# International Labour Organization | Enterprise Formalization

## ▶ Sokowatch:
# A delivery and credit app

This document is part of a series of case studies by the Enterprises Department of the ILO. Each case study presents one or several approaches that contribute to enterprise formalization across the world. The case studies provide a snapshot on a particular initiative and may not be exhaustive.

## AT A GLANCE
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| **Name:** | Sokowatch |
| **Short description:** | Sokowatch enables shopkeepers to order products at any time via SMS or mobile app for free same-day delivery to their stores. Based on ordering data, Sokowatch also automatically calculates and extends credit to these retailers, which makes it easier to buy goods. Shopkeepers can pay Sokowatch when goods are delivered or they can postpone the payment up to a week after the delivery. |
| **Technology:** | Application |
| **Country/region:** | Kenya, Rwanda, Tanzania and Uganda |
| **Link to enterprise formalization:** | Indirect (through enhanced access to productive factors and new markets/market linkages) |

This case study shows how technological innovations may contribute to the formalization of economic units and their workers. Coined e-formality, the ILO has developed a theoretical framework for different public policies and technological applications that support transitions to formality.

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## 1. What is the initiative and what does it aim to achieve?

Sokowatch is a start-up enterprise focused on small retailers' supply chain management and access to credit. The app enables small shop owners in Kenya, Rwanda, Tanzania and Uganda to restock essential goods. Another feature of the solution is to offer credit to these retailers, who are usually considered to be risky borrowers due to the nature of their business.

## 2. What is the institutional framework?

Sokowatch is a private company based in Nairobi. Founded in 2013, it obtained a Series A investment of US$14 million and currently has seven collaborators, including the founders. Sokowatch is funded by 18 investors, including Mercy Corps, a global non-profit organization whose mission is to alleviate poverty through impactful actions.[1]

## 3. How does the initiative work?

Sokowatch enables shopkeepers to order products via SMS or mobile app for delivery to their stores. The delivery of the goods is free of charge. The main advantages for small shopkeepers that use the app are the shorter time required to negotiate and buy goods and the lower transportation costs. Moreover, as the majority of the users run their businesses by themselves (i.e. without any workers), Sokowatch solved the problem of having to spend time away from the store to buy goods.

Based on ordering data, Sokowatch automatically calculates and extends credit to stores to allow them to increase their purchase sizes and grow their businesses. This makes it easier for shopkeepers to source goods and helps manufacturers to ensure that their products are consistently available to consumers. The system also evaluates retailers to provide them with access to credit and other financial services typically not available to informal businesses. According to African Business, Sokowatch's financial sustainability lies in the margins between the wholesale purchase of items from suppliers and the sale of those goods to individual, informal enterprises. Shopkeepers can pay Sokowatch when goods are delivered or they can postpone the payment up to a week after the delivery.

Sokowatch's systems track real-time sales and orders across registered stores. It assesses market trends and purchasing habits, improving predictability for manufacturers and individual retailers. Sokowatch uses nine technology products and services including HTML5, Google Analytics, and Google Fonts, according to G2 Stack. According to BuiltWith, Sokowatch is even actively using 44 technologies for its website.

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1   https://www.mercycorps.org/what-we-do/ventures

# 4. What has been achieved?

The Sokowatch app receives an average of over 7,500 visits per month. As of August 2020, Sokowatch had reached 16,000 small informal shops in four countries. In February/March 2021, the app was downloaded 326 times, showing a trend of growth considering the average number of customers over the previous seven years (190 new customers per month, on average).

Informal enterprises and sole proprietors have benefited the most from Sokowatch, as the platform enables entrepreneurs to digitize tasks that they usually have to do in person. Shopkeepers using the app can run their businesses without having to absent themselves from theirs stores to buy goods. Moreover, 15 per cent of Sokowatch's orders are supported by credit offered through the platform.

The largest share of retail in African economies happen through informal channels, such as kiosks and small markets that sell with essential goods.[2] Hence, informal businesses and traders in remote areas and/or in poor communities are the ones that could directly benefit from a replication of initiatives that are similar to Sokowatch.

▶ **Adaptation to the COVID-19 pandemic**

When faced with the economic repercussions of the pandemic on the retail sector, Sokowatch figured out that its technological solutions, including its logistics solutions and customer network, could be used to distribute essential goods to the population. The company has partnered with a bank and several foundations to distribute digital food vouchers via SMS to thousands of families in need of assistance. The vouchers can be redeemed at stores affiliated to Sokowatch, thus helping to support small and informal retail businesses while reducing food insecurity for about 10,000 families.

*Source: African Business; Mercy Corps 2020 Annual Report.*

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2    https://www.euromonitor.com/article/eyes-on-africa-understanding-retail-in-africa

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*Please contact us in case you have any comments or questions with respect to this case study.*

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