

# Strengthening Spaza Shops in Monwabisi Park



*An Interactive Qualifying Project submitted to the faculty of Worcester Polytechnic Institute in partial fulfillment of the requirements for the Degree of Bachelor of Science.*

## ABSTRACT

Spaza shops provide essential services to local residents of informal settlements but struggle to succeed due to inadequate business skills and a weak supply chain. The goal of our project was to strengthen spaza shops by implementing the Triple Trust Organisation's programmes in Monwabisi Park and forming a spaza association. We organized a business training session, enrolled eleven people in Shop-Net, and facilitated the formation of a spaza business network. There is still room for improvement, but our work created a starting point for further development.

*This project report is part of an ongoing research program by students and faculty of the WPI Cape Town Project Centre to explore and develop options for sustainable community development in the informal settlements of South Africa. For more information please go to <http://wp.wpi.edu/capetown/>*

*The following is an executive summary of a set of project reports that have been implemented as a website available at:*

<http://wp.wpi.edu/capetown/homepage/projects/p2010/spaza/>

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## PROBLEM STATEMENT

Informal settlements have become widespread in South Africa, as people move to the major cities in search of employment but find very little. Having few alternatives, many people begin squatting on land at the outskirts of the cities. There is a large economic disparity between these peri-urban informal settlements and the central cities and wealthier towns in South Africa. Unemployment rates in informal settlements reached 50.8% in 2001 (Statistics South Africa, 2001). In response, some residents open small scale, informal businesses that provide vital goods and services to informal settlement residents. However, there is little existing collaboration or communication between these businesses, and they rarely have opportunities to learn from or support each other. In addition, many of these small businesses struggle to access banks, credit, and business support and training and must compete against larger, more established businesses.

## BACKGROUND

One type of small business found in informal settlements throughout South Africa is the spaza shop. Spaza shops are small, home-based retail stores that typically sell basic goods such as groceries, cigarettes, and fuel to nearby residents (Manna, 2009). They also offer a method of survival for the people running them, as a spaza shop will often be the shop owner's primary source of income, and potentially also allow the owner to support other family members.

They benefit informal settlements in several ways: they offer convenient access to basic necessities; keep money circulating in the community; offer vital goods to local residents on credit when they cannot immediately afford to pay; and offer goods for longer hours during the day than many larger retailers (Ligthelm & van Zyl, 1998).

Spaza shops owners face many challenges that hinder their ability to be profitable and successful, but none as significant as their lack of business management skills. Many do not keep proper business records or provide good customer service (Bear, 2005). Most also lack purchasing power with their suppliers. Wholesalers are often not willing to give discounted prices to spaza shop owners because they do not buy sufficient quantities of goods. As a result, spaza shop owners must

*“Spaza’ means ‘hidden’ in Zulu. The term arose during the apartheid era, when restrictions were placed on black people running businesses” (Bear, 2005)*

purchase goods at the same rate as any consumer who goes to the wholesaler to shop. In order to turn a profit in their own shop, they then must sell their goods at even higher prices. As a result, larger retailers often offer goods at better rates than spaza shops, and spazas lose business (Bear, 2005).

Another major problem impeding the success of spaza shops is the lack of a consistent distribution system for

Advantages of buying from spaza shops	Drawbacks of buying from spaza shops
Walking distance from dwellings	Expensive and unstable prices
Long and flexible business hours	Poor customer services
Buying on credit allowed	Stale and poor quality products
Satisfy daily and emergency consumer needs	Poor variety of products

Table 1: Advantages and disadvantages of buying from spaza shops

getting goods from the supplier to their shop. Many shop owners have no alternative but to go and buy their goods themselves. Since many do not own cars, they often have to take a bus or a taxi to get to their supplier, pick up goods, and carry all those goods on public transportation back to their shop (Bear, 2005). This means the shop owner is only capable of bringing back as much as he or she can carry, and often has to close the shop in order to purchase goods. This can lead to other complications if the shop owners have responsibilities at home; for example, many spaza shop owners are mothers who simultaneously run their shop and take care of their children. Because of these challenges, many spaza shops struggle to survive when they could otherwise be thriving (Bear, 2005).

Our sponsor, the Triple Trust Organisation (TTO), has studied the South African spaza market in order to develop programmes to strengthen spaza shops, such as the Spaza and House-Shop Owners Partnership Network, or Shop-Net. Shop-Net offers spaza owners a collective buying

group to buy goods at discounted prices. The TTO also provides business training to shop owners (SASIX, 2009).

The TTO is now hoping to expand its program into Monwabisi Park, one of the informal settlements in Khayelitsha. Monwabisi Park is situated on the outskirts of the city of Cape Town, and an estimated 20,000 people live there in an assortment of shacks, with many spaza shops located in the settlement (WPI Cape Town Project Centre, 2008). While some general research into the spaza market of South Africa has been performed, very little work with spazas has occurred in Monwabisi.



Figure 2: Ave Spaza shop in C section

## METHODOLOGY

The goal of our project was to help spaza shops to grow into sustainable and financially stable micro-enterprises in Monwabisi Park by studying the existing spaza market in the area, then adapting the Triple Trust Organisation's Shop-Net programme to Monwabisi Park, facilitating business skills training for spaza shop owners, and coordinating the formation of a Monwabisi Park spaza association. In order to meet these goals, our team identified and accomplished the following objectives:

1. Understand the spaza market in Monwabisi Park through a mapping exercise.
2. Identify needs and concerns of spaza shop owners in Monwabisi Park.
3. Assess business practices of spaza shop owners.
4. Assist the TTO in applying their Shop-Net and capacity building programmes to Monwabisi Park.
5. Increase communication and co-operation between shop owners in Khayelitsha.

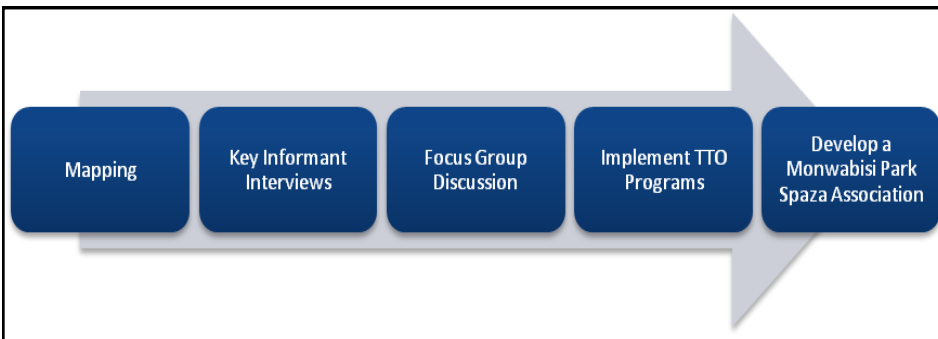


Figure 3: Progression of tasks completed in Monwabisi Park

## MAPPING

Our first task was to map the spaza shops in the settlement to determine the number and differences among the shops. We walked throughout the settlement with co-researchers, six community members hired by the VPUU to work with the WPI teams throughout their projects. The co-researchers were able to act as guides and translators in addition to helping us understand cultural differences. Our team was able to identify the majority of the spaza shops. We likely didn't find them all because Monwabisi Park, like many informal settlements, is not built on a grid system, but is a maze of winding footpaths that connect some 6,000 shacks. We used a hand-held GPS to take each shop's latitude and longitude coordinates, noted their condition, then input this geographical data into Google Earth to create an accurate map of shop locations.

## KEY INFORMANT INTERVIEWS

During the mapping phase we held informal conversations with some shop owners when the opportunity arose, but we conducted in-depth



Figure 4: Mapping spaza shops in Monwabisi Park with co-researchers.

interviews with eleven spaza shops whom we chose randomly from those identified in our mapping. Our interviews covered the following key areas:

- History of the Shop
- Problems Faced
- Credit Issues
- Supply Chain
- Record Keeping
- Business Training
- Views on Competition
- Views on Cooperation
- Future Plans

The assistance of the co-researchers was vital throughout this stage of our project, because they served as both translators and interviewers, helping us address language and cultural barriers. We conducted interviews until the information we received became repetitive.

## FOCUS GROUP DISCUSSION

After conducting interviews, we held a focus group discussion with several spaza shop owners from Monwabisi Park in order to:

Confirm data gathered and conclusions drawn from interviews and observations of spaza shops.

Gauge the interest of shop owners in the TTO programs, specifically capacity building sessions.

Gauge the willingness of shop owners to cooperate with each other for a mutual benefit.

We developed a detailed discussion plan to facilitate the meeting with, and invited twelve spaza shop owners to the meeting, which we held in the Indlovu Centre in C-section of Monwabisi Park. Getting people to attend such a meeting can be difficult due to the demands of living in an informal settlement and because owners have to take time away from their shops. To ensure attendance, we went to their shops, gave them a flyer and asked for their name and phone numbers to call them the morning of the meeting to remind them to come.



Figure 5: Shop owners eating at the close of the Focus Group Discussion

## IMPLEMENT TTO PROGRAMS

We began to implement the TTO programs through a second focus group with spaza shop owners. This meeting was run by a member of our sponsoring organization, Stanley Hendricks, to inform shop owners about the specific details of the TTO's capacity building and Shop-Net programmes and to solicit their views. At the end of the meeting, Stanley signed people up to participate in a business training programme and enrolled people in Shop-Net. We invited a total of twenty-seven shop owners to the meeting.

After this informational meeting we scheduled a three-day business training session for the following week. Thirteen shop owners signed up for this training, and it was held in the Indlovu Centre from 9 A.M. to 1 P.M. from Tuesday to Thursday. Stanley ran the business training, and we handled the meeting logistics. On the first two days of the training we also sent texts and made phone calls to remind people to attend the training sessions.



Figure 6: Harare shop owners at their graduation from business training

## SPAZA ASSOCIATION MEETING

In the final phase of our project we attempted to create a spaza association in Monwabisi Park to serve as a forum for communication among spaza shop owners. Through an association, the spaza shops could derive mutual benefits, and it was also a way that the TTO could try to continue to provide assistance for spaza shops in Monwabisi Park after our team has left.

In Harare, a formal settlement in Khayelitsha neighboring Monwabisi Park, a group of thirteen spaza shop owners recently came together to form a business association called the Imvuselelo Business Network, or IBN. By working together they've begun to negotiate to buy discount goods in bulk, and have begun receiving attention from the local government. Through the TTO, we contacted the IBN to see if they would share their experiences with the shop owners in Monwabisi Park during this meeting. The IBN members offered to not only come and speak, but also assist us in facilitating and translating during the meeting.

## RESULTS

### MAPPING

The team was able to develop a map of all the spaza shops in Monwabisi Park. We identified one hundred spaza shops in Monwabisi Park. Breaking the shops down into sections, there are 16 shops in A section, 32 in B, 40 in C, and 12 in M section. We attribute this primarily to the relative sizes and populations of each



Figure 7: Map of the spaza shops in Monwabisi Park

section; B and C sections are larger and more dense, where A and M sections are smaller and particularly M is more spaced out.

### DEVELOP AN UNDERSTANDING OF SPAZA SHOPS

This section outlines the findings of the key informant interviews, and the focus group discussion.

### AGE

*Key Finding:* The average age of a spaza shop is 4.9 years old.

We found that the average age of spaza shops, among the shops we asked, was 4.9 years. The oldest shop was ten years old, and the youngest was two months. The fact that many spaza shops have been around for several years indicates that overall the spaza market is stable, and that

there are a sizable number of shops in Monwabisi Park which have experience and a track record on which TTO can build.

### RECORD KEEPING

*Key finding:* Most shop owners do not keep accurate records of their business transactions.

We defined keeping complete business records as tracking purchases and expenses, taking inventory regularly, and tracking sales and profits. Performing all of those activities would give a shop owner a clear idea of the businesses' profitability, and where its weaknesses and strengths lie. We found only a minority of spaza shops in Monwabisi Park kept such records, and the capacity building program would improve this.

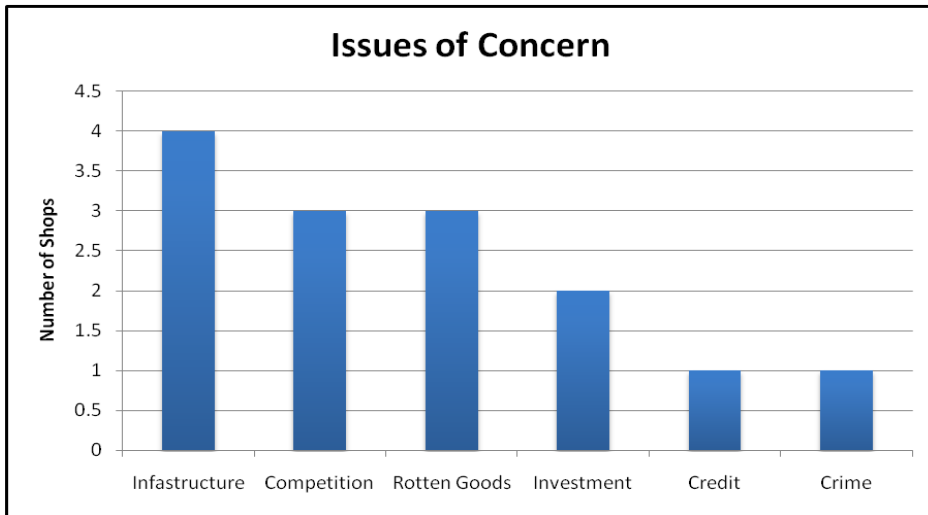


Figure 8: The most commonly identified issues by the eleven spaza shop owner interviewed.

## BUSINESS TRAINING

### Key findings:

1. Most shop owners have never received any sort of applicable business training.
2. Shop owners are interested in participating in free business training.

We received a broad range of responses from shop owners when we asked them about their level of business training. Some shop owners said they had no training, others had only informal training from family or friends, and some said they had received formal business training either through a school or some sort of programme. During our focus group discussion, we asked shop owners if they needed improved business skills in order to run their shops profitably, and an overwhelming majority of the shop owners replied that they did feel further training was necessary. This

finding also supports the conclusion that the TTO's capacity building programs would be welcomed and useful in Monwabisi Park. Based on this the team held a business capacity building for eight spaza shop owners.

## SUPPLY CHAIN ISSUES

### Key Findings:

1. Spaza shops did not receive goods at discounted prices.
2. Spaza shops did not get their goods delivered.

Through key informant interviews the team learned that shop owners in Monwabisi Park do not receive any special discounts because they run spaza shops. When the shop owners buy their goods from the wholesalers or use discount cards they pay the same amount as any other consumer could pay.

We also found that shops do not get all of their goods delivered, and must shop for their own stock. The owners travel to the store an average of three days a week.

With the lack of discounts on goods, and the money lost in getting goods from the supermarket, the team decided Shop-Net would be helpful to the spaza shop owners in Monwabisi Park, and enrolled eleven shop owners in the program.



Figure 9: Coca-cola truck delivering goods along Mew Way.

## COOPERATION

### Key findings:

1. Shop owners see competition with other spaza shops as a major issue.
2. Shop owners do not trust each other.
3. There are no current channels of communication among spaza shop owners.

A third of the shop owners saw competition as the main problem their shop faced. Some shop owners were concerned that neighboring shops would lower their prices out of spite in order to hurt the competition. A major factor contributing to this lack of trust is that there is currently little

to no communication between shop owners. Collaboration between spaza shop owners in Monwabisi Park is likely feasible if the shop owners have a reliable way to communicate with each other about business related topics, and a forum to discuss potential opportunities for business collaboration.

## IMPLEMENTED TTO PROGRAMS

Seventeen shop owners attended the information session about the TTO's programs on November 26<sup>th</sup> and of these, eleven shop owners officially signed up for Shop-Net and paid their R 10 membership fee. Their membership cards were delivered the following week, and the new members aimed to order goods within the month. Additionally, thirteen people signed up for a business training session.

The capacity building took place in the Indlovu Center the week following the information session. Overall people thought the training session was helpful, and they seemed excited



Figure 10: Stanley Hendricks leading business training.

to employ the skills they had just learned. Less than a week later we began to see results of the training. For example, one shop owner had increased the range of goods in her shop, and made new signs to advertise her business. Overall the businesses in Monwabisi Park were responsive to the business training.

#### MONWABISI PARK SPAZA ASSOCIATION MEETING

Eight shop owners from Monwabisi Park attended the meeting to discuss forming a group together. The IBN members were incredibly helpful in facilitating and translating during the meeting, and their presence played a huge factor in the success of the discussion. At the close of the meeting, the Monwabisi Park shop owners agreed that they would like to be part of an association similar to the IBN, were hopeful to follow in their footsteps and would like to turn to them

for guidance in order to develop this association. The following day, four Monwabisi Park shop owners and the IBN met to set up the groundwork of their relationship, and agreed to begin working together. By working together, all of the shop owners can negotiate to get discounted goods, begin receiving more attention from government organizations, and benefit by sharing ideas and advice. The foundation for a Monwabisi Park spaza association was laid much faster than we or our sponsors anticipated, and with the involvement of the IBN, we believe the Monwabisi Park spaza association has the resources to become viable over the long term. We've learned from our sponsor that the shop owners in Monwabisi Park, with IBN representatives, have begun to go door-to-door speaking with the other spaza shops about forming an association. In view of the lack of cooperation we

found among spaza owners at the outset of the project, we are delighted that our work catalyzed this initiative.

#### CONCLUSIONS

We were able to secure business training for eight shop owners, enroll eleven in the Shop-Net programme, and connect four with a nearby spaza association in order to promote collaboration between spaza shops. While the shops we impacted are a small portion of the spaza shops in Monwabisi Park, we have created a new seed of development that can be a point of growth in the future. We have several recommendations that should help to ensure continued growth in the spaza shops of Monwabisi Park.

#### CONTINUE WORK IN MONWABISI

The TTO should continue to work in Monwabisi Park to expand the Shop-Net and capacity building programmes. Out of the one hundred shops mapped, eleven of the shops were able to sign up for the Shop-Net programme. There are still many shops in Monwabisi Park that would potentially be interested in signing up for Shop-Net. We recommend Shop-Net recruiters to use the map we have created to walk around Monwabisi Park to recruit more shop owners.

#### IMPLEMENT REFERRAL SYSTEM

In order for the Shop-Net programme to expand, the team recommends the TTO to implement a referral programme among current Shop-Net members so they can recommend potential shop owners in their area

who they feel would benefit from signing up for the programme. If their referral leads the person to join the programme, the shop owner could receive an incentive. This type of referral programme will help TTO recruiters to quickly identify and assist interested shop owners.

*We believe the Monwabisi Park spaza association has the resources to form successfully.*

#### CONSUMER BUYING TENDENCIES

We also recommend further exploration of consumer buying tendencies. Spaza shops participating in Shop-Net mostly sell their goods at prices competitive to large retailers, however consumers still shop at these large retailers. There is room to explore different methods for getting more people to shop at the spaza shops. One potential option for this could be a buying local campaign.

#### CO-RESEARCHER SYSTEM

In terms of communicating with shop owners, it was pivotal for our team to utilize co-researchers, personable members within the community who are familiar with the area and various people throughout the settlement. Our team recommends attempting to work with local community members when conducting cross-cultural research. Our co-researchers helped us build trust with spaza shop owners, and through their experience and wisdom taught us about the current economic and political environment.



Figure 10: Spaza shop owners discussing setting up a spaza association

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