

## Customer Discovery Report

Harnessing mobile technology to address the challenges faced by cross-border traders



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# Introduction

Informal cross-border trade by small and medium enterprises in the East African Community (EAC) is a vibrant economic space - estimated to be worth \$1.76 billion dollars annually.<sup>1</sup> However, many cross-border traders regularly operate under challenging conditions due to the lack of reliable, accessible and accurate trade and market information, the prevalence of corruption among security and border officials at the border, frequent harassment and other personal safety risks.

Sauti is a mobile-based trade information and social accountability platform for Small and Medium Enterprises (SMEs) engaged in cross-border trade in the EAC. Our mission is to empower cross-border traders to exercise their rights as citizens of the EAC – able to trade legally, safely and profitably across borders and stand up for their rights with a loud and clear voice.

This *Customer Discovery Report* offers initial perspectives on the development of an SMS and USSD platform developed by Sauti Africa for use by any cross-border trader with a simple feature phone. By innovating a series of automated text-based interactions, Sauti has the potential to leverage the ubiquity of mobile phones in the EAC to enhance the delivery of trade information available to cross-border SMEs. The platform will



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<sup>1</sup> Jean-Guy K. Afrika and Gerald Ajumbo, “Informal Cross Border Trade in Africa: Implications and Policy Recommendations,” *AfDB Economic Briefs* 3, no. 10 (2012): 6.

enable small-scale traders to conveniently access trade and market information relating to clearing procedures, documentation, and taxes applicable to their products, cross-border commodity prices and exchange rates. Traders will also be able to use the platform to anonymously report incidents of bribery and harassment at borders.

In 2016, Sauti Africa began to test these assumptions by engaging in a process of customer discovery, involving both quantitative and qualitative fieldwork between August and November at the Busia and Malaba border crossings in Kenya and Uganda. Cross-border trader's first hand experiences with the challenges of trade in the EAC positions them as end user "experts" for the proposed platform. A series of information collection mechanisms were deployed to gather customer feedback about the platform. These included three comprehensive and complementary research methods:

1. Focus Group Discussions
2. Prototype Testing with Users
3. Quantitative Surveys

The authors would like to express their gratitude to the nearly four hundred participants who shared their time and experiences with Sauti. We would especially like to thank our partner, the Eastern African Sub-regional Support Initiative for the Advancement of Women (EASSI). None of this would have been possible without their support, invaluable feedback and assistance in organising and undertaking our research work at the border crossings.

Below is a discussion of the methodology and key findings from each of these study activities. Sauti intends to take the lessons learned from these activities and incorporate them into the development of the platform. The insights gathered from each participant will ensure that our mobile service addresses the evolving needs, challenges, and preferences of our future users.

# Focus Group Discussions

Focus Group Discussions (FGDs) were held with members of cross-border trade associations to include cross-border traders in the initial design process. A total of four FGDS were conducted from the border crossings of Busia and Malaba.

## Methodology

Participants in the FGDs were derived from the membership of cross border trade associations. Each FGD was comprised of between 6-8 participants and all were given time to express their opinion in the language of their choice. Anonymized transcripts were recorded and non-English answers were translated by Sauti members.



## FGD Key Findings

Many of the responses from Sauti's FGDs research focused on the customer, the problems they faced, and their initial reactions to the platform's utility:

- **Unreliable Information:** Cross-border traders operating at the Kenya-Uganda border lack access to reliable and accurate sources of trade and market information, particularly on questions related to tariffs, exchange rates, customs procedures, product standards and other regulations. Information provided by border agencies is often very generic.
- **Inefficient Access to Information:** To acquire formal border procedure information, traders personally engage several resources, including brokers, clearing and forwarding agents, information desk attendants or their social network. Those trading goods under \$2000 and who do not pay taxes for goods must often visit multiple different offices on each side of the border to access this information.
- **Inefficient Communication:** When modifications are made to simplify border processes and procedures, such as with the installation of One Stop Border Posts, the lack of community sensitization creates confusion about required documentation and other administrative entry processes. Likewise, frequent changes to border procedures and taxes are not communicated ahead of time to traders, resulting in confusion and frustration when traders reach the border.
- **Undocumented Information:** Information at border offices is often un-documented. Because of this, traders often cannot independently retrieve or confirm the validity of demands made on them at the border by different agencies and officials. Taking such time to travel to the border to visit these information points is difficult considering household and business responsibilities.
- **Social networks:** Traders engage their social networks, often through SMS or word of mouth, to source a significant amount of border procedure and market information.



- **Bribery and Corruption:** Border officials regularly exploit the lack of transparency surrounding trade procedures to generate uncertainty and coerce traders to pay informal fees at the risk of having their goods seized. Participants agreed that very few traders can pass goods through the Kenya-Uganda border without paying informal fees or bribes. Bribery, corruption, and harassment are candidly considered by traders as the costs of doing business at the border.
- **Risk-taking:** Because of dynamic expenses at official border crossings, meagre potential profits drive some traders to alternative, riskier crossing routes. Ultimately, traders expressed that they would prefer to use legal routes to cross the border if legal routes held the potential for profit.
- **Harassment and Personal Safety:** Traders described incidences of harassment by police, security and border officials as a challenge to cross-border trade. If traders persisted in asserting their rights, officials would continue to harass them until the hired transport vehicle departed without the trader’s goods or their perishable goods deteriorate. Other incidences of harassment by border officials involve gender-based violence and threats to personal safety.
- **Female and male traders face different non-tariff barriers:** Many of the men interviewed were large-scale or medium-scale traders and their needs and concerns were very different from women traders. Male traders concerns related to international marketing strategies, transportation cost, multi-tonne shipments, labour organizations, price control/subsidies, and infrastructure. They also did not express the same level of reluctance when asked about reporting corruption because they have fewer fears about personal safety, and corruption/bribes have a significantly smaller impact on their profit margin. This suggests there is a significant level of market segmentation between female and male cross-border traders.
- **Simulation:** Traders were presented with a simulator of the Sauti platform highlighting the key features and capabilities of the mobile application. Conceptually, the traders felt that Sauti was a promising idea that will “work very well” to support cross-border traders at the Kenya-Uganda border. Two platform features were discussed:
  - **Information Feature:** Cross-border traders were very enthusiastic about the information feature of the Sauti platform. They described the ability to retrieve such trade and market information in advance of arriving at the border as an important advantage in cross-border trade that small-scale traders cannot currently access.
  - **Reporting Feature:** The majority of cross-border women traders claimed that they would be willing to use Sauti’s reporting feature to report both positive and negative experiences at the border. However, some traders indicated their preference for their reports to initiate an immediate observable response at the border. Specifically, they made reference to follow-up actions by relevant government agencies based on reports submitted to Sauti.



# Prototyping

Based on the feedback from the previously conducted FGDs, a prototype of the mobile platform with the SMS and USSD interface and illustrative data was developed and later presented to the traders at the Busia and Malaba borders.

## Methodology

Sauti's methodology for developing the prototype was linked to the research questions previously answered in the FGDs.

- Each trader was presented with a simple handheld "feature phone",
- The participant was taken through step-by-step procedures in the use of the application,
- Traders were given adequate time to test the platform and provide feedback,
- A brief was given and participants' questions were answered by the Sauti team to ensure clarity of understanding.



## Prototyping Key Findings

Many of the key findings from Sauti's prototyping testing research captured the value traders found in the platform:

- **Enthusiasm:** While testing the platform prototype, all traders showed great enthusiasm. Many expressed that use of the platform could solve the challenges they confront at the border crossings when faced with minimal information and limited mechanisms for reporting corruption and harassment;
- **Willingness to Pay:** All of those who tested the platform expressed willingness to use and pay for the service;
- **Simplicity of Interface:** Traders lauded its simplicity and said that it had a very user-friendly interface that would make it convenient for anyone with even basic education;
- **Scope of Information:** The traders were also impressed with the volume of information it contained touching on all aspects of cross border trade;
- **Multi-lingual Access:** Traders expressed that some of them are not able to use the available information because of language barrier. Ensuring the platform is available in local languages in addition to English would ensure that all can access the information;

# Quantitative Studies

The latest phase of Sauti’s customer discovery process required Sauti to collect standardised information from cross-border women traders. The method to gather this comparable data utilized questionnaires in one-on-one interviews. Two different quantitative studies sought to answer questions regarding trader needs, preferences, thoughts, and feelings about the platform and tried to ascertain the levels of corruption and harassment experienced by traders.



## Methodology

Sauti gained qualitative information from traders in open-air markets by conducting the following:

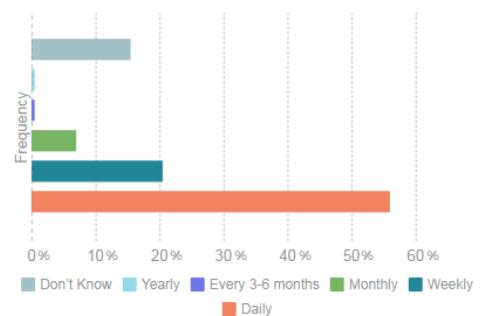
- Surveys from a pool of 200 and then over 100 randomly selected traders. In total, over 150 from each side of the Busia border were interviewed in both surveys
- Administering surveys one-on-one, targeting traders with experience in clearing commodities

## Quantitative Research Findings

Following data entry and analysis of the qualitative research, many of the key findings validated the initial assumptions that led Sauti to engage in this process of customer discovery:

- **Challenging Conditions:** Cross-border traders regularly operate under challenging conditions due to the lack of reliable and accurate trade and market information, as well as the prevalence of corruption, harassment and other personal safety risks at borders;
- **Prevalence of Corruption and Harassment:** 56% of traders reportedly experienced corruption daily, while 21% experienced it on a weekly basis.
- **Minimal Reporting:** 85% of the cross-border traders never report incidences of corruption and harassment;
- **Lack of Transparency:** Traders raised concerns about the lack of transparency surrounding trade

Figure 1: Corruption Frequency



and customs procedures, making them vulnerable to unnecessary transaction costs and exploitation by formal and informal personnel operating at border;

- **Fear of Victimization:** Despite traders’ significant experience with harassment and corruption, 28% do not report such incidents due to fear of victimization and lack of appropriate avenues for reporting, and 26% because they know nothing will be done, and 18% because of intimidation;
- **Customs Protocol:** Traders acknowledged the value of understanding and using knowledge of customs protocol to engage in cross-border trade, both for increasing profits and reducing their exposure to the risks of using informal *panya* (smuggling) routes;
- **Access to Mobile Phone:** 81% of traders interviewed have simple feature phones. This makes the Sauti platform ideal for most of the traders. For those who have smartphones, 36.4% of them don’t download applications;
- **Willingness to Report:** 96% of those interviewed said they would be willing to report cases of corruption and harassment through Sauti’s anonymous reporting platform;
- **Knowing Prices:** 66% spend money to know the commodity prices before they go to market. 98% said knowing the price before they go to market would improve their ability to negotiate the selling price.
- **Willingness to Pay:** Like the previous study, traders showed great enthusiasm and willingness to pay for a platform that could solve the challenges they confront at the border crossings when faced with minimal information and limited mechanisms for reporting corruption and harassment.

Figure 2: Incident Reporting Behavior

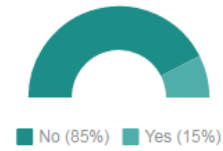


Figure 3: Reporting Behavior

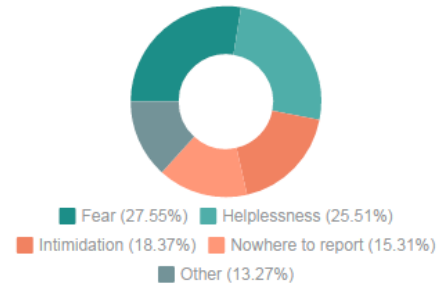


Figure 4: Type of Phone

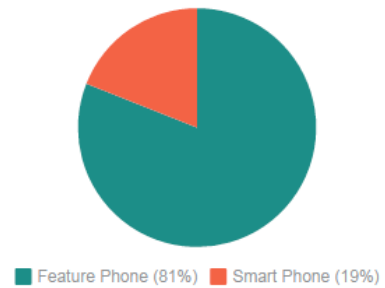


Figure 5: Willingness to Report





# Conclusion

Sauti's engagement in the research initiatives discussed in this report have mapped the operating environment for the potential success of the Sauti platform to deliver market and trade information to cross-border SMEs. Each of the three studies highlighted the ineffectiveness of current information delivery for small scale, informal traders. This resulting information gap is a major challenge to trader's ability to assert their rights and benefit from regional trade policy initiatives in the EAC.

Building on the results of Sauti's FGDs, Prototype Testing with Users, and Quantitative Surveys, the Sauti platform provides a unique opportunity to offer existing market for information needed by small-scale cross-border traders in the EAC. As Sauti prepares to launch the pilot platform in the coming months, we will continue to develop our conceptual understanding of the cross-border space. By engaging and collecting data to best adapt to and address the demands of our users, we hope to build a platform that offers real value to small-scale cross-border traders. With an increased ability to trade safely, legally and profitably across the borders, Sauti is enthusiastic to amplify the voices of small scale, informal traders and entrepreneurs in East Africa.