



# Home comforts

More Kenyans are returning home, driving middle class prosperity and creating opportunities across the spectrum particularly in F&B, discovers Amy Guttman

**O**n a bright, warm Sunday in Nairobi, signs of a vibrant economy are visible at Tribe, the city's trendiest and first design hotel. Fashionable Kenyans and expats brunch on eggs benedict, curry and cupcakes. The edgy name was deliberate, Sham Ehsani tells me. He and his family co-founded Tribe hotel in 2008. "We wanted to break down the divisive association with the word." They did that and more. Tribe's first guests were musicians like Wyclef Jean, who took over the hotel as part of MTV's music awards. Ever since, the property has been synonymous with cool. It's location slightly outside the city, in the diplomatic area, makes it popular with NGOs and international officials as well as hipsters.

Kenya is on the rise, and so is its middle class, creating vast opportunities for businesses across all sectors – from traffic solutions, to tech, music and

even pizza. The World Bank recently projected the country's growth to increase from 5.4 per cent in 2014 to 6-7 per cent over the next three years, outpacing its neighbours. It's a number that surprises some in Kenya's tourism industry because hotels have suffered steadily from repeated but isolated terror attacks over the last few years. As recently as March, Al Shabaab waged an attack on a campus leaving hundreds dead and injured.

But Kenya has a growing domestic market, easily spotted along the country's well-travelled coastline. On a white, powder sand beach an hour south of Mombasa, members of Kenya's growing middle class spend a minimum \$300 a night, per person, to stay at Almanara, a small luxury resort of six villas and a main house for rent. Each of the three bedroom properties are staffed with a chef, waiter and housekeeper.

Leo Giovando and his wife, Gemma, opened

Almanara in 2008. It wasn't exactly great timing, given economies in two of Kenya's greatest tourism markets, the US and the UK, were tumbling. An increase in tourist-related attacks along the coast over the last few years has brought government-issued warnings, which also hasn't helped business. They could have easily gone under. Instead, they turned their attention inwards and now, Giovando says, Kenyan guests easily outnumber foreign tourists. "We're getting a different type of Kenyan coming. Even when we lower our rates, it's still a lot of money. A three-day visit for a couple costs approximately \$2,500 in low season."

A confluence of factors has contributed to Kenyans' prosperity. During the last five or so years, well-educated Kenyans have made a slow exodus from countries like the US, returning home with honed skills and global sophistication. An influx of European entrepreneurs, who came to Kenya to ride out the recession, where it's been easier to source funding, has also led to increased competition in consumer markets, leading to higher wages, and ultimately, greater cash flow. Like most places, as consumers earn more, they spend more.

"Everything from media and arts and entertainment is just starting to happen and its branching out," Giovando says, "When I first arrived eight years ago, that was really limited to the expat



culture. Coffee houses, for example, you go there now, and you're seeing many, many more Kenyans."

Kevin Ashley is Kenya's coffee house pioneer. He moved to Kenya more than 20 years ago from San Francisco and had a bit of culture shock in a country that produces plenty of coffee, but back then, consumed little of it.

"There was no coffee culture whatsoever before we opened our shop. Quality roasted coffee didn't exist. Now people are more discerning. A lot of the Y generation, late teens, twenties, thirties have grown up drinking good coffee."

Many of them have bought their first cup from Ashley's Java House chain, which also sells over a million dollars of roasted coffee a year in supermarkets and hotels.

The restaurants are a cross between Starbuck's and Chili's with breakfast, lunch, dinner and comfort foods served by waiters. On a Tuesday, the patio seating area is packed with professional Kenyans taking their lunch break.

Ashley insists his is not a typical expat brand. In fact, he's the only expat in the company. Kenya's rising middle class is still small but its growth can be charted alongside that of Java House. It took 11 years for Ashley to open ten coffee shops in Kenya. Now, he's opening 12 Java House cafes a year and by 2016, he anticipates 40 branches.

**Above and left:** Nairobi business district with Uhuru park in foreground.

**Below:** Leo Giovando

## BUSINESS IN... Nairobi



"We've been accepted in many ways as a symbol of middle and upper class life in Kenya. If you can afford to come to Java house, you've made it. Only 8 per cent in Kenya qualify as middle class. Anybody making about \$500 a month or more is going to come in for a coffee and cake on a Friday night. Those who are more affluent, will come in three-to-four times a week."

Ashley's business model is based on different economic entry points. Some buy a small Americano or large house cup for \$1.50 and use it as a workspace all day. Others come for a business lunch. A gourmet burger with fries tops out at about \$7. A coffee and samosa goes for \$4, making it easier to fill all parts of the day, as well as appeal to a broad customer base.

Starting a business in Kenya isn't without its challenges but, Ashley says, it's easy to stand out with high quality execution, and a focus on the customer as well as employees. Java House staff get full medical coverage, a pension and a month off- paid. Ashley also pays above minimum wage.

While Kenyans are eating out more, Ashley says many international operators are getting the market wrong. Fast food brands are failing because the middle class don't want to eat at home, or on the run. If they

**Clockwise:**  
Pizzeria; Italian restaurant; Ashley's Java House; Almanara Luxury Boutique Hotel & Villas.

can afford to eat out, they want a sit-down experience. Domino's Pizza learned this lesson when they entered the Kenyan market last year. The multinational brand was forced to adapt their typically delivery/pick-up only shops, providing seating for customers.

Ashley sent four Kenyans to Naples to learn how to make classic Neopolitan pizza with wood-fired ovens for a new, artisan pizza restaurant called 360 Degrees. Truffle and parmesan fries are on the menu, as well. It's no surprise they're targeting foodies. Ashley's and Domino's move into Kenya's pizza market tells a bigger story, not unlike Kenya's coffee revolution.

As recently as five to 10 years ago, pizza was something strictly seen on the big screen, in American movies. "For years, only rich people ate pizza. We didn't even know what it tastes like. Now, taxi drivers can afford pizza, even if it's just once a month," my guide Antony tells me. We pass multiple outlets of Pizza Inn, the market leader in Nairobi, with more than 25 branches.

Now there's so much competition, popular chains offer buy one, get one deals twice a week. And Ashley has company in the artisan pizza market. Ritesh Doshi gave up a job as a London banker in 2011 to open a franchise of pizza, known

for natural ingredients and mostly vegetable toppings.

Doshi says when he began, there was no supply chain, so he built his own.

"We couldn't get catering size jalapenos so we had to get someone to import jalapenos. We started using the little ones from the supermarket until we got enough volume and were able to demand our supplier get the larger ones."

And then there's Kenyan bureaucracy. While young start-ups tout Nairobi as an easy place to set up shop, things are different in the food industry. Doshi is brutally honest about the realities.

"There's a mandatory health license and hygiene license and no one in the government knows the difference. I'm not gonna sell the dream, but despite that, people come here to start businesses and invest. When I came in, I thought we could build 15 stores here, but now I think we can build five."

Doshi has seen his customer base flip, from expats, when he first opened, to mostly Kenyans now. "Some of that is the timing with the returning Diaspora, the exposure of travel and wanting to eat healthy food."

But while Doshi agrees Kenya's middle class is gaining ground, he cautions their spending power isn't as high as many think. "The Kenyan middle class doesn't make that much money. My highest paid staff member makes \$1,000 a month. There are four new high-end malls under development. Nike and Carrefour are coming in but the middle class aren't going to shop there."

The middle class is also struggling with one of Kenya's hottest commodities: property. Soha Ehsani's family has been developing property

in Nairobi for 25 years. They arrived as Persian immigrants, and built Village Market, one of the city's first shopping malls. Since then, they've expanded, and are partners in Tribe Hotel, as well as other commercial properties. Their Century City project represents the family's first foray into the residential market developing million-dollar homes in the affluent northern suburb of Runda. But property values are high. Ehsani says demand for middle class housing in the \$300,000 range is so strong, builders can't keep up.

"A lot more Kenyans are going out, spending money, but in the property market there's a huge mismatch – the supply isn't good quality and there's still demand because they're not getting the value."

Ehsani deals with high end clients, helping them access finance to buy homes with gyms, tennis courts and security. But now other untraditional market forces are driving prices higher.

"The UN Environmental Agency has moved to universal status, which means every country that's a member, has to have representation in Africa. As a result, a lot of our clients are buying a villa to live in and a couple of apartments to rent out."

There are also developments around slums like Mathare and Mukuru, where social enterprises like Sanergy, which leases public toilets, called Fresh Life to local operators, are raising both the living standards, and residents' incomes. Esther Muia has doubled her monthly income as a Fresh Life operator. Ehsani sees massive potential for pipeline projects in lower income areas.

"We see huge opportunities with aspiring middle income earners. To really attack the problem of lower income housing shortage, we need a change in building technology – like pre fab houses."

And he has an entirely different take on the arrival of Carrefour. Ehsani agrees it's not a value supermarket, but Carrefour may offer things the local leader, Nakumutt doesn't.

"Kenyans are aspirational, so to



**Clockwise:**  
Esthaer Muia from Sanergy; Nakumutt department store; Mombasa port



be able to say they shop at a French supermarket is something. And Nakumutt pays suppliers on a 120-day basis, so if Carrefour can beat that with 60 or 90 days, and have more consistency in their supply, they may have an edge. Nakumutt regularly runs out of things that don't get replaced. It's a big problem. Dehumidifiers are a big problem – entire families buy all of them. Our family loves pickles, so when we see the ones we like, we buy all of them. They know if they don't buy it, some family will buy the whole lot."

Kenya's top earners are tea, coffee, floriculture and tourism, fluctuating between the four. But tech entrepreneurs from Europe and elsewhere are fuelling a young, dynamic network of creative, innovative thinkers attracted to the ease of use factor in Nairobi, something rarely

associated with African cities.

At a table surrounded by 20 and 30-somethings – all of them expats, some are involved with incubators, regional news sites, and other start-ups with a distinctly local flavor.

Dane Martin Neilsen is founder of an African music-sharing app. "The last 5-10 years, if you have an entrepreneurial mind, Europe just hasn't looked that attractive, mostly because of the recession," says the 25-year old. "It's a lot easier to get started here and there's a lot of opportunities. I planned to stay nine months and launched Mdundo 6 months later. All my employees are Kenyans."

Many shun the government's catchy phrase, Silicon Savannah, to describe Nairobi's eco system, claiming it exaggerates the width and breadth of the community. Yet the government has broken ground on



## BUSINESS IN... Nairobi

a 5,000-acre site about an hour the capital, the future home of Konza technology park. The site will be a mini man-made city, populated with a science park, convention center, shopping mall, hotels, schools, hospitals, golf course, financial district, and most importantly, in a place burdened by traffic, high-speed mass transportation.

Freight transport is expensive in many parts of Africa, including Kenya. Entrepreneurs say certain things, including imports, take longer and cost more than budgeted for, often by at least 25 per cent, because of high taxes, duties and transport. A new railway line, due to be complete in 2018, will connect Nairobi to the valuable port city of Mombasa, and will eventually extend to neighboring Uganda, Rwanda, Burundi and South Sudan. It's expected to have enormous impacts on regional, and overseas trade, cutting costs by more than half.

There is much hope being placed in the hands of a relatively new government, that of President Uhuru Kenyatta, elected two years ago. Projects like Konza were batons passed to him. He campaigned, and



won on promises to tackle corruption and create jobs for the young and unemployed. It's a monumental task, but Kenyatta has taken steps to increase transparency, and shown a low tolerance for corruption in his administration, routing out unethical ministers. But the recent terror attack at Garissa University, exposed deeply entrenched corruption at the highest levels of Kenya's police force.

Dr. Mohanjeet Brar, commercial director of Gamewatchers Safaris, and board member of Ecotourism Kenya and ATTA (Advancing Tourism to Africa) says diplomacy is necessary to reverse the situation.

**Above:** Mdundo employees with Martin Neilsen (second from right)

**Below:** Impression of Konza technology park

"We've had a lot of negative PR, and the perceived threats have had a massive impact. This has become a political issue. These relationships must be repaired for tourism to thrive. The safari experience is very protected, not just for the animals, but for the tourists."

Brar, and others in Kenya's tourism industry, say the safari business, still heavily reliant on overseas tourists, is struggling. With occupancy rates hitting all-time lows, compounded by VAT and rising park fees, many have had to lay off staff. Luxury beach breaks appeal to middle class Kenyans more than the bush. During a recent weekend at Nairobi's National Park, just an hour out of the city, there were plenty of city dwellers packed in 4x4s to watch the lions roar, and the giraffes standing guard over the zebras. For Brar and his colleagues, the challenge lies in convincing those with extra cash, that it's worth spending their shillings on indulgences like an overnight at his Tented Safari Camp, the only one in the park. But if the influx of entrepreneurs continues, Brar's job may become easier; 20-something workaholics could be tempted by a night under the stars, even if billed as a co-working retreat. After all, working remotely takes on a whole new meaning when it's from a tent, surrounded by roaming animals. ■



*The writer flew on Kenya Airways' business class from London to Nairobi. She stayed at Tribe Hotel and Villa Rosa Kempinski Nairobi.*