E-189-E
January 2018

Engagement to Change Public-Private Policy: Consumer's Choice Limited

In October 2015, Mohammed Uhuru Kadhi, director of strategy and business development of Consumer's Choice Limited (CCL) in Kenya, could still not foresee how the year would end. A lot depended on if and when Kenya's President Uhuru Kenyatta would assent to the proposed Excise Duty Act of 2015. The new act would remove the excise duty on denatured ethanol used in the manufacture of cooking gel, one of the main products of CCL. The company and other stakeholder organizations had been pushing for the removal of the tax for close to three years. However, the president had refused to assent to the bill and sent it back to parliament with recommended changes.

Kadhi realized that, even with the act awaiting presidential assent, CCL's business area of renewable energy was getting more attention both in Kenya and internationally, which led to increasing demand for its products. If the excise duty were to be removed, CCL could pursue its bold dream of setting up a cooking-gel-processing factory in Kenya. So attractive was the socioeconomic business case for the processing factory that CCL had already identified potential factory sites and some investors had shown an interest in funding the factory project. All this was now stalled until President Kenyatta assented to the bill.

Kadhi's alarm beeped discreetly. It was time to meet the CCL Board for an analysis of the various business opportunities that lay ahead for CCL and to justify setting up the factory. Conscious of the fact that the Excise Duty Act had still not been passed, Kadhi was ready to discuss with the Board what CCL was doing in that regard. To prepare, he had consulted with two experts on the subject. He thought ahead about what was likely to be a robust discussion.

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Last edited: 1/11/18

CCL's Historical Journey

CCL was incorporated in Kenya in 2004 as a transport and logistics firm, with a fleet of 48 trucks operating in Kenya and Tanzania. The company's main business was transporting ethanol from sugar-processing companies in western Kenya to alcohol-processing companies in Nairobi. Ethanol is a form of alcohol produced through the fermentation of sugars from plants such as sugarcane, sorghum, maize and fruit. In Kenya, a large amount of ethanol is produced from sugarcane molasses, a by-product of the sugar industry. The alcohol can be found in two forms: potable ethanol and denatured ethanol. Potable ethanol is used in the production of alcoholic drinks, pharmaceuticals, vinegar and cosmetics. Denatured ethanol, however, is unfit for human consumption and is used mostly as a solvent in a wide range of industrial applications. In Kenya, the use of denatured ethanol for domestic purposes such as cooking gel had been constrained for a long time by the lack of an enabling environment and the lack of locally generated data to show its viability. A two-year pilot project implemented by the charity Practical Action and the Ministry of Energy with funding from the United Nations Development Programme was successful in identifying the viability of denatured ethanol as a clean, accessible and affordable biofuel source for cooking gel.

In 2010, Kadhi joined CCL and was soon put in charge of transporting potable ethanol from sugar-processing factories in western Kenya to a spirit-blending factory in Nairobi. He soon noticed large tanks filled with denatured ethanol, also known as technical alcohol at the sugar factories' premises. Kenya's National Environment Management Authority had strict guidelines on the disposal of technical alcohol as it posed a potential health risk to the public. At that time, no industry regulations had been ratified on how best to discard technical alcohol. The sugar factories had no option but to stock hundreds of thousands of liters of the alcohol on the premises, taking up warehouse space and incurring significant storage costs.

Old vs. New Fuel Choices

In Kenya, more than 14,000 people die annually as a result of indoor air pollution, according to a report by the United Nations Environment Programme quoted in a Kenyan mainstream newspaper.[1] Most of the deaths were attributable to charcoal and kerosene, which are the only fuel options for the urban poor. Kerosene emissions are harmful to human health when the fuel is used indoors, with children being the most affected. Indoor air pollution is also responsible for 2.9% of Kenya's national disease burden. Moreover, according to the U.N. report *Actions on Air Quality*, not only was Kenya's indigenous forest cover only 6% instead of the internationally recommended 10% but even that was fast depleting due to population pressure, firewood collection and charcoal production.

Bioethanol, on the other hand, is a renewable energy source produced through the fermentation of sugars from various kinds of plants and fruit. When used in a properly designed cookstove, bioethanol gel is an environmentally friendly, more efficient and economical alternative cooking fuel for both the urban poor and those in rural areas. It is a healthier alternative to

[1] Ngare Kariuki, "14,000 Die Annually in Kenya Due to Air Pollution; Report," *Daily Nation*, May 24, 2016, http://www.nation.co.ke/news/-air-pollution-kenya/1056-3217116-jbb1psz/index.html.

other cooking fuels as it does not produce smoke, which is a major cause of indoor air pollution. **Exhibit 1** shows further benefits of using bioethanol cooking gel.

Given the gloomy health statistics relating to the old ways of cooking, Kadhi and his team began to explore the possibility of introducing new ways of cooking using bioethanol cooking gel. This would involve processing cooking gel from the denatured alcohol and making suitable cookstoves available to customers. This led to the setting up of a renewable-energy division within CCL, with Kadhi as the director.

A Business Opportunity

Kadhi soon identified a company in Dar es Salaam, Tanzania, that specialized in processing cooking gel using denatured ethanol imported from South Africa. The company agreed to do a pilot study, which soon established that the quality of denatured ethanol from the sugar factories in Kenya was comparable to that from South Africa. Soon, CCL entered into a contract to buy all 300,000 liters of denatured ethanol from one of the sugar factories in Kenya at a reasonable price and supply it to the cooking-gel-processing company in Tanzania. In addition to the cooking gel, the factory also produced cookstoves, which were sold in both Tanzania and Kenya.

Transporting denatured ethanol from western Kenya to Dar es Salaam in Tanzania meant a 1,300 kilometer journey that took an average of eight days. CCL trucks carrying the denatured ethanol had to pass through Nairobi and enter Tanzania through the Namanga border post. Customs clearing formalities at Namanga took an average of two of the eight days. Given the long journey, CCL was forced to open storage facilities in Moshi, Tanzania, to keep a buffer stock of denatured ethanol for the Dar es Salaam factory. Subsequently, the factory operations were moved from Dar es Salaam to Arusha, which neighbors Moshi and is close to the Namanga border post. **Exhibit 2** shows the route taken by CCL trucks from western Kenya to Arusha in Tanzania.

It did not take long for CCL to take note of the opportunity to buy cooking gel and stoves from the Tanzanian company and sell them in the Kenyan market. In January 2011, CCL imported 100,000 liters of cooking gel and 5,000 stoves from the Tanzanian factory into Kenya. Both the gel and stoves were distributed via a Kenyan supermarket chain called Naivas. The chain had prior experience with similar products and therefore understood the products' attractiveness to the target market.

Based on the feedback from the Naivas supermarket chain, CCL noted that customers were complaining about the existing brands of cookstove. CCL sent a technical team to China to design and manufacture its own stove fueled by bioethanol gel and branded it Moto Safi. This Swahili name complemented that of the cooking gel and stoves that CCL imported from Tanzania, which were branded Moto Poa. The Moto Safi stoves were tested subsequently by the Kenya Industrial Research and Development Institute in consultation with the Kenya Bureau of Standards. The first container of 9,240 Moto Safi cookstoves manufactured in China arrived in Mombasa on March 15, 2012. **Exhibit 3** has a picture of a Moto Safi cookstove and a bottle of Moto Poa fuel gel.