



## **NEW BUSINESS MODELS CONTRIBUTE TO WAREHOUSING DEMAND IN KENYA**

The warehousing industry in Kenya is currently experiencing increasing demand from shippers seeking safe storage of their shipments for distribution or onward transit to neighboring countries. This has been attributed to various factors including a growing interest in Kenya as a business hub. Kenya's unique geographical position has made it a key transit point for cargo destined for the local market as well as into the region. Today, the growth of SMEs in Kenya has exploded and contributed to an increase in logistics services such as warehousing. In addition, a number of importers today have turned to utilization of leased factors of production which are cheaper for retailers as opposed to the importer absorbing the cost and risk of running a non-core operation such as logistics while running the enterprise.

Siginon Global Logistics, part of the Siginon Group, is a leading logistics player that has invested heavily in warehousing to meet customer demands. Currently, Siginon boasts of nearly 300,000 square feet of warehouse capacity in its Nairobi and Mombasa operations licensed to handle cargo that is general, bonded or on transit to regional destinations. Winstone Akweyu, the Operations Manager at Siginon Global Logistics in Nairobi adds, "*The General cargo warehouses have the highest demand with customers largely importing shipments such as textiles, pharmaceuticals, spare parts and chemicals among other commodities.*" Siginon warehouses have additional options which are customized to handle shipments that require storage at ambient temperatures and cold storage, such as some pharmaceuticals and horticultural produce, to protect them from depreciating in quality or value due to exposure to external temperatures.

Customer experience in warehousing is primarily focused on assuring the customer of cargo safety as well as ease of accessing the goods while in the warehouse. This can be attributed to the tonnage and value of cargo placed in the warehouse. As such, warehouse players have invested heavily in warehouse safety and security to protect the cargo from theft or damage while in the warehouse. Winstone adds, "*Siginon warehouses are secured with high walls, 24/7 CCTV as well as contracted manned personnel from reputable security companies. Ultimately, assuring the customer of the cargo security will give them peace of mind.*" Global warehousing trends today have expanded to incorporate value addition services such as packaging in the case of Fast Moving consumer goods (FMCG), blending of varieties in the case of the tea warehousing and distributing the goods to outlets, the port for export as well as delivering to the factory on a '*just in time*' basis to ensure payment of taxes only on goods exiting the customs bonded area as well as eliminate demand on space.

Globally, Amazon.com has disrupted the logistics industry with adoption of technology and innovation to run its process. Amazon today boasts of over 30,000 robots to run its warehousing

space in the fulfilment centers. The robots have revolutionized service delivery as well as boosted efficiency in stock management. These trends have set the pace for players in warehousing to move in tandem with the key focus being customer satisfaction and efficiency in cargo delivery while minimizing the need for human intervention.

In as much as the Kenyan market is yet to pick on these innovations, a number of efforts have been made by the various logistics players to incorporate technology to boost service delivery. Winstone concludes, *“There are a number of opportunities of automating warehouse operations through automation of storage, compact picking, zone picking, integrated picking as well as warehouse and AGV systems. Though these systems require high capital investments, the returns on business and customer satisfaction are equally high in the long run.”*

Logistics services are today driven more to meet the customer demands for convenience and efficient service delivery. With growth of Kenya’s position as a key business hub in the region, it is likely that sufficient investments will be made to match global and customer trends in service.

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