

Beefing The Cash



A Market Survey of the Butchery Business



Before we get to what is happening at the local level here are some quick figures giving a statistical overview of butchery business:

- ✓ **Kenyans consume an average of 16kg of red meat per individual annually.**
 - ✓ **Nairobi has the highest average consumption of meat per individual at 25.8 kg per person annually.**
 - ✓ **An average of 2000 carcasses are consumed in Nairobi everyday.**
 - ✓ **An average of 70,000 sheep and goats are slaughtered in Nairobi everyday.**
 - ✓ **In Mombasa the average annual consumption per individual is 21 kilograms.**
 - ✓ **An average of 8000 cattle and about 20,000 goats and sheep are slaughtered in Mombasa every month.**
 - ✓ **Kenya consumes an average of 600,000 Metric tonnes of red meat per year.**
 - ✓ **The beef market in Kenya is O consumption is expected to continue rising. The biggest threat to the increase in beef consumption is a high inflation and a shrinking economy.**
 - ✓ **On average, households in Nairobi spend 29% of their total expenditure on food. The proportion of money spent on food is higher among the low income groups than the higher income groups.**
 - ✓ **A consumer survey indicated that over 90% of households purchased their fruits and vegetables from two or fewer outlets, about 80 % used the same number for meat. For staple foods (sugar, maize flour, tea leaves etc) though only 30 % used a regular retailer.**
 - ✓ **Overall, households in Nairobi spend 15% of their basic food budget on vegetables, 8%on fruit, and 3% on Irish and sweet potato. In comparison, they spend 18% on dairy Products, 14% on beef, 12% on wheat products, and 11% on maize products**
 - ✓ **Middle class in this survey is as defined by Kenya National Bureau of Statistics as those earning between Kshs. Sh23, 670 and Sh 199,999 per month. We hasten to add in this case too middle class is not just about the money but social exposure and lifestyle. Rural consumers who fall into the above definition of middle class tend to be conservative in their consumption compared to those in urban areas.**
 - ✓ **Though there are dissenting views about the size and definition of the middle class a reliable static from the AfDB estimates 6.5 million Kenyans are among this middle class and the number is expanding.**
 - ✓ **Kenya's inflation rate peaked in September 2013 from August's' 6.47 to 8.97 before reducing slightly to 8.25 in October. It is important to note that inflation does not affect all economic and social classes the same. In October for instance the inflation rate among the middle class was 6.32 compared to a national average of 8.25.**
 - ✓ **In January 2014 Kenya's inflation rate stood at 7.21%, February 6.86, March 6.27% and 6.4 % in April 2014 compared to 4.4% in April 2013. The higher rates in 2014 are attributed to higher cost of food and non-alcoholic beverages, housing, water, electricity, gas and other fuels.**
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Licenses

County Business Permit – Ranges between Kshs.7000 and Kshs.15, 000 depending on county, size of premises and the location within the county.

Health License – This is issued by public officers in the area to make sure the premises are okay for handling food. Among the check list is availability of water, condition of floors, walls and the environment. In most areas the public health officials are not strict. The license averages Kshs.3000. Still the health officers may ask for a kickback to approve the premises.

Different counties could have some ‘lesser’ licenses associated with the health license. For instance if the butchery is also cooking the meat and operating as a hotel.

Medical Certificate – Those handling meat are required to have a medical certificate to ensure they don’t have any communicable diseases which can be spread to customers. The health certificate averages Kshs.500 and can be acquired at the local government hospital/ clinic after some tests.

Capital

The capital required to start will depend on the scale and setting of the butchery. There are very basic butcheries which have started with as low as Kshs.50, 000. These operate from a basic kiosk; use a manual weighing scale, a log or wooden table, a panga, hooks and normal rather specialized knives.

However the average investment of neighborhood butcheries is Kshs.250, 000. The amount could be as high as Kshs.1, 000,000.

The major set up costs are Rent, Equipment and Meat supplies.

Below we list average prices of some equipment that are used in butcheries. Not all equipment is necessary and what is required depends on the class of butchery you wish to set up. From the prices you will get a good idea of the capital you could need depending on the scale and setting of the butchery you wish to start.

Equipment

Basics

These are enough to start a traditional butchery.

- ✓ Knives , Axes, Chopping boards/log, Hooks, Aprons – **Kshs. 5000**
- ✓ Weighing Scale : Digital – Preferred by customers, lets you sell at many price points, Enhances sales – **Kshs.30,000**
- ✓ Manual Weighing Scale – **Kshs.6000**
- ✓ Jua Kali Display – **Kshs. 2000 to Kshs.4000**
- ✓ Newspapers and Wrapping Papers
- ✓ Bowls & Basins – **Kshs. 2000**

Advanced / Optional Equipment

Equipment below is used in more advanced butcheries.

- ❖ **Bone Cutting Machine** – Kshs.100, 000 to Kshs.200, 000. Price depends on the model and features.
- ❖ **Mint Mincer** - Standard meat mincers average Kshs. Kshs.15, 000. However prices range from Kshs.10, 000, 000 to Kshs.30, 000 depending on model and features.
- ❖ **Stainless Steel Saw Blade** - Kshs.1200
- ❖ **Refrigerated Display Counter Depends on size and source** – Kshs. 70,000 to Kshs. 200,000 depending on the size, manufacturer and features.
- ❖ **Spring Weighing Scale** – Kshs.3, 000
- ❖ **Deep Freezer** - Kshs.35, 000 to Kshs.50, 000
- ❖ **Cash Register** - Kshs.50, 000

Equipment Suppliers

The display will depend on your budget. It can be acquired from Jua Kali vendors or from specialized meat shops. In Nairobi the displays can be obtained from the Jua Kali vendors along Jogoo Road.

At Kariobangi Light Industries there are many artisans making the equipment. Prices depend on the size, negotiating skills, and extra features of the display. Prices start from as low as Kshs.30, 000 and rise to as much as Kshs.70, 000.

More professional displays and freezers average Kshs.150, 000. The prices are negotiable and also depend on the supplier. Some of the suppliers selling a variety of local and imported equipment include:

Supplier	Location	Contacts
Midland Technologies	Nairobi	Telephone - 0722282666
Rian Services	Nairobi	Telephone – 0725399684
Nairobi Kitchen Care	Main Branch Main Mombasa Road, Allbid House. Opp ASL Town Branch Luthuli Avenue	P.O.BOX 49938, 00100 NRB Kenya Ph. (+254) (0) 706 991 469 Mob. 254(0)727 246 209 info@nkc.co.ke
Kitchen Professionals Limited	Airport South Rd, Near TNT, Nairobi	P.O.Box: 66609-00800 Westlands, Nairobi Tel: +254-202100662 Mobile: +254-717445591, +254-735445599, +254-724445599+254-202667449
Sheffield Steel Systems Ltd	Kenbelt Industrial Park, off Mombasa Rd, Nairobi	P.O.Box: 29-00606 Sarit Centre Tel: +254-202095883
Meaf Consultants	Sameer Business Park, Block D1, 2nd Floor Off Mombasa Road, Along Enterprise Road	254 20 357 9028, 254 737 117 257, +254 734 688 983 www.meafconsultants.co.ke meaf@meafconsultants.co.ke
Hotpoint Appliances		

Second Hand Equipment

There is an emerging market for second hand butchery equipment. These mainly come from owners closing down butcheries for various reasons. The equipment is usually advertised in daily newspapers or online classifieds. Prices depend on the owner, age and quality of the items.

Supermarkets

Supermarkets also stock a number of items. Some like Nakumatt even stock weighing scales.



Rent

Rent depends on the location. Normally in urban areas commercial rent will include one month's rent and about 3 months deposit. Terms vary. The rent may range from as low as Kshs.3000 to an average of Kshs.30, 000 to higher levels of Kshs.100, 000 and above.

Stock

A new butchery takes time to acquire regular clients so it's prudent to start with a fair amount and increase gradually. Depending on the location, your storage facilities and ease of sourcing 12kg to 20kg could be a fair amount. This could be between Kshs.2800 to Kshs. 7000 depending on supplier and quality.

Meat Suppliers & The Supply Chain

Local slaughterhouses and abattoirs are the major sources of meat sold in butcheries in urban centers. The difference between abattoirs and slaughterhouses is that by law the former are allowed to process meat in one way or another. Many thus slaughter their own cattle, process or just sell it as raw. They occasionally hire out their facilities to traders wishing to slaughter.

Abattoirs are more professional in their operations. For instance when animals arrive at the abattoir they are supposed to rest for at least 24 hours before they are slaughtered. Also they are inspected for any diseases or physical injury before they are slaughtered. After slaughter the animals are inspected further to see if they have any internal injuries and blood blemishes. This does not mean that all the abattoirs strictly follow the procedures.

On the other hand slaughterhouses are more or less facilities for hire. When animals are delivered to slaughterhouses meat wholesalers and butchery owners select the animals they would like to purchase for slaughter. They then negotiate a price with the owner and take the animal for slaughtering.

Sometimes when the demand is high cattle owners conduct a sort of auction where the highest bidder gets to purchase an animal. Prices will depend on the source and perceived quality of the animals. The health of the animal also determines the final price a meat wholesaler offers a cattle owner. If the cattle have physical injury or looks sick the price will be lower.

Although the law requires that the meat be inspected before slaughter this is usually not done. On purchasing the cattle the wholesaler or butchery owner pays the slaughterhouse so as to use its facilities. The fee ranges between Kshs. 200 and Kshs.300 per animal depending on the location. The butcher or wholesaler also pays an extra amount to the slaughterhouse personnel

who will do the actual slaughtering; this ranges between Kshs.50 and Ksh.500 again depending on location and negotiating skills.

After slaughter a veterinary officer at the slaughterhouse inspects the carcass for a fee of Kshs. 100 or Kshs.150. If the carcass is deemed fit for human consumption he stamps it. The meat is then ready for transport and sale in butcheries.

Meat wholesalers normally pack the meat in big one tone aluminum trucks and distribute from butchery to butchery. There is a permit of which costs about Kshs.100 charged by county authorities in order to transport the meat.

In Nairobi there are locations which act as meat wholesale markets. These markets get their supplies from slaughterhouses in other parts of the country. For instance Burma acts as a wholesale market for meat, largely getting supplies from slaughterhouses in Kajiado.

Major slaughterhouses supplying Nairobi include Njiru, Dagoretti, Kitengela. Other meat wholesale markets include Kimaiko, Huruma and Kiserian.

About **80% of the meat consumed in Kenya** comes from livestock owned by pastoralists, and **20 % from highland cattle**. About 20% of the meat coming from pastoralists is imported from other pastoralists' communities in Somalia, Ethiopia, Tanzania and Uganda.

The major cattle markets supplying live animals to Nairobi include:

Province	Market
Northeastern Province	Garissa, Mandera, Marsabit, Isiolo, Moyale
Nyanza Province	Migori, Kuria, Suba
Rift Valley Province	Kajiado, Narok, Turkana, Samburu, Kapenguria, Nandi, Kericho, Bomet, Laikipia
Eastern Province	Kitui, Mwingi, Machakos, Makueni

Garissa more or less is the biggest of the cattle markets.

Cattle are transported in lorries from North Eastern. More often than not the Lorries are not modified in any way for the transportation of animals rather they are the same used to transport consumer goods, and to maximize returns carry cattle on their return trip to Nairobi. As a result of this method of transportation some of the animals get injured and end up being rejected by the abattoirs or attracting low prices at the slaughterhouses.

The cost of transportation varies between Kshs.500 to Kshs.2000 per head of cattle. Sometimes goats are transported to Nairobi in batches of 120 with charges of between Kshs 50,000 - 70,000 per truck load.

There are several brokers who may be involved in the supply chain. In some cases there will be traders purchasing directly from the herders then resell to another group of traders who take the cattle to the markets and sell to the brokers taking the cattle to slaughterhouses. The dynamics are not fixed and depend on a region. The market is pretty open to new traders at, however to succeed a very good understanding of the cattle business is needed.

(More information of the chain from the producers to slaughterhouses is beyond the scope of this survey whose focus is retail butchereries. However more details are available on request.)

Some of the Abattoirs licensed to sell meat to the local market include:

- Njiru
- Dagoretti
- Mlolongo – Operates on and off
- Mariakani – Mombasa
- Bisil – Kajiado
- Kiserian

List of abattoirs licensed to sell meat both in local and export markets

- Kenya Meat Commission (KMC) Athi River
- KMC Mombasa
- Hurlingham Quality Meat Packers
- Halal
- New Mombasa Mnangoni
- Farmer's Choice through Choice Meats

In Nairobi, meat can be acquired in wholesale from Njiru , Dagoretti & Kiserian. These are the most popular sources. Others include Burma, Kiamaiko, Kitengela.

There is no bureaucracy regarding purchasing meat from slaughterhouses or wholesale markets. However for first timers it pays to have a trained eye to help in identifying quality meat, negotiate prices. This is more crucial when purchasing live animals; the butcher needs to have a good estimate of the amount of meat that will be gotten from the slaughtered animal.

Many new butchereries without an own means of transport or who wish to reduce the learning curve in the trade and save on time consumed at the slaughterhouses purchase meat from wholesalers who deliver meat on premises in various urban centers and estates.

There are many slaughterhouses all over Kenya delivering meat to every region. It's easy to identify wholesalers by the pick ups they use.

(See Index for a quick note on KMC – Depots, franchises and future.)

Grading Of Meat

On average a standard size cattle when **slaughtered will yield an average of 156 kilograms: 125 kilograms of meat and 31 kilograms of offal. Higher grade ranch cattle yields 300 kilograms: 240 kg of meat and 60kg of offal. Goats average 17.75 kilograms: 15kg of meat and 2.75 of offal.**

In slaughterhouses the meat is graded a little informally unlike in abattoirs. Generally the meat is classified as **Grade 1, Grade 2 and Grade 3**. This depends on the condition of the cattle, the tenderness and appearance of the meat. The retail and wholesale price differences between the grades average Kshs.20.

Abattoirs focusing largely on the local mass market also do not grade meat in any special way. However specialized abattoirs like Kenya Meat Commission, Choice Meats, and Hurlingham Quality Meat packers generally grade meat in five major classes are:

- Commercial
- Standard
- FAQ
- Choice
- Prime

The abattoirs use the grades to determine the amount to pay cattle owners and how much to sell meat to butcheries.

The commercial grade is the lowest and usually comes from weak animals sold by pastoralists during the dry season. The meat is suitable for canning and manufacture of processed products such as sausage. It is also sold in low end butcheries. Standard grade is the most common and is sold in most low to medium class butcheries. Choice meat and FAQ are found only in high class butcheries and high class hotels, while prime is the highest quality of beef and is usually slaughtered on demand.

Process of establishing

- *Identify location*
 - *Identify premises*
 - *Identify target market*
 - *Identify supplier*
-

- *Acquire licenses*
- *Purchase equipment and set up (Counter, painting, branding)*
- *Start operations*



The Market Structure

The middle class (see defined above) is responsible for the largest amount of meat consumed in urban centers.

Meat purchases in Kenya take two major forms:

- a) Raw Take Away meat which is purchased at butchery then cooked at home.**
- b) 'Ready' meat, boiled, choma and fried meat eaten at the point of sale.**

Butchers estimate the ratio of **raw meat to ready meat is about 40: 60**, meaning overall there is more of the ready meat consumed at the point of sale than at home .

About 80% of consumers take beef, and consider goat somehow a luxury. Compared to beef goat is largely consumed outside the house.

The Kenyan meat market is concentrated in urban centers. Still in the urban centers butcheries can be classified into:

- Low
- Middle
- High

Low End

The low-end market comprises the highest share of the meat market. Only three classes of meat Are sold in the low-end market: meat on bone, liver and tripe. The low-class butcheries offer beef on bone, which is usually openly displayed without refrigeration. Most of the outlets in this category offer take-home as well as point-of-sale eatery in the form of roast (choma), boiled or

fried meat. Price is the most important consideration in this market segment, as it is patronized by low- to medium-income earners.

Mid Level Butcheries

The middle segment of the market offers meat on bone, boneless steaks, liver and tripe. Steak and liver attract the same price per kilogram, while meat on bone is approximately 16 percent cheaper. Tripe is sold at the lowest prices. The retail outlets in this market have a deep freezer where meat is stored overnight, but have limited refrigeration. Some of the outlets in this category offer both take-home as well as point-of-sale eatery. These classes of butcheries are found in the medium-income residential areas and are mainly patronized by the medium-income group.

High End Butcheries

The high-end market is characterized by high-quality meat from well-finished animals—primarily from ranches—and by choice cuts that are priced differently. High-income consumers are more likely to buy value-added beef (e.g. choice cuts and beef sausages) than middle- and low-income consumers, and are more likely to purchase meat from high-end markets such as supermarkets and high-end butcheries. These customers perceive packaging and presentation as an important aspect of quality and safety, along with physical attributes such as the meat's color and fat content, the presence of a veterinary rubber stamp, and the cleanliness of the butchery or Supermarket.

High-end butcheries charge a premium for choice beef cuts based on the source of supply, which are primarily ranches. Large chains of Supermarkets tend to offer higher quality beef cuts, which accounts for the higher prices. In this class of meat markets fall the Nakumatt, Uchumi and Tuskys supermarkets and butcheries located in high-income residential areas such as Muthaiga, Village Market, Lavington, Karen, etc. Outlets in this category do not specialize in point-of-sale eatery, except those of restaurant category, such as the Carnivore.



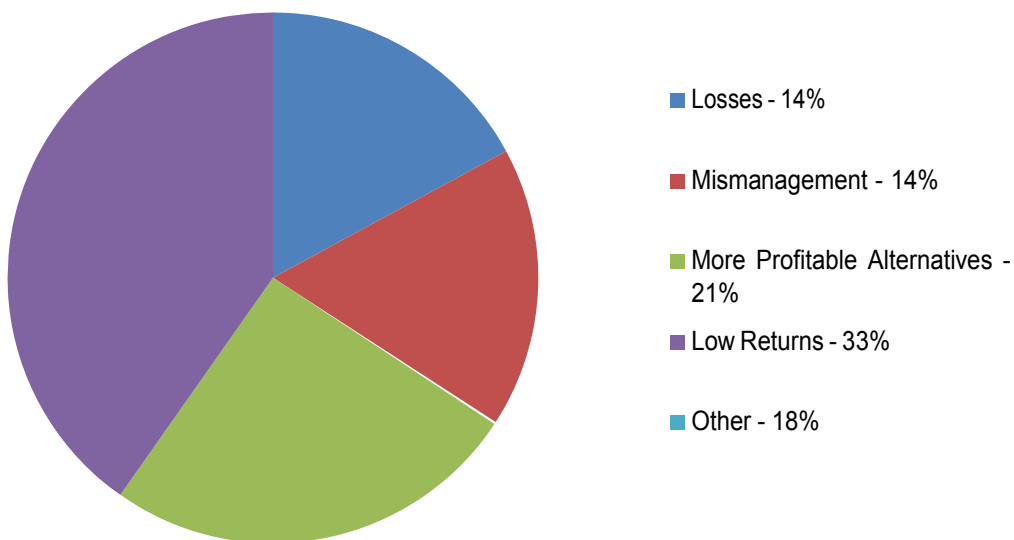
Competition & Survival

(Base April 2014)

No. of butcheries that exist	Average of 2 every 50 meters radius within Nairobi, county headquarters and estates
No. that have opened in the last 1 year (March 2014)	1 in every 10
No. that have closed in the last 1 year	1 in every 10

(The figures are for Nairobi, Kiambu, Thika, Machakos and derived from talking to 73 traders who owned butcheries or are in the process of selling, closing or converting their premises to other businesses. Though the sample is not representative enough due to the difficulties in tracing former butchery owners it gives a good idea of the common reasons for closing)

Reasons For Closing (Butcheries)



Those who quoted losses as reasons for closing down said this could have been triggered by:

- Reduction in amounts of beef being consumed largely due to inflation and the economic situation
- Closing or loss of popularity of the anchor business
- Poor customer service
- Dishonest staff
- Change in a towns/ estate planning which shifted a road and a stage to another location
- Increased competition and failing to adapt accordingly

Random Observations

- An average of 2 butcheries are advertised for sale in the national newspapers every week. Majority of those advertised for sale are in Nairobi
- An average of 3 butcheries are advertised for sale in internet forums every week
- Reasons for sale are mainly given as relocation and commitment to other business. Certainly sellers can't quote low returns and losses if any as reasons for selling.
- Prices range from as low as Kshs.80, 000 to a high of 1.8 million. The price does not really give a good hint of the viability of the business. The price could be results of the owner's urgency to sell say to meet some pressing need, the owners trying to make a quick profit before closing down or under or over valuation of the equipment and location.
- Some owners quote equipment only while others sell the butchery as a going concern; the equipment, customers, stock basically the whole operation.
- Some counties are legislating policies which directly affect the butchery business. For instance Nakuru County is toying with the idea of banning the import of meat into the county claiming the county has enough meat to sustain local demand. If strictly implemented this could lead to higher meat prices and barriers to entry in the business.

Overview of Demand

Consumption of meat happens across all levels irrespective of income. There are enough people in every income group consuming meat; the difference is in the quantity and the frequency. This also implies despite the target market butcheries perform best in highly populated areas or where there is a lot of foot traffic.

To a large level meat is a luxury good whose consumption increases as income increases. The demand for beef in Kenya is elastic and will always increase as income grows up to a certain level and decrease as income declines.

The proportionate increase in the quantity of meat consumed as result of an increase in income is bigger among the lower income levels than the middle and higher income groups. Among the middle class as income increases they become more health conscious while others seek to explore 'prestigious' and adventurous alternatives like various kinds of white and red meat other than beef.

Among the low income groups health concerns are secondary to the urge and satisfaction of consuming more beef.

Status of Competition and Opportunities in the Butchery Business

The number of butcheries which have opened in the last one year is just slightly more than the numbers that have closed. This means that competition in the business is increasing but at a slower rate compared to previous years. The market is evolving and getting crowded in some areas. Slowly the market is becoming more segmented, competition is increasing, and in some areas survival is depending less on the direct business skills of the proprietor but more on indirect factors such as economic growth and location.

Consumption of beef in Kenyan urban centers is more of a lifestyle habit rather than a diet or health practice. This means that consumption of beef is influenced by the economic well being of the consumers, which again are a factor of the activities in the location and the economic health of the country at large. For instance an increase in the inflation rate will lead to a reduction in the disposable economy and hence the amount a consumer spends on beef.

Again this implies that competition and growth in the business will be partly influenced by the economic situation at the local and the national level. If there is economic growth, and income trickles to the citizens then the demand for beef will increase, in turn attracting more entrepreneurs to the business.

Conversely when economic times are hard demand decreases and so does the attractiveness of the business. This explains the relatively slow growth in the last 1 year as compared to the previous. In 2013 the economy suffered dips, at one point the inflation was above 6% which led to the reduction in spending on luxuries, of which beef is considered by quite many of lower levels of income to be. The economy is recovering but still to reach the levels and optimism of pre 2013. (See economic growth figures above)

On the other hand consumption of beef being a lifestyle routine means that there are classes of people basically the middle and upper middle classes who will consume beef no matter the

economic situation. To them beef has become sort of 'basic' like say milk. When the economy is stagnant, growing at a slow rate or the inflation is high it's more rewarding to set up a butchery in a location with a high number of middle income consumers than lower income groups. The later will drastically cut their consumption if their disposable income increases. Nonetheless places with a high density of the lower income population the cut in spending could be compensated by the extra customers.

That said presently (2014) opportunities exist in the business.

As hinted above opportunities have to be considered in terms of factors like the economic and population growth of an area. For instance if new residential buildings are coming up in an estate and more people are moving in , then the population of a location will increase and with it the demand for beef. Same case could happen if a new office block, a factory or an institution employing directly and indirectly a considerable number of people.

In locations without the above or such factors triggering an increase in the demand for beef then any new entrant will be seeking a cut of the existing pie. Customers won't be new people who are starting to eat beef or eating more often, rather consumers defecting from existing butcheries. The new butchery will have to work to snatch customers from rivals.

At the moment competition in the business does not only come from beef butcheries themselves. There are also white meat butcheries increasingly coming up in most urban centers. These include pork, chicken and fish butcheries, with the former two being the most common. In most cases the pork and chicken meat offers a slight price advantage when compared to beef. Also with more conversations about health, a section of consumers are shifting to white meat which is said to be much healthier as it contains no cholesterol. Chicken and fish are also considered novelties when compared to beef, so some consumers will opt for these simply for the perceived prestige they offer. This is especially so for middle class consumers.

In most areas the white meat especially chicken and fish butcheries are far from being saturated. This is attracting more entrepreneurs in the business with the overall effect of increasing competition in the meat business.

Beef dominates the meat market by virtue of availability, tradition and to some extent price; however its share of the market is slowly being nibbled by other kind of meat. To fight this more and more traditional beef butcheries have started selling chicken and pork.

Barriers to Entry

There are minimal barriers to entry. The capital required to start the business can be raised by many entrepreneurs, while the licenses, though they might involve some level of bureaucracy are relatively easy to acquire.

Logistics of acquiring the meat is what for sometime was considered a bigger challenge. However with slaughterhouses coming up in many counties, and some butchers getting onto meat distribution, where they deliver meat to retail butcheries, then getting supplies is not as hectic as it used to be some years ago.

With the barriers low and actually going lower in some places then there will always be potential for more people to get into the business. For a basic butchery the cost of leaving the business are comparatively not high so on the other there will be butcheries closing down if the owners feel they are not performing optimally.

Distribution of Competition

Dominating Players

Overall the market is still largely populated by the traditional butcheries. Some of the butcheries recording high revenue are simple traditional butcheries with nothing more than some hooks to hang the beef, a counter and weighing scale.

In terms of market share most markets there are no dominating players, this means a player controlling over 20 % of the market. Every butcher gets their share, for some the share is too small to sustain the business. In some markets though there are butchers who are extremely popular and tend to overshadow the rest. This does not mean that all the other players are making losses, only that they are making relatively lower profits.

A new entrant in such a market will initially be working to snatch a share of customers from the smaller players. The larger player will likely have advantages which though can be matched by the new entrant will take time to equal. One such advantage is the validation the entrenched butcher presently has; the fact that he has more customers purchasing from him will attract more of the people unsure where to buy; the reasoning being “all those people can’t be wrong.” Consumers will be of the view that butchery with many customers exhausts supplies and restocks everyday thus the meat is always fresh

It’s much easier to penetrate a market where no butchery is dominating. A butcher can still enter the market and ‘jump the queue’ to dominance by some visible ‘shock and awe’. This is especially through setting and facilities; attributes easily visible to the customers.

Critical Success Factors

(Read more on each of the factors in the section on differentiation)

- **Location** – A good location in the business is one with high foot traffic, customers with income enough to sustain a beef eating habit, and that is convenient to the customers. A new butchery with no obvious advantages will increase its chances of success if located in a good location.
 - **Quality** – Customers value quality which to many means tender and fresh beef. Quality beef is what generates loyalty and word of mouth; important success ingredients especially when operating in estates.
 - **Reliable Supplier** – A reliable supplier ensures timely delivery and is also consistent in terms of quality. Suppliers can make or break a business.
 - **Honest butcher with great customer relations** – With so many options available for consumers in urban area, bad service will be rewarded with the customer walking away to butchery. A good worker is able to balance the customers demand with the business needs. Honesty ensures the owner does not have to worry about shortages and generally the business grows.
- ✓ Gaps in the butchery business will depend on local conditions. However generally the gaps take these common forms
- **Under Served Market** – *In urban centers and estates this is rare but exists in some places. On average in a market where one butchery serves more than 2000 customers in a month the market could be said to be underserved*
 - **Convenience** – *Where there is no butchery conveniently located, for example in a high traffic area.*
 - **Quality & Trust** – *Where there is no butchery consistent with quality beef*
 - **Service** – *Where no butchery excels in ready service*
 - **Ready Meat** – *Where there is no butchery offering ready meat of whatever form*

Differentiation / What Is Competition Based On?

The fact that competition is intense and increasing in many urban centers, butcheries are trying to look different in ways that attracts and retains more customers. Though generally beef is a homogenous product which is not differentiated much, many years of consumption and a large variety of butcheries to chose from have made consumers internalize differences some mundane, some big and others imagined that give the impression that beef is not just beef.

As such butcheries tend to leverage things that customers consciously or unconsciously take into account when purchasing beef. At the very initial stage, say for instance when a customer moves to a new estate, he assumes there is little differentiation, that all butcheries are equal; selling fairly priced quality beef. So the first purchase decision is based on convenience, however subsequent purchases decisions, take into account others factors, and it's those that butcheries use to differentiate and compete:

Facilities

Basic neighborhood butcheries have a weighing scale, log or table and hooks to hang the meat. That's all. Many butcheries in Kenya have existed like that for many years, and that have not prevented them from making money. The stained walls, floors, houseflies and not so tidy butcher have come to be accepted as a norm in the business.

However this is slowly changing. On one side it's driven by health and prestige conscious consumers, and also craftsmen and other entrepreneurs trying to professionalize the butchery business by having more advanced equipment and a professional image. On the other end the change from the log butchery is driven by increased competition and with it the pressure to look different.

To start with facilities have to do with the setting of the butchery; instead of operating from cramped space with poorly finished shelves; they run in a sizeable space with tiles on the floor and well painted walls. This accompanied by a well designed counter, knives, wrapping papers and all that is used. The butchers are dressed in clean aprons and are well groomed in order to create a clean and hygienic image.

The display is also gradually moving from large hooked pieces to openly placed tempting chunks placed on the table, or glass display. Even many traditional butcheries are modernizing their displays by using simple glass boxes next to the counter. The aim of this is to tempt the customer to purchase more, or entice a person passing by to pop in.

There are mincing machines and bone cutters which ensure the bone does not split into many small and perhaps dangerous pieces.

There are also professional meat displays made of glass, having lighting and some acting as chillers. In a location where all the butchers are traditional, an entrepreneur who comes into the market with a more professional look will generate interest. Also in a location where many butcheries have advanced facilities then it pays to match the competition.

Good facilities in an area with traditional butchers do not necessarily mean that a butchery will pull in a large percentage of customers; it means the butchery gets the attention of the consumers faster. In a way the butchery 'shocks' customers to noticing. How the owner takes advantage of

the attention to convert experimenting customers to loyal customers determines whether the facilities lead to success or not.

Quality will always remain a key consideration among consumers and so will service. Even with the best facilities if the quality meat of meat is poor customers will not stick, although there will be a flow of new walk in customers attracted by the facilities and hoping for higher quality meat and service. Growth and long term sustainability is a function of walk in and loyal customers.

For a long time in small rural centers the key facility that used to differentiate was a digital weighing machine. The obvious advantage being that customers were now able to purchase beef of any quantity, and do not have necessarily have to go with the fixed weights. A digital scale is still an edge in some markets; however such a lead is currently lost in a shorter period because the digital machines are widely available at relatively lower prices than the case 3 years ago. There is also an evolving second hand market for the scales.

Quality

Like we have mentioned above customers measure quality largely by how fresh and tender the meat is. While freshness is at times easy to identify by the appearance and say color of the meat tenderness by how soft the meat looks while being sliced the real test happens when the meat is cooked and customers are eating. This means that there is minimal room for instant feedback, and unsatisfied customer has high chances of just walking away. In a family setting he or she will discourage others from purchasing at that butchery. No matter the location or facilities if the quality is poor customers will keep off either after the first or next few experiences.

At times a customer might enquire about the quality or freshness of the meat and the butcher gives a positive answer only for the customers to realize that is not true when they get to their homes. That kind of attitude by butchers is only beneficial in the short term and does not generate loyalty, long term sustainability and growth of the business.

Quality of the meat depends on a couple of things including supplier, the butcher and sometimes the margins that he wants for himself. Some suppliers purchase low quality, low priced sickly or very old cows whose meat is tough. They are motivated by profit and hope to make a killing by purchasing the low priced meat. Experienced butchers will sometimes catch the low quality meat from the supplier if it's passed on as top grade. Some butchers though will take the low quality meat at a lower price hoping to make more profit. Yes the returns could be higher in the immediate short term but at the cost of long term customers and general reputation of the butchery.

Of course beef becomes stale the longer it stays from the moment the cattle are slaughtered to the point of purchase by consumers. Overstocking is one of the major reasons which lead to stale meat and losses. Sometimes the butcher is not able to predict the demand based on the time of the month or even season.

One way customers use to gauge whether the meat is fresh is by looking at how popular butchery is. If butchery has a high number of customers it means that they restock everyday and unlikely to have stale meat. Even in butcheries which use freezers and chillers to preserve meat, customers prefer beef which has not been refrigerated for long. This is more so if they are buying in large quantities to go and store.

Other methods used by consumers to measure quality include how the meat is cut; some will consider quality to be a fair mix of bone, beef and fat.

Opening and Closing Hours

Opening and closing hours vary from location to location. Most butchery in urban estates opens in mid morning around 10 and close around 10pm. To compete some butcheries open earlier and close late. The success of this depends on the habits of consumers in the location. For instance it makes no sense to open until 11pm if there are not enough customers either from work or other activities at that hour.

Butcheries in transit towns and in parts of Nairobi CBD where people travel long distance tend to open till midnight since they are assured of customers whatever time of the night. Same happens in some estates with an anchor business say a popular night club.

In some locations out of tradition, culture or security fears residents are in their houses early and it makes no sense to open late hours. Most estate butcheries recorded the highest take away orders between 5pm and 9pm.

Location

Location has to do with status of the customers in the area, economic prospects, level of competition and convenience. It's important to consider whether in the location you want to set up in there are a sufficient number of residents with income enough to sustain a beef eating habit. A number big enough to make the butchery survive and thrive. *(See revenue figures below to help estimate appropriate numbers).*

In urban areas like Nairobi the numbers could be there alright but consider that relative to the number of existing butcheries.

As noted above consumption of beef (unlike say drinking wine) happens across all social levels. Nonetheless in low income areas the purchase per person will be lower. If the population in such locations is high then the smaller individual purchases will be compensated by high foot traffic.

The economic prospects of an area will determine whether the business grows in future. A basic consideration is whether income and population are increasing. This can be gauged by say buildings coming up in the area, security, entertainment spots and other facilities that could attract people to the area.

At a very local level location has to do with the intensity of the competition. Of course it's advantageous to set up where competition is relatively low. However there are estates or particular locations within an urban center which are known for meat. Setting up in such a place means you are able to easily attract local customers and in many cases 'external' walk in customers.

On the other hand if competition is intense and the market not growing you will be trying to snatch customers from existing butcheries. Thus the break even period will be longer, and more effort will be needed to survive.

Location at the local level is also about convenience to the customers. Where the butchery is located vis a vis the customers' home. For instance during weekdays customers want minimal disruption in their routine, so they will mostly patronize butcheries which fall within their route. Beef unlike chicken or pork is a sort of basic that is supposed to fit in the customer's routine; think milk and bread.

So butcheries located within a road where most people pass will record higher sales keeping everything instant. There are several butchery owners who establish sort of branches within the same areas in order to capture customers in the key locations and keep of competition.

Variety

Variety is about stocking more than the default beef and having liver, matumbo, kidneys, bones and other related products. In a way variety enforces the butchery; the place to get all beef related products. Some butcheries look down upon the extra products such as matumbo but irrespective of the location there will be customers asking for them. The trick is to know how to stock the right quantity and consistently so. Matumbo will emit a foul smell in two days while the liver may change color.

More advanced forms of variety include having items like minced meat. This also means a having a meat mincer. In urban centers minced has been successfully been used to win customers. A market advantage accrued from a mincer can be easily lost by a competitor with enough capital to buy his own.

In highly competitive environments where more than one butcher has a mincer butcheries compete on basis of the cost of the minced meat: some mincing the meat free of charge while others charge a small extra amount. Others mix spices like pepper with the minced meat, or commercial mincers which are faster as opposed to home use mincers which are not made to handle a big capacity.

Trust

Trust largely has to do with the source and handling of the meat. There are locations where all manner of rumors circulate regarding the handling and source of meat. Talk of sick cattle and donkey meat. In such locations some butcheries will try differentiate by portraying an image of trustworthiness. This takes many forms from displaying a stamp from the veterinarian, verbal reassurances by the owner, the name and a sort of guarantee.

To consumers trust is to a large extent formed by the impressions they have of the staff, owner and positioning of the butchery in the market.

Service

Service has to do with the way the customer is handled when in the butchery. How the staff talk to the customer, how they respond to suggestions and demands and how the staff react to purchases of whatever amounts small or big. Do they frown when given a high value note for relatively smaller purchases? How do they wrap the meat? If a customer requests that they slice the beef do they do so willingly or grudgingly? Are they warm and friendly?

Abrupt poor service drives away customers. Although customers can tolerate poor service for a while especially if the quality of the meat is great they eventually get tired of second hand treatment and move on. In most centers there is always a choice.

In markets where there is some sort of monopoly if a competitor comes in offering better service and the same or slightly lower quality of meat customers will gladly defect. Service is tied to the attitudes of the staff and the owner. It's based on mutual respect between the butchery staff and customers.

In highly competitive markets service is used to differentiate from the competition. And it has been used to successfully win customers, gain references, loyalty and growth.

Hygiene

Again like we mentioned the traditional butchery is not the epitome of hygiene and cleanliness, and though this has not prevented it from making a profit, to differentiate some butchery are trying to integrate higher level of hygiene. This includes basics like wearing clean aprons, good grooming, cleaning the floor and tables and generally a clean environment.

In the short term this works to attract customers while the long term success will depend on other critical factors like quality and service.



Revenue

Average Mark Up	24 %
Mark Up Range	15 % to 40%. The mark up will depend on location of butchery, grade of meat, supplier branding, and source.
Average Daily Sales in Kg (Nairobi & County Headquarters)	19kg
Average foot traffic per day in Nairobi	21
Lowest amount of raw meat sales recorded	4 kg
Highest amount of raw meat recorded in a day. Random walk in excluding corporate	512 kg (Nairobi city Market)

- Margins could also depend on the season. Sometimes during droughts pastoralists sell their livestock at lower prices. This results in lower supplier prices though retail prices remain constant.
- Margins also depend on the price the butcheries are selling the beef at.
- The highest amount of total beef sold is higher especially in major selling both cooked and raw meat. The above figures are for standard medium sized butcheries.
- The average amount purchased by an individual customer at a go in Nairobi 330 grams. (Sample 310 representative consumers)

Before we jump into Revenue proper here are some quick wholesale and retail figures for butchery in Ruiru. The owner purchases beef in wholesale from a meat distributor who sources from Burma.

Product	Wholesale (1kg)	Retail (1kg)
Steak	320	500
Liver	200	440
Matumbo	120	200
Beef	280	400



Average Daily Sales in the Butchery – Kshs.6500

Pricing

Price tends to be the same within a particular market. Prices are determined by the source of meat, prevailing local and national market conditions and some sort of unwritten agreement among the butchers.

Even though wholesale prices could reduce depending on the season retail prices don't change.

For the last 5 years beef prices have been increasing almost annually. Price increases are usually triggered by a major happening at the national level say a tax increase, drought or policy change.

In mid level butcheries serving what is categorized as the middle and high class there is little price based competition. This is because purchase decisions in such markets are based less on price and more on quality. Thus if a butchery is offering low prices but poor quality beef it will not attract customers.

On the other hand if the low priced butchery is offering great quality then it will be short changing itself since consumers will be ready to pay more for quality; this consumer cares more about quality than price is attracted first by quality then by price.

In lower income areas there is an extent of price based competition. Such competition is not aggressive rather it's based on small differences aimed at drawing in customers. For the lower income earners price rather quality is first consideration when purchasing meat.

Consumers & Revenue

In town centers, estates and many urban centers meat consumers tend to be of two main groups:

- ✓ Daily Customers
- ✓ Occasional Customers

Long term growth of a butchery business requires a mix of both kinds of customers. The regular daily customers help sustain and make plans about the business. You are able to estimate how much you are likely to make in a month. However this is the group which is likely to respond to health concerns, alternatives and any 'fashionable' newcomers in the market. In the long run this is the group which is more likely to cut on consumption of meat either due to health concerns or pursuit of alternatives.

On the other hand if butchery is serving a high number of customers who purchase meat only occasionally then that is not good for the immediate survival of the business. However in the long run this is the group that is more likely to raise their consumption of meat with a rise in

income. The converse is also true if their income reduces they will drastically cut their meat consumption.

Revenue is higher in butcheries with a high number of customers who purchase meat on a daily basis, but the potential for long term growth is in butcheries with both classes of customers. Hence the need to value each customer.

Revenue Trend

About 60 % of butcheries surveyed say Revenue has been on a downward trend for the last 1 year (Base March 2014). This could be because of the increasing inflation which has reduced the disposable income. In April 2014 inflation rose to 6.4 %. For the second half of 2013 inflation more or less remained at above 5.5% even at one time reaching 7.2%.

It's important to note that a rise in inflation affects the lower income groups more than the middle and higher income. When inflation goes up lower income groups cut on their consumption of meat which they consider a luxury. On their part the middle class might not cut their spending drastically but on the flip side they will not increase their spending.

Among the low income when they reduce consumption of beef they increase consumption of tripe what is commonly known as matumbo. Partially this is what has led to an increase in the number of matumbo only butcheries in relatively low income and peri urban areas. The highest number of matumbo only butcheries was recorded in Kayole. In such areas some of the matumbo butcheries record high turnovers and revenue than the beef shops.

Flexibility & Revenue

Revenue is higher in butcheries that are flexible in the way they measure and cut meat. Thus if a customer wants beef worth Kshs.25 or just 100 grams the butchery is willing and ready to sell this amount. This is usually made possible by having a digital weighing scale and also an internal policy within the butchery that allows for the sale of lower quantities. Some butcheries have digital weighing scales but then have set minimum and rigid incremental amounts. Without a digital weighing scale it becomes more difficult to exercise flexibility in quantity.

Revenue & Ready Meat

The effect of cooked beef on revenue depends on the location of the butchery. The purpose of cooking beef is not necessarily to get higher margins but to tap into the segment of consumers who are looking for ready meat. These could be anyone who is not in their homes and searching for something to eat. Butcheries located in market centers and areas with a reputation as 'meat eating areas' record a positive increase in Revenue as a result of cooking meat. Butcheries located near an anchor business like a big bar also record higher revenue as a result of cooking meat especially if the bar does not run its own butchery.

Butcheries in residential areas say at the ground floor of a flat don't record a substantial increase in revenue as a result of cooking beef.

Break Even Point

The break even point averages of butcheries in estates averages 7 months. This however could be shorter or longer and is largely influenced by location. When starting its important to budget for a few months rent and salaries before the butchery fully penetrates the market.

As mentioned in Competition and Survival other factors that influence Revenue greatly are Quality, Service, Location and also the economy. Since we have talked about them above here we touch on them briefly:

Location

Butcheries located in areas enjoying economies of location have an advantage in attracting lots of walk in customers, who will stick if the quality and service is good. Butcheries in such areas have lower customer acquisition costs and eventually break even faster. For instance butcheries located at the Nairobi City Market recorded almost 200% more sales than butcheries located in other areas within the CBD.

In estates a convenient location draws in more customers. Convenience could be in terms of being near homes, a bus stage or along the path home. Revenue is high in butcheries located conveniently.

Location is also about the social demographics of an area. Butcheries located in areas with a pool enough of the middle class record the highest average revenues. This is the same case in relatively low income area with high populations. Though customers in such areas buy meat in small quantities, they do so severally and the high population ensures there are always enough numbers purchasing meat.

Consumers in relatively low and mid income areas purchase meat regularly and in smaller quantities than those in high income areas. Consumers in high income areas often purchase beef in bulk which they store in refrigerators at home. In lower income and mid consumers prefer to purchase meat on a daily basis. It then becomes easier to predict the consumption habits and amounts to stock everyday.

Service

Service triggers repeat customers. When customers feel valued and treated with respect they will come back. Though service could make customers turn a blind eye on shortcomings in say quality, if the shortcomings are consistent and there is no improvement then they will walk away.

Revenue is higher in butcheries which offered exceptional service if it's accompanied by good quality beef at an appropriate location.

56% of butcheries surveyed say they consider service the most important in attracting and retaining customers.

Economy

Consumption of beef is highly influenced by the disposable income. Disposable income is a function of the state of the economy at the national level and also at the local level. Like stated a growing economy and reduction in inflation will leave more money on the table for the consumption of beef. This is especially so for those of lower income.

Quality

Keeping everything constant quality has a big influence on revenue. Butcheries which have a reputation of quality record more revenue. Quality as noted breeds loyalty and helps generate word of mouth.



Consumer Behavior

Household surveys indicate that slightly more men than women make purchase decisions regarding beef. However is gradually changing with almost an equal number of women purchasing beef as men.

Butchery owners also note that in urban estates house helps are making more and more purchases. In most cases the butchery a house help patronizes is influenced by the employer “Go and buy meat from this and this butchery”. This is more so for late evening supper purchases.

During the day the house helps have more flexibility as to where they make purchases. They are freer to experiment and listen to friends during the day.

With time a househelp attains more independence as to where she buys meat and does not necessarily follow the recommendations of the employer. This works to the advantage of butcheries that treat the house helps with the deserved respect, as customers in their own right rather than messengers.

Men are more likely to remain loyal to butchery than women. Women will defect faster to a rival butchery when service and quality goes down. So consistent service and quality are more important for men than women.

As noted above for the middle income quality comes first. For the high income quality and the setting in terms of hygiene, display and service matter more. The low income customer will be concerned about price and then quality. Ideally he wants a perfect match of the two, and butcheries offering a fair price and relatively good quality will attract and retain more customers.

New customers discover butcheries firstly by trial and error largely influenced by the location, popularity or setting of the butchery. Word of mouth about a good or bad butchery spreads first among members of a family and slowly trickles to neighbors.

In summary customers will seek:

- A convenient location
- Quality beef
- Great service
- Trust
- Fair Price



Manpower

Average No of employees	2
Average Salary	Kshs. 7000
Average qualification	High school level of education
Average commission where employee is paid on commission	10 %

Recruitment of staff is largely by word of mouth. Key considerations include:

- ✓ **Experience in handling meat**
- ✓ **Honesty**
- ✓ **Good customer relationship**
- ✓ **Basic level of hygiene**

Education though desired by butchery owners is not considered a key requirement. This is as compared to an experience in handling meat, good customer service and an ability to balance customer needs and those of the customer.

For instance if a customer says he does not want bones included in his half kilogram of normal beef (as compared to steak) and the butcher does it he will eventually suffer losses. Yet the skill to include the right amount of bones while still making the customer smile is what eventually makes a good butcher man.

Cutting meat is a skill that is acquired and perfected over time. The skill of the butcher will also depend on the target customer. High end customers have very particular needs and require butchers who can communicate properly and have more than a casual understanding of beef.

Butcher men should have a medical certificate preferably acquired within the last 1 month. The medical certificate is given after under going a medical check up either at a public hospital or reputable private hospital.

A Note on Kenya Meat Commission

Around 2006 the Kenya Meat Commission was revived after many years of closure. KMC is a government organization that is supposed to help in stabilizing the cattle market especially for pastoralists' communities. This is through bulk purchases, slaughter, processing and sale of beef products.

For the first four or so years KMC focused on the export, local corporate and high end markets. However to increase revenue and to make its products accessible to more local consumers KMC first established depots from where butchery owners could purchase beef in wholesale and consumers could purchase for their own consumption. The Nairobi depot is located along Ladhies Road while the Mombasa depot is in Nyali. The depots are walk in affairs where anyone can purchase in wholesale or retail. There are different grades of meat and the prices for standard grades vary only slightly. There were plans to establish more depots and stockists in major towns in Kenya like Thika, Meru, Kiambu, Isiolo, Naivasha, Nakuru, Kisumu among others. The stockists would sell to retail butcheries.

Since 2011 or thereabouts KMC increased its efforts to reach the consumer market. This was through van sales and the establishment of franchised butcheries. The vans, at least for some time, would park in high traffic locations within Nairobi for instance Nyayo House, Community, Harambee Avenue Kenyatta Hospital. The target market was workers coming from the offices and seeking to purchase beef from a trusted supplier.

The franchises are partnerships between KMC and entrepreneurs where the latter establishes a KMC branded butchery and sells KMC products. This is under KMC terms and conditions so as to meet set standards. Presently KMC has a number of butcheries in Nairobi Eastlands. The latest being the Roysambu butchery. Availability and conditions of franchise opportunities depends and it's recommended to visit the KMC offices or depots for more information. The main advantage of KMC branded butcheries is the trust consumers have in them. Also there is more room to source and offer a variety of beef cuts.

However the future of KMC as an organization, its depots and franchises is not very clear at the moment. The commission has been struggling financially and presently owes livestock farmers and banks over 300 million. Presently (April 2014), there are plans to retrench workers and scale down operations.
