SBN Case Study: Innovation

Khadija's innovative idea:

embracing tech for last-mile food delivery in Kenya











Most urban Kenyans in low-income areas rely on nutritionally poor-quality food that they access from food vendors. To tackle this problem, Khadija Mohamed-Churchill, a Scaling Up Nutrition Business Network (SBN) Kenya member has been working with farmers and food vendors since 2018 to support the delivery and preparation of nutritious and affordable foods.

In Kenya, the urban poor spend <u>60% of their</u> income on food, yet most of it is poor quality. More than 40% of households in low-income areas consume street food; on average, <u>79% of</u> <u>foods</u> vendors sell are carbohydrate-based and use unhealthy trans fats in their preparation, which highlights the unbalanced, poor-quality diets that the urban poor consume on a daily basis. Animal-based protein sources like red meat, chicken, and fish are out of reach for those who survive on USD 2 or less a day.

Preparing street food is also a laborious process and requires a lot of energy to cook: food vendors have traditionally relied on wood and charcoal, which are not only expensive but are also non-renewable energy sources, and expose them to smoke-related diseases. As a result, the government has introduced a ban on using wood and charcoal for cooking, but vendors are struggling to comply given limited accessibility and affordability of alternative energy sources, such as gas.

Tracking the journey

To address the combined challenge of a lack of nutritious, affordable food in low-income areas of Nairobi, and the prohibitive time and cost of preparing food, Khadija's <u>Kwanza Tukule</u> <u>Foods Limited</u> (Swahili for 'first let us eat') works with farmers and food vendors in delivery and preparation of such foods, like pulses. "Make sure you have a lot of support from partners and networks like SBN. Discuss with people who are going through the same journey like you, lean on them, and learn from them."

> Khadija Mohamed-Churchill, Founder, Kwanza Tukule Foods

Khadija lived in the United Kingdom for 10 years to study and work and, returning to Kenya on holiday, she noticed how slum dwellers struggled to access food due to its high cost and unavailability. When she moved back permanently and started working with grassroot non-governmental organisations, she saw the nutrition challenges these households face first-hand. Tracking the entire food supply chain to identify gaps, Khadija was inspired to address inconsistencies by ensuring that low-cost nutritious foods, including plant-based proteins, could be easily accessible for these households.

Green grams, yellow beans, and lentils are bought from farmers across the country, which Kwanza Tukule then pre-cooks and sells to vendors in low-income areas of Nairobi. The company now has 25 permanent employees and a fleet of 14 vehicles used for distribution.

The tech transformation

Embracing clean energy, the food is precooked using biogas before being packed and distributed to over 300 food vendors and kiosks. Company sales representatives, who also live in low-income areas, approach food vendors for partnerships. The vendors place orders in the evening and receive the produce the next morning, after which they undertake the final cooking stage before selling the hot food to their consumers. Kwanza Tukule also collects food waste from the vendors to power its biogas digesters, in an innovative circular approach.

To enhance its efficiency, the company has automated its processes by adopting an app developed by technology company Dukaree which allows customers to place orders, check prices of available products, track deliveries, and make payments through mobile money platforms like MPESA. To manage stock and cash flow, the company also uses SAP, a software that helps control stock, and streamline and automate its operations, from procurement to finance. An additional piece of software enables the company to manage its sales processes more efficiently.

"We have been able to harmonise the supply chain by shortening the processes involved between farmers and consumers," Khadija reveals. "By pre-cooking and preparing the pulses in bulk, we ensure that vendors get food at the right time and at an affordable rate, which reduces their costs while we also enjoy economies of scale for buying in bulk. We have maintained over 90% customer loyalty rate because we have been able to provide that personal connection as our sales representatives are people the vendors know," says Khadija.

The power of partnerships

Through membership in SBN Kenya, the company has also benefited from mentorship, training, and exposure that has raised its profile to potential investors and partners.

Khadija attributes the success of the business to partnerships forged with various actors, including farmers, manufacturers, and millers in becoming last-mile distributors of their products. The business has also received support from the Global Alliance



for Improved Nutrition (GAIN), an SBN partner, on market research and business planning. A grant from GAIN has also enabled the business to expand and distribute nutritious foods, including yellow beans that are bio-fortified with zinc, iron, and vitamin A, which reach 150,000 consumers every day.

Responding to challenges, embracing opportunities

The onset of the COVID-19 pandemic took a huge toll on SMEs in Kenya. Food joints were closed and Kwanza Tukule struggled to supply food vendors. Travel restrictions, inter-county lockdowns, and curfews meant that the company could not source pulses from farmers who mostly lived in areas outside of Nairobi. To cope with these challenges, the company diversified into direct sales of nutritious products, including fortified flour, oil, and salt, to homes and local shops. It is a model that the company will maintain.

"The first months of the COVID-19 pandemic were the most devastating for our business," Khadija notes. "But it also showed us the resilience and sustainability of the business, because we have been able to pivot to new products which are still enjoying great reception among customers."

The company has also contended with challenges in access to finance resulting from the stringent requirements of financial institutions to qualify for credit. As such, Khadija has had to rely on savings to support her business. Being able to afford to hire people with the right skills at a senior management level has been another challenge, as the enterprise is competing for talent with established businesses.

As the company forays into the food-tech space, Khadija notes the vital lesson she has learnt in that the customer's perception of the product should be every entrepreneur's focus. Market research, coupled with customers' feedback, she adds, guides the business and determines the future of the company. Understanding that the entrepreneur's journey is a tough one, which requires patience, constant self-evaluation, and evolution in-line with market needs, are other key pointers she has learnt along her entrepreneurial journey.

Future focus

To cement its place in the Kenyan and African food space, Kwanza Tukule is putting in place the right systems and processes to guide its operations moving forward as it seeks to reduce time and resource wastage. The company aims to achieve this through automation of all processes and investing in hiring an experienced and committed team. "To be profitable and impactful, we need the right team," Khadija recognises.

The company also hopes to expand its business to other towns in Nairobi, Kenya, and East Africa. To assist with these plans, Kwanza Tukule is looking at exploring alternative financing options – such as angel investors and venture capitalists – in order to scale up the business and grow its impact on nutrition by reaching other target groups and increasing its product portfolio.

> For more information contact: Charles Opiyo, SBN Kenya Coordinator copiyo@gainhealth.org

UNGA SAF