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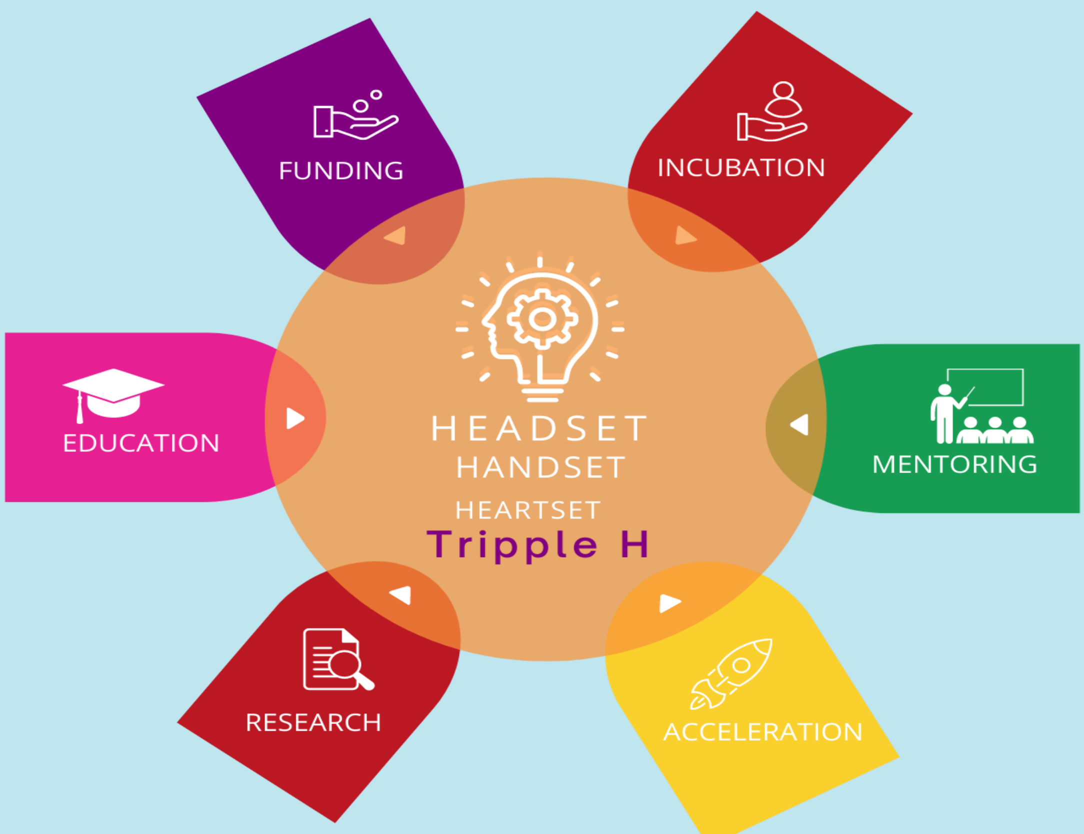

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West Kenya Electronic Services: A Value Chain Analysis

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West Kenya Electronic services (not real name) operates in a high labor cost environment in Kenya and imports electronics products from the Republic of Korea. It re-brands and re-packages them as West Kenya electronic products and then sells them to business and domestic customers in the local geographical region. Its only current source of supply is computer exporting website and pays for them by credit card. As soon as the payment is confirmed, computer exporting automatically e-mails West Kenya a confirmation of order, an order reference number and the likely shipping date.

When the order is actually dispatched, computer exporting sends West Kenya a notice of dispatch e-mail and a container reference number. Computer exporting currently organizes all the shipping of the products. The products are sent in containers and then trans-shipped to MAERSK Kenya Limited, the logistics company used by computer exporting to distribute its products locally. MAERSK then delivers the products to the West Kenya factory. Once they arrive, they are quality inspected and products that pass the quality inspection tests are rebranded as West Kenya products (by adding appropriate logos) and packaged in specially fabricated West Kenya boxes. These products are then stored ready for sale. All customers' sales are made from the stored stock.

Products that fail the quality inspection tests are returned to computer exporting. Currently 60% of sales are made to individual customers and 40% to business customers. Most individual customers pick up their products from West Kenya and set them up themselves. In contrast, most business customers ask West Kenya to set up the electronic equipment at their offices, for which West Kenya makes a small charge. West Kenya currently advertises its products in local and regional newspapers. West Kenya also has a website, which provides product details. Potential customers can enquire about the specification and availability of products through an email facility in the web site. West Kenya then emails an appropriate response directly to the person making the enquiry. Payment for products cannot currently be made through the website.

Feedback from the existing customers suggests that they particularly value the installation and support offered by the company. The company employs specialist technicians who (for a fee) will install equipment in both homes and offices. They will also come out and troubleshoot problems with equipment that is still under

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warranty. West Kenya call helpline assist through a back to base facility for customers whose products are out of warranty. Feedback from current customers suggests that this support is highly valued. One commented that "it contests favorably with your large customers who offer support through impersonal off –shore call centers and a time –consuming returns policy".

Customers can also pay for technicians to come on-site to sort out problems developed with the out-of-warranty equipment they acquired. West Kenya now plans to increase their product range and market share. It plans to grow from its current turnover of Ksh. 500 Million per annum to Ksh.1,200 Million per annum in two years' time. Erick Mutua, the owner of West Kenya, believes that West Kenya must change its business model associate with missing, or potentially missing shipments. Shipments can only be tracked through contacting the shipment account holder, ISAS, and on occasions, they have been reluctant or unable to help. The trans-shipment to MAERSK has also caused problems and this has usually been identified as the point where goods have been lost in the past.

Computer exporting does not appear to be able to reliably track the relationship between the container shipment and the waybills used in the MAERSK system. The likely delivery dates of orders, the progress of orders and the progress of shipments is poorly specified and monitored. Hence deliveries are relatively unpredictable and this can cause congestion problems in the delivery bay. Eric also recognizes that growth will mean that the company has to sell more products outside its region and the technical installation and support so valued by the local customers will be difficult to maintain. He is also adamant that West Kenya will continue to import only fully configured products. It is not interested in importing components and assembling them. West Kenya also does not wish to build or invest in assembly plants overseas or to commit to a long term contract with one supplier.

Learning Activity

a) Draw the primary activities of West Kenya on a value chain and comment on the significance of each of these activities and the value they offer to customers.

b) International purchasing relates to a commercial purchase transaction between buyer and a supplier located in different countries. This type of purchase is typically more complex than a domestic purchase as experienced by West Kenya Electronic Services. Help Erick identify the challenges faced in international purchasing and propose possible solutions to each.

c) Kenya has been on the forefront of promoting "Brand Kenya" products. Advice West Kenya Electronic Services why buying from Kenya is building Kenya.

d) Counter Trade is a form of international reciprocal trading in which an order is placed by purchaser with a supplier in another country (or vice versa) on condition that goods of an equal or specified value are sold or brought in the opposite direction. Highlight the distinct types of Counter Trade.