Expansion of Regional Supermarkets in Zambia: Finding Common Ground with Local Suppliers

Mwanda Phiri and Francis Ziba

1 Introduction

Zambia's economic emancipation in the early 1990s precipitated a number of structural changes that have since attracted an influx of foreign direct investment (FDI). This sustained inflow of investment into the free market economy, coupled with the commodity price boom from the start of the new century, saw Zambia experience record levels of economic growth. With this Zambia witnessed the modernisation of its retail sector, driven by the expansion of supermarkets—something that has, indeed, been taking place all over sub-Saharan Africa. This wave of retail modernisation has been spearheaded by South African supermarkets, which have capitalised on the winds of political and economic change in the early 1990s that brought economic liberalisation, globalisation, regional integration and, in consequence, opened the gates for FDI.

In 1995, Shoprite pioneered the way into Zambia's unsaturated retail space, gained first-mover advantages and now leads the retail market there. Game followed in 2001. Spar opened its first store in Zambia in 2003. Pick n Pay joined in 2010. Choppies, Food Lovers and Woolworths, the first with its origins in Botswana, have also penetrated Zambia's retail market. In 2016, these stores were estimated to collectively account for 14% of the retail and wholesale trade in the country. This also happens to contribute a major share to Zambia's gross domestic product, according to data provided by the Central Statistical Office.

Domestic factors that have facilitated this development are, first of all, increased urbanisation rates, especially in the Central, Copperbelt, Lusaka and Southern Provinces. In total, Zambia's urban population has doubled since the beginning of the current century. Advertisements and marketing have led to new patterns of food

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consumption in urban areas, further spurring the growth of supermarket chains. Another factor propelling their spread is the growth in national income, largely driven by the commodity price boom of the first decade of the twenty-first century. Per capita income in Zambia rose from less than USD 1400 in 1990 to nearly USD 3700 in 2014, leading to the reclassification of Zambia as a lower middle-income country. Associated with this prosperity has been an emergence of the middle class, whose higher income has resulted in greater domestic demand for sometimes pricey and fast-moving consumer goods. Supermarkets adapting their business models to better suit poorer urban customers as well as investments in more efficient procurement systems are further key determinants (Weatherspoon and Reardon 2003).

The expansion of supermarkets initially concentrated on the central business districts and prime shopping malls in major cities and towns along the Line of Rail, which runs from Livingstone on the border with Zimbabwe to the capital Lusaka, to Ndola in Copperbelt Province. However there has been a certain shift in location strategy, following changes in retail procurement logistics technology and inventory management that have led to a dramatic reduction in costs and broadened the scope of supermarkets' products to include mass-market items in addition to high-price luxury niche ones too (Reardon et al. 2005). Supermarkets now spread into peri-urban, low-income areas, which are more densely populated and thus offer mass-market demand for basic food items. Foreign supermarkets' sales of fast-moving consumer goods, apparel, electronics and other home products have come to dominate the retail scene in peri-urban and urban areas. This development provides increasing competition to local shops and convenience stores.

With the expansion of supermarkets come a number of benefits, expectations and opportunities. These extend beyond merely improved quality and variety of services, as well as products at lower prices and direct employment effects. The intricate systematic organisation of the supermarket value chain from product design to consumption by end users suggests greater opportunities for indirect employment creation, agro-processing and related industrial growth and exports (Chege et al. 2015; Nordås et al. 2008; Reardon et al. 2007). Analogously, local processing firms can extract benefits from participation at various stages of the value chain—with production of processed food and other household products being the activities that we focus on in this chapter. At the upstream end, there is growth possible in agricultural produce such as fresh fruits and vegetables. At the downstream end, which involves higher value-addition, there are opportunities for the processing and packaging of beverages, canned meats, dairy products, other foodstuffs and of household products to meet the increasing demand for the fast-moving consumer goods frequently sold in supermarkets.

But notwithstanding these potential opportunities, supermarket chains in Zambia continue to grow amidst increasing concern that the participation of local suppliers and processing firms in corresponding value chains remains inadequate. Coupled with stagnant industrial growth, the limited integration of local processing firms into supermarket value chains perhaps presents untapped opportunities. For a country such as Zambia, with a strong impetus to industrialise and diversify its economy, the spread of foreign supermarkets could provide a catalyst for agro-processing and light manufacturing and exports through the participation of local firms at various stages of the value chain—even if there are numerous challenges that impede such participation.

This chapter aims at assessing the opportunities for local suppliers that lie with the outlined expansion of supermarkets in Zambia. For this purpose, the following section elaborates more closely on how local suppliers may plug into both domestic and regional value chains. It sheds light on risks for local firms that result from foreign FDI in the retail sector. Afterwards, survey data is used to assess the prospects and limits of local suppliers in their relationships with supermarkets. This section also reveals the major challenges that local suppliers face in their everyday business activities. The conclusion provides policy recommendations to help Zambia benefit from these clear opportunities in the retail sector.

2 Plugging Into Domestic and Regional Value Chains

The procurement strategies of supermarkets have profound implications for domestic suppliers. For Zambia and other countries in sub-Saharan Africa, recent studies by Cattaneo (2013) and Emongor and Kirsten (2009) have shown that during the initial phase of operations, when foreign enterprises open their first stores, more than 80% of all processed food—and of other products as well—are imported from the respective countries of origin of the supermarkets. This obviously makes it difficult for local suppliers to integrate into corresponding value chains. At the outset, when supermarkets enter new markets, they also come with pre-existing standards for product quality, packaging and branding. They then impose these on local suppliers, and thus fundamentally change the structure of the supply chains—usually to the favour of foreign suppliers (Reardon 2006). The reason for this is that such standards pose considerable barriers to entry. As a result, local suppliers face fairly high degrees of marginalisation. The speed at which supermarkets later substitute imports with local produce depends on how adaptable local suppliers are to the needs and requirements of these supermarkets. The larger the gap between established foreign suppliers' and local ones' competitiveness, the greater the import propensity—and thus the crowding-out of local firms from value chains (Altenburg et al. 2016).

With regard to foreign providers, South Africa plays an unparalleled role herein. From 2008 to 2014, on average, more than half of Zambia's according imports came from South Africa, which is also, as noted, the country of origin of some of the major supermarkets that have expanded into Zambia. South Africa continues to be the main source of processed food and household products imported to and sold in Zambia. At the international standard industrial classification (ISIC) four-digit level, South Africa accounts for the highest share of Zambia's imports of processed bakery products, fruits and vegetables, cocoa and chocolate and sugar products, manufactured soft drinks, mineral waters, soaps, detergents and other food products. Incidentally, these product lines offer great potential for increased production in Zambia (and processing thereof too) (Fig. 1). Low-cost labour, a favourable climate

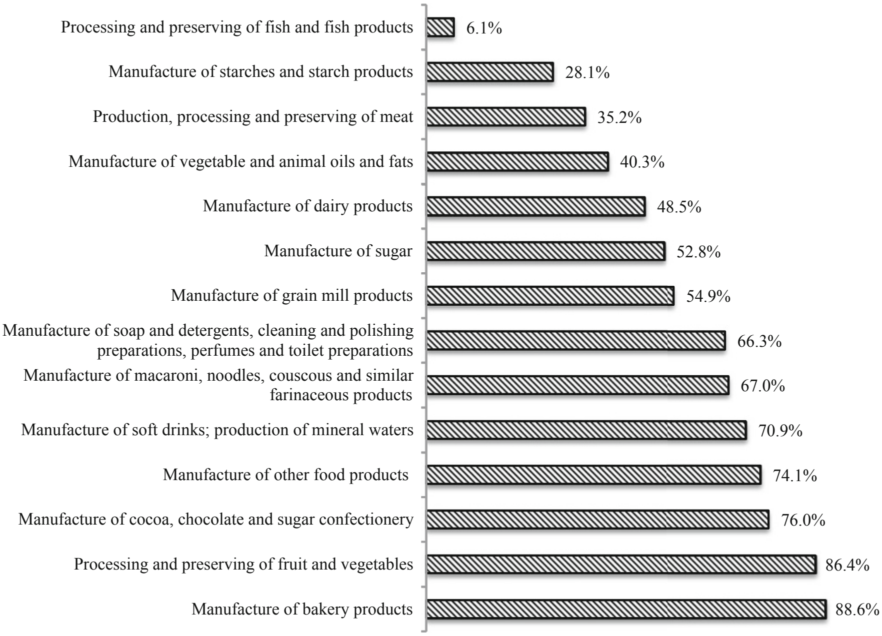

Fig. 1 South Africa's share in Zambia's imports of selected products. Source: Authors' own compilation, based on data from World Bank (2015). Note: The average value for the period from 2008 to 2014 is shown

and an abundance of arable land give Zambia a comparative advantage in the production of agricultural commodities that serve as inputs for processed food, suggesting potential for increased agro-processing activities (Zambia Development Agency 2014).

The integration into supermarket value chains has wider implications for local suppliers. Reardon and Gulati (2008) find that farmers who integrate into supermarket value chains tend to earn 20–50% more in net terms compared to their counterparts. Emongor and Kirsten (2006) find a positive impact on turnover for large farmers supplying fresh fruits and vegetables to supermarkets, albeit not for small-scale farmers—owing to the low proportion of them that are able to supply supermarkets (fewer than 5%). A number of reasons for this exclusion of small suppliers have been advanced. Among them are two main ones, as observed by Reardon et al. (2007). First, there appears to be an important fixed transaction cost component in exchanges between farmers and retailers. This makes it more expensive for retailers to deal with many small-scale farmers compared to a few large suppliers. Second, small farmers are often constrained financially in making the necessary investments, either because they do not have sufficient resources of their own or because they have problems accessing external funds from financial institutions—particularly in rural areas. Altenburg et al. (2016) add that the lack of economies of scale as well as product and process standards are further barriers to entry for local suppliers.

However, as foreign-owned supermarkets become established over time, there is evidence of supermarket supply chains incorporating more local suppliers. This is attributed to cost advantages and the convenience for supermarkets of sourcing their goods locally, as opposed to importing large volumes from their home base or from other external markets (Reardon and Gulati 2008).

Against this background, we argue that supermarkets provide formal-market value chains that can trigger local development and associated knock-on effects on employment creation, export growth, economic prosperity and poverty alleviation—provided that local firms manage to integrate into these value chains. The advantage of supermarket value chains over those of traditional markets, particularly for processed food, is that supermarkets have access to a larger and broader market, owing to their prime strategic locations in shopping malls as well as their spread across various cities and towns. Access to a wider market entails demand for higher volumes of processed goods from local firms—which could, in turn, lead to economies of scale as local firms expand their output.

In addition supermarkets possess more efficient procurement systems and are more consistent and predictable with their orders, easing production planning for their suppliers. The integration of local firms into supermarket value chains therefore has the potential to compel the former to improve their capabilities, in a bid to meet the higher quality demands and standards of supermarkets. Suppliers in developing countries are incentivised by the provision of marketing channels of sufficient scale to undertake investments in quality upgrading that pay off (Nordås et al. 2008). This, in turn, can allow for the acquisition and enhancement of production techniques and technologies, possibly culminating in increased industrialised production. In other words, supermarkets have the potential to stimulate agro-processing and related manufacturing industries. Stokke (2009) studies the effects of supermarkets on agricultural productivity, structural changes within agriculture as well as the dependence of supermarkets on domestic versus foreign farmers as suppliers. Her findings reveal that a win-win situation is not guaranteed for local suppliers herein. Productivity transformation is contingent on supply chain development initiated by supermarkets themselves. Local farmers are, therefore, faced with two options: they can benefit from supermarkets through productivity spillovers and increased demand, or get stuck in a low-productivity trap with limited interaction with the supermarket sector.

Apart from supplying the domestic market and upgrading in corresponding value chains, Zambian farmers could also benefit from increased regional trade. The multinational nature of supermarkets presents market entry points for Zambian firms to meet the growing demand for processed food and household products in Central and Southern Africa. At the beginning of this decade, Zambia recorded some significant growth in its non-traditional exports—meaning everything other than metal products. However, this growth tapered off in 2013. Non-traditional exports completely contracted in 2014 meanwhile. Figure 2 shows the share in regional markets of Zambia's exports of processed food and household products from 2008 to 2014. It has to be admitted that more than four-fifths of Zambia's exports, measured by value, are copper. In quantitative terms, processed agricultural products are also

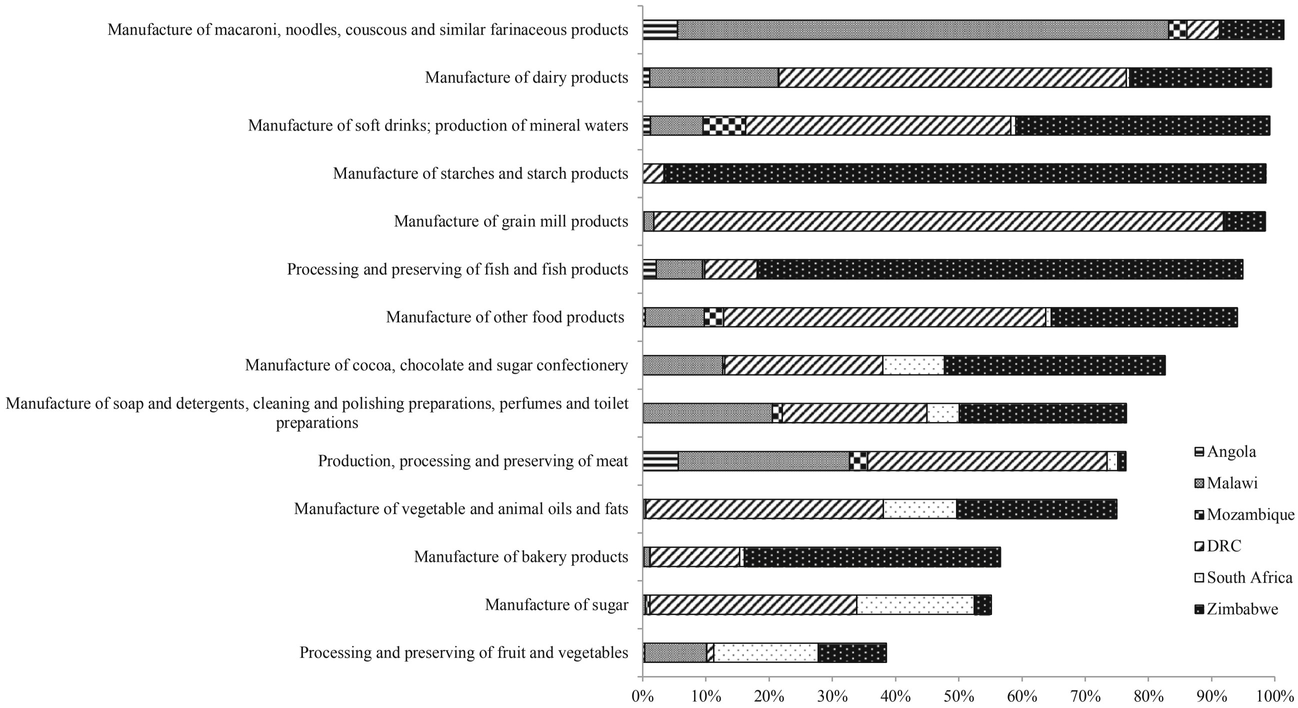

Fig. 2 Share of regional markets in Zambia's exports of selected products. Source: Authors' own compilation, based on data from World Bank (2015). Note: The average value for the period from 2008 to 2014 is shown

less relevant exports than, for example, cement, raw sugar and tobacco. Yet, this does not mean that there is no potential for the export of processed food and household products.

More than half of Zambia's exports across all goods selected for Fig. 2, except for processed and preserved fruits and vegetables, go to countries within the region. In particular, the Democratic Republic of Congo (DRC), Malawi and Zimbabwe, to a lesser extent also South Africa, are important markets. Zambia's penetration into these countries makes a strong argument for trade strategies aimed at further exploiting opportunities in regional markets. The reason for this is that Zambia's share in the regional countries' total imports of food and household products is rather low. For bakery products, sugar, cocoa, chocolate and sugar confectionery, imports from Zambia reach a share of more than 20% in Malawi and Zimbabwe. However, Mozambique and South Africa imported less than 7% from Zambia in all product lines of interest. Corresponding trade data for Angola and the DRC is, unfortunately, unavailable (World Bank 2015).

Supermarkets in these countries could potentially serve as entry points for goods from Zambia. For such exports to occur it appears necessary, however, that the corresponding products first successfully penetrate supermarkets in Zambia so that they will, at a later stage, be distributed back to South Africa and other countries in the region where supermarkets operating in Zambia also have a presence. Beyond sub-Saharan Africa, there is evidence for these processes being feasible. Reardon et al. (2007) show that imports from the same or other developing regions dominate those by retailers in Central America and Indonesia. Nordås et al. (2008) find that hosting a foreign supermarket chain increases exports from the host country to the home one of that chain. They attribute this development to the engagement of foreign supermarkets with local suppliers, which provides incentives for the latter to comply with product and quality standards—thus enabling them to sell in export markets. To achieve this, Zambian suppliers need to increase their competitiveness. This requires Zambia to address several both internal and external constraints to the increased processing of food and household products, light manufacturing and related exports. The following section sheds light on these obstacles, and suggests how to best overcome them.

3 Prospects and Limits for Zambian Suppliers

3.1 Methodology

Having a clear understanding of the wants and needs of supermarkets—and indeed the capabilities to meet them—is crucial for local firms to enter corresponding value chains. The objective of this study is, therefore, to investigate the required capabilities to make local firms more competitive and effective in integrating into supermarket value chains—and, along this process, to hence export their products to regional markets. The study also examines the constraints hindering increased local-firm participation.

The following section is based on a mixed analysis of qualitative and quantitative data obtained from both primary and secondary sources. The principal dataset used to assess the determinants of local firms' participation in supermarket value chains was obtained by conducting a survey of these enterprises. The ones of interest were limited to local processing firms producing fast-moving consumer goods, such as processed foods and a select few manufactured household products. The choice of this category of firms for the survey was influenced by the potential of the respective products to promote value-addition and expand Zambia's industrial base through increased agro-processing and light manufacturing. The products were identified using the ISIC four-digit classification. At a broader level of classification, these are summarised into dairy products, processed grains, processed food, edible oils and selected household products.

The survey of local firms was augmented by data obtained from three of the five major supermarkets that operate in Zambia. The supermarkets were selected based on their market share, sales turnover, employment effects, volume of operating capital and length of operation in the country. Data from supermarkets was collected between June 2015 and February 2016, via interviews based on a structured questionnaire. This broadly covered supermarkets' procurement criteria and strategies, as well as perceptions of local firms' capabilities. Overall data for 99 local firms, consisting of 48 that supply supermarkets and 51 non-suppliers, was analysed. The majority of local firms, about 45% of the sample, were drawn from Lusaka Province. Copperbelt Province accounts for 29% of the firms surveyed, while the Eastern and Southern Provinces account for 12% and 13% thereof respectively.

3.2 Determinants of Participation in Supermarket Value Chains

The most common purported reason for domestic firms not supplying supermarkets is the long credit period imposed by the latter for the payment of goods. This refers to the time from the delivery of goods to the payment for them being made. Nearly half of non-suppliers indicated this as one of the major reasons for not working with supermarkets. In contrast to on-the-spot payments made in traditional markets, on average the credit period is estimated to range between 30 and 90 days for goods sold to supermarkets. The time lag in receiving payments results in cash-flow challenges, particularly for smaller processing firms. The second-most important reason is that firms do not have the capabilities to produce the volumes required to supply supermarkets. Lack of financing to acquire the machinery and technology required to upgrade production techniques and hence improve capabilities is the third-most important challenge, meanwhile. However, it is important to note that only a minority of the surveyed firms said that they are affected by these second- and third-most important challenges. Most firms did not see the latter two issues as problematic.

Other obstacles include competition from foreign companies and the brands of supermarkets themselves (more on this later). Local firms also face being snubbed by supermarkets, and acknowledge not having full information on how to supply them. Cumbersome procedures have been named as an issue here, but local suppliers did not elaborate further on them. We would assume that these are mainly about adherence to particular quality and packaging standards, ones that entail additional costs for the suppliers. Unfavourable pricing of products is another constraint according to the survey. Yet, again, none of these issues appear to affect a clear majority of local firms—or, at least, they did not indicate so. Quality standards imposed by supermarkets and transport, meanwhile, are not challenges according to the survey results (Fig. 3).

Access to finance remains a major constraint for many firms including those supplying supermarkets, although the survey suggests that this factor still does not make it impossible to plug into corresponding value chains. Of all firms sampled, both suppliers and non-suppliers, approximately 66% find it difficult to acquire financing from commercial banks and other credit institutions. Particular challenges include high interest rates, which reach almost 30%, collateral demand required to serve as a contingent payment in the event of default as well as stringent conditions such as lengthy loan processing times, demands for costly audited financial reports and short repayment periods. The credit rationing of local firms limits the development of supplier capabilities. Without the requisite financial resources, firms cannot invest in machinery and packaging—or meet other requirements to market and supply their products more successfully. For instance investment in new machinery allows firms to modernise production processes, thus improving cost-effectiveness. It enlarges the production base, potentially further increasing productivity due to economies of scale. Investment in machinery also allows for the production of new and improved products, thereby increasing value-addition. It can lead to the incorporation of international standards and innovation, which increases the probability of supplying supermarkets and exporting.

Our survey, moreover, revealed limited export capabilities. The majority of both supermarket suppliers and non-suppliers (68% and 84% respectively) do not export at all. For non-suppliers, this finding suggests that their inability to plug into

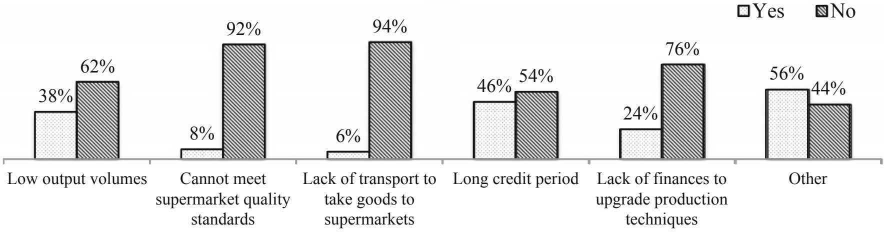

Fig. 3 Reasons for not supplying supermarkets in Zambia. Source: Authors' own survey

domestic supermarket value chains increases the likelihood of not accessing export markets, which may have more stringent requirements. Notably, the major export destination for both suppliers and non-suppliers is reported to be the DRC, followed by Malawi and Zimbabwe. These markets are attractive due to the strong demand for processed goods such as crisps, dairy products and flour. Proximity to Zambia and higher prices in comparison to those in its own domestic market and/or alternate export markets, which result in higher profits, are further factors that matter here.

It is reasonable to conclude that the high level of informality in the DRC provides easier market access for most products supplied by Zambian non-supermarket suppliers. The borders between the DRC and Zambia are porous, which tends to give rise to extensive smuggling and informal trade. This also presents high risks for businesses. Nonetheless, the DRC offers a large potential market for Zambian products. In particular the province of Katanga, which borders with Zambia, is estimated to have a population of 16 million people. Foreign competition in this market is rather limited due to economic and political instability. The recent bilateral trade agreement signed by the governments of the DRC and Zambia could bring about some semblance of normality that might offer security to trading firms, and thus result in increased formal cross-border trade. Broadly, the trade agreement covers operations of the one-stop border post at Kasumbalesa, construction of trade-centre zones there, a simplified trade regime and the elimination of both tariff and non-tariff barriers.

While there is certainly scope to increase Zambia's footprint in regional markets, using supermarkets as entry points, a number of challenges were reported in our survey as faced by exporters and would-be exporters. These include cumbersome border procedures, such as delays in obtaining and processing export permits and border clearances. For example the border post at Chirundu, which is the busiest one between Zambia and Zimbabwe, does not operate on a 24-hour basis. In general, customs clearance systems in Southern Africa are not sufficiently harmonised. The different coding of goods causes delays (Vilakazi and Anthea 2017). High transport costs exacerbated by roadblocks and a poor road network also present a challenge, as they render Zambian exports less competitive in comparison to items from competing exporters and to local products in market destinations. According to the African Development Bank (2015), transport costs are estimated to add up to 40% to the price of the final product in Zambia. Language barriers, particularly with Angola, Mozambique and the DRC, increase transaction costs for Zambian firms too. Bribery and corruption are other obstacles that make exporting difficult.

Coming back to the integration of Zambian suppliers into domestic supermarket value chains, there is a certain divergence between the importance that supermarkets attach to a number of factors that determine their procurement decisions, on the one side, and local firms' perceptions of how important these aspects are to supermarkets, on the other. Using a scale of 1–5, where 1 means not important and 5 means extremely important, we asked the five aforementioned supermarkets to rank the significance of price, quality, volume, lead time, distance to supermarkets, condition of the processing plant of potential suppliers, consistency, packaging and innovation for their decision to procure dairy products, processed grains and food, edible oils

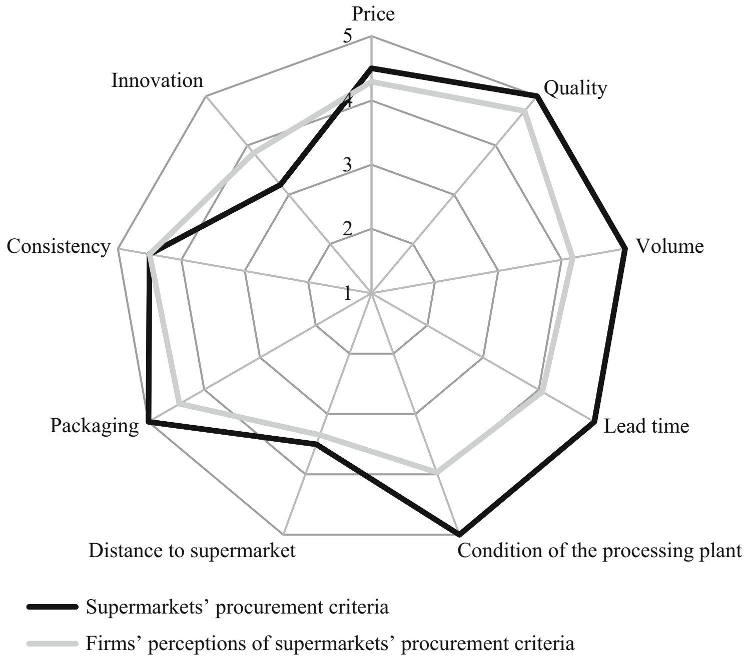

Fig. 4 Procurement criteria as seen by supermarkets versus local firms' perceptions thereof. Source: Authors' own survey

and household products. Three of them replied. The local firms from our sample were in tandem asked to give their perceptions of the importance that supermarkets attach to these factors. The mismatch between them, shown in Fig. 4, has implications for the ability of Zambian firms to supply supermarkets. Overall, supermarkets demand higher standards than what local firms expect. In other words, Zambian firms do not fully understand what these potential buyers want. On average, supermarkets attach extreme importance to quality, volume, lead time, the condition of the processing plant of potential suppliers and to packaging. Zambian firms underestimate the importance of these factors. Supermarkets also view distance to markets and price to be slightly more important than local firms do. Innovation is not as highly ranked by supermarkets as expected by local firms.

In the same vein, there is a similar but more striking disparity between supermarkets and local firms regarding their perceptions of the latter's capabilities. Using the same 1–5 scale, domestic firms were gauged on their competitiveness in meeting the nine factors that influence the procurement decisions of supermarkets. The latter were simultaneously asked to rate the capabilities of potential local suppliers accordingly. Firms were asked to self-assess their own capabilities. Overall, local firms rank themselves to be highly competitive on all but one factor—distance to supermarkets. Supermarkets, meanwhile, perceive the performance of local firms much less favourably, with the exception of distance to supermarkets. This finding reveals

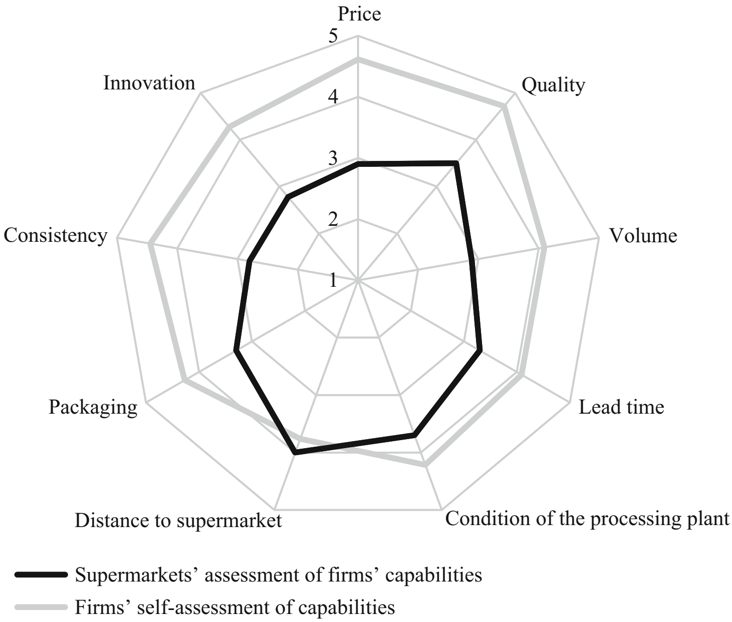

Fig. 5 Perceptions of local firms by supermarkets versus firms' self-perceptions. Source: Authors' own survey

a fundamental problem: Zambian firms do not fully understand the capabilities required to supply supermarkets—or, in other words, they overestimate their preparedness to meet the demands of them (Fig. 5).

3.3 Further Challenges

Over time, as foreign-owned supermarkets become firmly established, their uptake of local goods is expected to increase (Reardon 2006). Still, there remains a considerable margin for local sourcing according to our survey: between 20% and 78% of product lines on supermarket shelves in Zambia are now locally sourced, with the highest proportion being fresh fruits and vegetables. Challenges for locally processed goods still remain, and some of these are contingent on the level at which procurement decisions are made. According to the supermarkets from our survey, it is not at the discretion of local store managers to select who local suppliers are. This is almost exclusively the decision of management at the respective head offices, which are commonly located in Lusaka, and often requires input too from the group head offices, located abroad. This presents additional entry barriers, particularly for local suppliers operating far away from Lusaka. In contrast, supermarkets operating as franchises have more flexibility with regard to making decisions on which firms should supply their stores. This suggests that it is easier to enter into the value chains of franchise stores, which now constitute a considerable share of supermarkets as compared to that of corporate stores.

Further to that, supermarkets exert tremendous buyer power and impose their own private standards in addition to the ones stipulated by the Zambia Bureau of Standards to ensure consumer protection, environmental safety and public-health protection and safety. These additional standards may, however, increase the exclusion of some domestic firms from supplying supermarkets, particularly small ones—as they are more financially constrained. Additional demands made by supermarkets include a marketing budget for the promotion of the firm's goods, arrangement of the firm's own transport logistics when supplying goods, merchandisers to man the firm's shelf space in the stores and, for some supermarkets, the ability to supply a certain minimum number of stores in the country as well as price rebates. These demands are, obviously, severe barriers for those local firms that do not have the financial resources to upgrade.

As noted above, the increased manufacturing of supermarkets' own brands generates rivalry to locally produced goods. Over the years supermarkets have ventured into the production, distribution and retail of various products, including processed food and household ones, under their own brand name. According to the supermarkets we interviewed, few of these products are local. The bulk of them come from South Africa and elsewhere abroad too. It also appears that to promote their own brands, supermarkets are incentivised to raise barriers to entry for locally produced goods—for instance by imposing more stringent supply requirements or limiting the scale of locally produced goods. Notwithstanding the competition from these supermarkets own brands, the silver lining to this development is the opportunity for the domestic production of corresponding items via contract manufacturing. Supermarkets can outsource to local processing firms, which then manufacture and supply the supermarkets' own-brand products on their behalf. This is certainly a perspective for Zambian firms to consider.

4 Conclusion and Policy Recommendations

This chapter has presented some interesting findings from our own empirical research on supermarket value chains in Zambia. Among them is the revelation that local firms do not fully understand the factors that drive supermarkets' procurement decisions. Local firms also appear to overrate their own capabilities. These are fundamental challenges, as they imply that local firms will not take the necessary steps to better integrate into supermarket value chains—or, indeed, to integrate at all. Beyond such (self-)perception, the participation of local firms is constrained also by a number of other factors too—such as limited supplier capabilities due to a lack of finance, supermarkets' procurement strategies, supply-contract conditions, standards imposed by supermarkets and competition from imports as well as from supermarkets' own brands. Unless Zambian suppliers overcome these challenges, it appears unlikely that they will tap into the considerable potential for regional exports that nevertheless certainly does exist. Thus, unlocking Zambia's full potential for agro-processing and perhaps even related industrial growth requires measures and strategies that aim to close the just-mentioned information gap, to develop the capabilities of local firms and to ensure market access for their produce—both in Zambia and abroad.

So what specific measures should be taken? First, provision of affordable and adequate financing to local suppliers is vital. It enables firms to acquire machinery and invest in new technologies for the timely manufacture of sufficient volumes of competitive products. In this regard, more support for development finance is required. A supplier development fund, supported by supermarkets, should be established with the aim of providing both financial and technical support to local firms. Second, and beyond issues related to finance and new technologies, such a fund could help local firms to improve the quality of their products and expand their production capacity. It could provide a guaranteed route to market for local products, build long-term, effective partnerships between domestic firms and supermarkets and thus increase the participation of micro-, small- and medium-scale enterprises in the supply chains of supermarkets. Such a fund would be of equal benefit to supermarkets too, because increased local sourcing would mitigate the currency risks arising from imports and enhance goodwill as well—likely contributing to increased customer loyalty.

Third, the already-proposed voluntary code of conduct between supermarkets and local suppliers could help to promote and manage a supermarket-supplier relationship that allows for learning and the transfer of knowledge. Such a relationship would facilitate discussions of critical issues faced by firms, such as the long credit period. To level the playing field, ease competition arising from imports and stimulate increased local production, the Zambian government should, as a fourth set of measures, promote import substitution by imposing temporary safeguard measures such as surcharges on imported products that offer the most potential for local production. This should be done in line with the existing World Trade Organisation protocols on trade remedies, provided for under the treaties of the Common Market for Eastern and Southern Africa and the Southern African Development Community. Fifth, and somewhat similar to the just-proposed measures, the government needs to facilitate the entry of local firms into supermarket value chains by introducing a local content policy that requires supermarkets to meet a quota of stocked locally produced goods—premised on criteria of capacity, consistency, quality, timeliness and other key supply factors.

Sixth, entry into regional markets should be facilitated through a regional procurement strategy by supermarkets that aims at exporting products already supplied by Zambian firms to ones in the country to subsidiary supermarkets in neighbouring countries too. This strategy cannot, of course, be brought about by the government. It should be developed by supermarkets, which could for example leverage the return leg of South African trucks that supply products to Zambia—currently these vehicles head home empty, making such a strategy entirely rational from an economic point of view. Seventh, the government needs to expedite trade facilitation measures aimed at addressing the identified trade barriers. In particular border procedures must be eased, for example by creating one-stop offices where all export documents can be easily obtained and swiftly processed. Clearly defined permits for all export products are another must. Related to this, there is a need to improve the road infrastructure to Angola and partly also to the DRC, the former being currently inaccessible and the latter being so only at high cost.

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