment and receipt infrastructure.



8.3 System-Level Transformation

- Strengthen institutional coordination among BoLS, BoT, and BoWCSA for integrated micro-retail support delivery
- Advocate for enabling regulatory reforms: supplier credit facilitation mechanisms, digital procurement recognition in trade licensing, and dedicated support windows for informal-to-formal transition
- Develop a Smart Souk digital data infrastructure generating real-time market intelligence sales trends, supply chain performance, financial health feeding into both program adaptation and national MSE policy
- Embed MEL as a continuous practice: track sales increases, digital payment adoption, formal finance access, and job creation using data to adapt in real time

9. Implementation Roadmap



Figure 3: Smart Souk 3-Year Implementation Roadmap **Source:** EEBC Market Assessment, 2026

Smart Souk follows a learning-by-doing, phased 3-year model: a pilot year with 100 retailers in 2 sub-cities, then two scale-up years reaching 300 retailers total. The annual program budget is \$150,000 across all three years. The roadmap is grounded in market system constraints, institutional readiness, partnership viability, and financial feasibility.

9.1. Phase 1: Program Piloting (Year 1)

Step 1: Institutional Setup & Program Design

Establish the Program team with clear governance and accountability structures. Sign MoUs with BoLS, BoT, BoWCSA, and private sector partners. Co-design the digital platform – POS solutions, inventory management, data infrastructure – with fintech partners, customized for low-bandwidth, low-literacy environments. Test all tools in controlled pilot conditions before onboarding retailers.

Step 2: Targeting & Beneficiary Selection

Select 100 pilot micro-retailers from 2 sub-cities: Addis Ketema (dense, high Merkato-dependency) and Yeka (mixed residential-commercial, higher youth and female ownership). Apply gender quotas (minimum 40% women) and youth targets (minimum 30% under 34). Selection criteria: minimum 2 years in business; no active formal credit default; baseline smartphone ownership.

Step 3: Training Delivery

Deliver training through blended modalities: in-person group training for core modules (business management, financial literacy, pricing, inventory, digital onboarding); on-site coaching – mobile coaches visit retailers' shops for personalized support; and SMS/app-based microlearning for ongoing reinforcement. A Training of Trainers (TOT) approach leverages BoLS sub-city and woreda officers as embedded trainers, building government capacity alongside retailer capacity.

Step 4: Pilot Implementation

Onboard retailers to digital payment platforms (TeleBirr, CBE Birr) and deploy Arifpay mPOS terminals. Roll out inventory and sales tracking tools (Tier 1 USSD/SMS; Tier 2 app-based). Provide shop improvement kits. Activate supply chain linkages: form kebele-level clusters, facilitate first bulk procurement transactions. Link pilot retailers to Kifiya Financial Technology's digital lending products. Track sales performance, digital adoption, stock-out frequency, credit access, and training completion continuously.

9.2 Phase 2: Scale-Up (Years 2 - 3)

Year 2 - 100 retailers

- Expand to 3 additional sub-cities. Integrate Year 1 pilot learning into training design and digital tools.
- Deepen manufacturer and distributor supply agreements.
- Activate digital credit scoring using Year 1 transaction data.
- Launch formal MEL cycle.

3-year lifecycle complete: 300 retailers trained, \$450,000 invested, \$2.6M in cumulative net benefits projected. Evaluate for replication and expansion to additional sub-cities or secondary Ethiopian cities. Transition to government-embedded delivery through BoLS.

Year 3 - 100 retailers

- Program fully operational at 300 retailers (Year 2: 200 cumulative, Year 3: 300).
- Strengthen public-private coordination. Deepen FMCG manufacturer partnerships.
- Expand digital financial services integration.
- Publish first impact evidence for national policy advocacy.
- All 300 retailers onboarded and receive full bundled support. Upgrade digital platform for analytics.
- Embed program into BoLS MSE support systems.
- Expand credit product access.
- Roll out Tier 2 digital inventory tools across all target sub-cities.

9.2 Phase 2: Scale-Up (Years 2 - 3)

Smart Souk Program | The Market Assessment Report Addis Ababa, Ethiopia | April 2026

Activity	Y1 Q1	Y1 Q2	Y1 Q3	Y1 Q4	Y2	Y3	Y4	Y5
Program Setup & PMU Establishment	●●●●	●●						
MoU Signing with Partners	●●●●	●●●●	●●●●					
Digital Platform Development	●●●●	●●●●	●●					
Beneficiary Targeting (Pilot)		●●●●	●●					
Training Design & TOT		●●●●	●●●●					
Pilot Implementation (50+ micro-retailers)			●●●●	●●●●				
Pilot M&E & Learning Review			●●●●	●●●●	●●			
Scale-Up - Expansion (Year 2-3)					●●●●	●●●●		
Institutional Integration					●●●●	●●●●	●●●●	
Full City-Wide Scale							●●●●	●●●●
Continuous Monitoring & MEL			●●	●●●●	●●●●	●●●●	●●●●	●●●●

10. Financial Feasibility Analysis

10.1 The Financial Model

The financial model evaluates Smart Souk's return on investment over a 3-year lifecycle – a pilot year followed by two scale-up years. The core logic is straightforward: the program invests a fixed annual budget of \$150,000 to train and support a growing cohort of micro-retailers, and measures the increase in their net profit against that investment.



Input: Program Investment

Annual budget of \$150,000 covers training delivery, digital tool deployment, supply chain facilitation, and program management costs – distributed across the retailer cohort trained that year.

Cost per retailer = \$1,500

The actual cost per retailer is a consistent \$1,500/retailer per year, based on the fixed \$150,000 program budget and the 100 retailers onboarded each year.

Output: Net Benefit Generated

Each trained retailer's annual sales are expected to increase by roughly 20% above their \$28,842 baseline – based on outcomes from TechnoServe's Smart Duka program in Kenya. The net profit uplift per retailer (after accounting for retailer-level costs) is used as the benefit measure.

Net profit increase per retailer:

Years 1 – 2: \$6,057/retailer/year

Year 3: \$5,192/retailer/year
(conservative adjustment)

Model Logic: How the ROI is Calculated

$$\begin{aligned} \text{ROI} &= \text{Total Net Benefits} \div \text{Total Program Investment} \\ &= \$2,595,780 \div \$450,000 \\ &= 5.8x \end{aligned}$$

The model is conservative by design: benefits are counted only in the year retailers are trained, not compounded forward. The cumulative \$2,595,780 net benefit assumes that each retailer generates the profit uplift in the year they are trained, and continues to generate this uplift until the end of the 3-year program lifecycle.

Key Assumptions

- Average baseline annual micro-retailer sales of USD 28,842 (derived from primary survey data)
- Annual program budget: USD 150,000 per year (flat across all 3 years), totalling USD 450,000 over the lifecycle
- Pilot phase (Year 1): 100 retailers across 2 sub-cities – Addis Ketema and Yeka
- Scale-up phase (Years 2–3): 100 additional retailers per year, reaching 300 total over the lifecycle
- Program-induced net profit increase per retailer: USD 8,653 across the three years
- Exchange rate: 155 ETB : 1 USD

Metric	Year 1	Year 2	Year 3	Lifecycle Total
Smart Souks Trained	100	100	100	300
Investment Cost/Retailer (USD)	\$1,500	\$1,500	\$1,500	\$1,500
Annual Program Budget (USD)	\$150,000	\$150,000	\$150,000	\$450,000
Baseline Annual Sales/Retailer	\$28,842	\$28,842	\$28,842	\$28,842
Revenue Growth	30%	30%	30%	30%
Net Profit Increase/Retailer	\$8,653	\$8,653	\$8,653	\$8,653 avg.
Total Net Benefit (USD)	\$865,260	\$865,260	\$865,260	\$2,595,780
ROI (x Investment)	5.8x	5.8x	5.8x	5.8x

Figure 16: Smart Souk Financial Feasibility Analysis (USD) **Source:** EEBC Financial Model, 2026 (Revenue assumptions adapted from Smart Duka, 2020)

\$450K

Total 3-Year Program Investment (\$150K/yr)

5.8x

Lifecycle ROI on Investment

\$2.6M

Cumulative Net Benefits Generated

300

Program Participants (Pilot to Scale)

Investment Interpretation

Return

The 3-year lifecycle ROI of 5.8x is derived from total net benefits of \$2,595,780 against total program investment of \$450,000 (three equal annual budgets of \$150,000). The \$150,000 annual budget is allocated across training delivery, digital tool deployment, supply chain facilitation, and program management. At \$1,500 per retailer, each souk trained generates an average annual net profit uplift of \$8,653, approximately 30% above the \$28,842 baseline. The ROI of 5.8x is consistent across all three years, based on the calculation of total net benefits against total investment.

10.2 Key Performance Indicators

KPI	Baseline	Year 1 Target	Year 3 Target	Year 5 Target
% increase in retailer sales	0%	15%	22%	22%
% digital payment adoption	22%	50%	75%	90%
# accessing formal credit	~0.2%	15%	40%	65%
% women-owned beneficiary shops	24.3%	35%	40%	45%
% youth (15–34) beneficiaries	42%	45%	48%	50%
# with inventory tracking	~3%	60%	85%	95%
Stock-out frequency reduction	Baseline TBD	20% reduction	40% reduction	60% reduction

Figure 16: Smart Souk Program KPI Framework **Source:** EEBC, 2026

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Glossary

The following definitions apply throughout this report.

Term	Definition
Base of the Pyramid (BOP)	The largest and economically lowest tier of the world population households with daily incomes typically below \$10. In this context, the primary customer base of Addis Ababa's souk operators.
Bundled Intervention	A coordinated package of support activities combining training, supply chain facilitation, digital tools, and financial access delivered together rather than in isolation. Smart Souk's core delivery model.
Digital Credit Scoring	The use of transaction data sales records, payment history, and mobile money activity to assess a borrower's creditworthiness without requiring traditional collateral. A key mechanism for unlocking formal finance for micro-retailers.
Ekub	A traditional Ethiopian rotating savings and credit association (ROSCA). Members contribute a fixed amount at regular intervals; the pooled sum is allocated to one member per cycle. Widely used by women retailers as a lump-sum capital source.
FMCG (Fast-Moving Consumer Goods)	Products that are sold quickly and at relatively low cost: beverages, packaged foods, personal care products, household cleaning items, and staple goods. FMCGs make up the core product range of Addis Ababa's souks.
Gender-Responsive Design	A program design approach that explicitly accounts for gender differences in access, constraints, and opportunities – with targeted strategies and quotas to ensure women benefit equitably.
High-Velocity Products	Products with rapid inventory turnover – bought and sold frequently. Household staples account for 58% of top-selling items among surveyed retailers.
Kebele	The smallest administrative unit in Ethiopia, roughly equivalent to a neighborhood or ward. Smart Souk's supply chain aggregation clusters are organized at the kebele level.
Last-Mile Distribution	The final step in the supply chain, delivering products from a distribution hub to the end consumer. Souks function as last-mile distribution points for FMCG goods in Addis Ababa.
Market Systems Approach	An analytical and programmatic framework that examines the full ecosystem of market actors, rules, norms, and supporting functions – rather than treating business constraints as individual-level problems. Smart Souk is grounded in this approach.
Merkato	The largest open-air market in Africa, located in Addis Ababa. Over 85% of surveyed micro-retailers source their stock from Merkato-area wholesale intermediaries.
MFI (Microfinance Institution)	A financial institution that provides small-scale financial services, loans, savings, and insurance to low-income individuals and businesses. MFI penetration among surveyed retailers is just 0.2%.
mPOS (Mobile Point of Sale)	A mobile device typically a smartphone or tablet configured to accept digital payments and issue receipts. Arifpay's mPOS platform is the primary payment infrastructure for Smart Souk.
Revenue Segmentation	The classification of micro-retailers into distinct groups based on daily sales performance: Low (below ETB 5,000), Middle (ETB 5,001–10,000), and High (above ETB 10,001). Smart Souk's differentiated intervention packages are built around these segments.
Smart Duka	TechnoServe's micro-retail upgrading program in Kenya. The model demonstrated that bundled interventions combining business skills, supply chain strengthening, digital tools, and financial access can meaningfully improve productivity among informal micro-retailers. Smart Souk adapts this model to Ethiopia.
Smart Souk	TechnoServe Ethiopia's planned micro-retail development program for Addis Ababa. It aims to transform neighborhood souk operators through integrated supply chain, digital, financial, and capacity-building interventions.
Souk	A small neighborhood shop or kiosk serving as the primary retail point for FMCG goods in Ethiopian urban communities. The Ethiopian equivalent of the Kenyan 'duka.'
Stock-out	A situation where a product is unavailable for sale due to depleted inventory. High stock-out rates among women and youth retailers indicate weaker supply chain resilience.
Sub-city	An administrative division within Addis Ababa, similar to a borough or district. The assessment covered eight sub-cities: Bole, Yeka, Arada, Addis Ketema, Lideta, Nifas Silk Lafto, Kolfe Keranyo, and Lemi Kura.
Survival-Oriented Business	A business operating primarily to generate immediate income for household consumption, with limited capacity for investment or growth. The majority of low-revenue segment retailers fall into this category.
TeleBirr / CBE Birr	Mobile money platforms in Ethiopia. TeleBirr is operated by Ethio Telecom; CBE Birr is operated by the Commercial Bank of Ethiopia. Both are widely used for digital payments among surveyed retailers.
USSD (Unstructured Supplementary Service Data)	A communication protocol used by mobile phones to provide simple digital services without requiring internet connectivity. USSD-based tools are recommended for Tier 1 digital adoption among lower-revenue retailers.
Working Capital	The funds are needed to cover day-to-day operational costs – primarily stock purchasing. Working capital shortages are the second most cited challenge (31.5%) among surveyed retailers.
Woreda	An administrative subdivision within a sub-city in Addis Ababa, roughly equivalent to a neighborhood precinct. Smart Souk targeting and training will be coordinated at the woreda level in partnership with BoLS and BoWCSA.





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