



Strengthening Spaza Shops in Monwabisi Park, Cape Town

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## CHAPTER 1: INTRODUCTION

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 are very high, at 50.8% in 2001, and many people struggle to sustain themselves (Statistics South Africa, 2001). There are very few economic formal opportunities for the residents of settlements, and as a result an informal economy has developed throughout South Africa. The informal economy is largely made up of small-scale entrepreneurs and street vendors who sell whatever they can to get by, and the majority of these businesses are undocumented and untaxed by the government and many struggle to access resources that could assist them, such as access to banks and credit or business support services.

This project focuses on one type of retail business that commonly appears in the informal economy throughout South Africa: spaza shops. 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 will also allow the owner to support other family members. They are beneficial to informal settlements for several reasons, primarily because they offer convenient access to basic necessities and also keep the money inside of the community, rather than sending the money out of the community when people travel long distances to a supermarket (Ligthelm & van Zyl, 1998). Spaza shops face many challenges that hinder their ability to be profitable and successful. Typically, shop owners have no formal business training and little knowledge about proper business practices, which can lead to costly mistakes and needless losses. They often receive no preferential treatment or discounts from wholesalers despite being business owners, and have inconvenient and costly methods of transporting goods to their shops. Because of these challenges, many spaza shops struggle to survive when they could otherwise be thriving (Bear, 2005).

Research and work concerned with assisting spaza shop owners has already been performed by a variety of groups and organizations. Our sponsor, the Triple Trust Organisation (TTO), has studied the South African spaza market in order to develop programmes intended to strengthen spaza shops. Out of this research they have developed the Spaza and House-Shop Owners Partnership Network, or Shop-Net, programme. Shop-Net can offer spaza owners a collective buying group to buy goods at discounted prices, and is trying to strengthen the linkages between spazas and their suppliers. The TTO also provides business training to shop owners (SASIX, 2009). The TTO has worked in various locations in

Khayelitsha, the largest informal settlement in South Africa, and now is hoping to expand its program into Monwabisi Park.

Monwabisi Park is situated on the outskirts of the city of Cape Town. There are an estimated 20,000 people living in an assortment of shacks and other structures, and most aspects of the South African informal economy, including spaza shops, can be found in the park (WPI Cape Town Project Centre, 2008). Currently, the City of Cape Town's Violence Prevention through Urban Upgrading Programme (VPUU) is working in Monwabisi Park to develop an in-situ upgrading plan (Baseline Survey, 2009). The VPUU has identified strengthening businesses in the existing economy as a way to promote economic development, and has reached out to the TTO, which specializes in spaza development, to help them enhance these shops (Krause, 2009). While some general research into the spaza market of South Africa has been performed, prior to this project, very little work with spazas has occurred in Monwabisi Park and the TTO programmes mentioned above have not been implemented there. There is a need to investigate the workings of the spaza market in Monwabisi Park more carefully and to see how the TTO's existing spaza programmes can be applied or adapted to the area.

The goal of this project was to help spaza shops to grow into sustainable and financially stable micro-enterprises by studying the existing spaza market in the area, and then create networking opportunities between spaza shop owners and suppliers. Ultimately we brought the Triple Trust Organisation's Shop-Net programme to Monwabisi Park, facilitated business skills training for spaza shop owners, and stimulated owners to consider forming an association of spaza shops. In order to accomplish this goal, we began by gathering data on the Monwabisi Park spaza market through interviews, and focus group discussions. We also mapped some of the spaza shops in the area in order to gain a better understanding of the range and scope of spaza shops that exist. To gain a more focused and detailed understanding of what challenges they face and their interest in TTO programs, we conducted interviews and hosted focus group discussions with shop owners. Based on the information gathered through these stages we were able to successfully accomplish our goals for the project; implementing the TTO's programs and start the process of forming a Monwabisi Park spaza association

## CHAPTER 2: BACKGROUND

This chapter develops an understanding of the challenges spaza shops face, and the current efforts to strengthen spaza shops in South Africa. We begin by giving a broad overview of the concept of an informal economy, and discuss why it is important to work with these informal economies. Next, we focus specifically on spaza shops, further describing what they are, what benefits they offer to both the people who run them and the surrounding community, and what challenges they face that are inhibiting them from growing and thriving. We then describe the role of our sponsor, the Triple Trust Organisation, its past research on the spaza market, and the programmes that it has developed that are designed to assist spaza shops. By the end of this chapter, we hope to have explained the importance of spaza shops in informal settlements, the context in which they exist, the problems they are facing, and what work is currently being done to address these problems.

### 2.1 INFORMAL ECONOMY

In 2003, President Thabo Mbeki first discussed the idea of two parallel economies in South Africa. The first of these, the formal economy, is comprised of the official businesses that operate within the law. The second, the informal economy, is comprised of businesses that operate outside of government regulations (Skinner, 2006). This section will begin by further defining the term informal economy, and discuss who participates in the informal economy and what types of businesses it is composed of. Then we will explain why it is critical to strengthen the informal economy, and some of the challenges in doing so. Finally, we will examine how informal economies overlap with informal settlements, and assess the current situation in Monwabisi Park, one informal settlement that serves as the focus for our work.

The strict definition of an informal economy is a topic of debate among scholars. It is important to understand the range of definitions that exist when discussing informal economies. Statistics South Africa, a government agency, uses the following definition:

The informal sector consists of those businesses that are not registered in any way. They are generally small in nature, and are seldom run from business premises. Instead, they are run from homes, street pavements or other informal arrangements (Skinner, 2006).

However, there are many scholars that make additional assumptions which are not covered within this definition. The lack of a universal definition makes it difficult to compare the sizes of informal

economies in different countries, because there is often disagreement about what exactly the informal economy encompasses.

The people employed in the informal economy usually share some common characteristics. The vast majority of them are very poor (Skinner, 2006). Furthermore, there are much higher rates of informal employment in poor areas, indicating the impoverished are more likely to seek employment in the informal economy. Additionally, the informal economy is generally much more prevalent in poor areas. There are significantly more women entrepreneurs working within the informal economy than in the formal economy. In 2007, an estimated 52% of business owners in South Africa's informal economy were women compared with 31% in the formal economy (Annual Review of Small Businesses).

Matthew McKeever, a professor of sociology at Mount Holyoke College, identified three main situations in which people enter the informal economy. In the first situation, people obtain employment within the informal economy as a fall back when they cannot find work in the formal economy. In the second situation, people use the informal economy as an intermediary step to transition from unemployment to the formal economy solely through the acquisition of capital. By earning money these people are able to advance their economic situation and find work in a formal, more stable job. The third situation occurs when people enter the informal economy in order to make a living, but who have no plans of transitioning to the formal economy (McKeever, 2006). In some situations, these businesses turn a profit for the owner, but often they remain as merely a means of survival (Bisseker, 2006).

One study interviewed thirty informal business owners to evaluate the entrepreneurial activity in the informal sector of Khayelitsha. All of the people interviewed owned businesses that were unregistered, unlicensed, and non-taxpaying. One interesting finding from that study is shown below:

Just 10 per cent indicated they would definitely give up their business if offered a stable job with an established firm in the formal sector, and another 27 per cent indicated they might do so, but with considerable difficulty (Morris, Pitt & Berthon, 1996).

This finding indicates that many entrepreneurs in the informal economy do view their businesses as serious, long-term endeavours that they are committed to. This is significant because it means that working to strengthen businesses in the informal economy can have a lasting, positive effect; business owners are not likely to abandon their efforts if new opportunities for employment arise.

### **2.1.1 POVERTY ALLEVIATION THROUGH AIDING THE INFORMAL ECONOMY**

This section will examine why it's worth working to strengthen the informal economy, and some challenges that arise in attempting to do so. Informal businesses are found abundantly in poor



communities. Particularly in South Africa, growth of the informal economy was eight times greater than growth in the formal economy between 2001 and 2006. This can be attributed to the lack of employment opportunities within the formal economy (Skinner, 2006). Because informal economies are so prevalent in poor areas, they present a good opportunity for organizations to help people living in poverty. Many people participate in the informal economy on a daily basis. Therefore, strengthening the informal economy can improve the lives of the poor communities that rely on it. Researchers have begun to develop innovative methods that utilize the informal economy in order to improve the living conditions of people who participate in it, but there are many challenges to developing these methods.

While working in the informal economy can provide the capability to impact many people, it also presents several challenges. Methods used to strengthen the formal economy often cannot be applied to the informal economy. For example, one common method for helping people during economic downswings is to offer government tax breaks (Bisseker, 2006). However, businesses within the informal economy already do not pay taxes because they are not formally recognized by the government. Also, many methods used to aid the formal economy rely on the use of accurate data. There are very few effective methods in practice today for stimulating growth in informal economies (Bisseker, 2006).

Another challenge with stimulating informal economies is that it is difficult to find accurate information about the size and vitality of the sector. These businesses are partially characterized by their tax evasive status and there are no government records indicating their size. Surveying these businesses can be unreliable because many people do not want to admit to owning a non-taxed business. There are a few indirect approaches to classifying the informal economy on a national scale, but no innovative, indirect methods to determine the size of informal economies on a micro-scale, such as Monwabisi Park (Schneider, 2004). It is much more difficult to design programmes to strengthen businesses in the informal economy because it is often impossible to obtain accurate information.

When talking about poverty alleviation by stimulating growth in informal economies, it is useful to study some examples of work that is already being done in the area. Organizations and governments throughout Africa have tried to tackle poverty alleviation by giving residents of informal settlements opportunities to build micro-enterprises. In Tanzania, a series of short courses directly related to current market trends were offered to micro-enterprise business owners. This would help business owners to develop a skill set they could use to maximize profits in their shops or pursue job opportunities in thriving industries. In Zambia, a training facility called the Mansfield Institute of Technology allows students to receive diplomas in about a year. Mansfield makes an effort to mix business skills training with technical skills to ensure that students have the knowledge and ability to utilize their skills, and potentially start their own businesses. Once students earn their certificates, Mansfield provides recommendation letters and helps them procure internships to full-time level jobs. Mansfield is specifically targeted at informal

business owners, and priced competitively. These opportunities for skills development can allow micro-enterprise business owners and unemployed informal settlers to increase their revenue and find other opportunities for employment. For more information on other programmes directed at poverty alleviation and details and on the overview of programmes listed above, refer to Appendix C (Haan, 2006).

There have also been government efforts to stimulate the informal economy. The South African Department of Trade and Industry (DTI) has created programmes to assist and develop spaza shops. One programme, the Integrated Small Enterprise Development Strategy, aims to provide financial services, create a demand for goods from the small enterprise sector, and alleviate government regulations surrounding informal enterprises. With an investment of R340 million, the government intends to create a number of spaza shops targeted at tourists in order to reduce the unemployment rate. “To date, more than 400 enterprises have been assisted in the tourism enterprise programme of the Business Trust” (Department of Trade and Industry, 2008), which “is a partnership between the government and the business sector” (Department of Trade and Industry, 2008). To support more micro enterprises as a collective co-operative, the DTI put aside R3.9 million in 2006. The department provides support through start-up grants, in which co-operatives can be funded “up to 90% (to a maximum of R300 000) of start-up costs, with the co-operative responsible for securing the remaining 10%” (Department of Trade and Industry, 2008).

### **2.1.2 RELEVANCE OF INFORMAL ECONOMIES IN SOUTH AFRICA**

Now that we have provided some background on informal economies in general, and why it is valuable to improve informal economies, we will begin to look specifically at the informal economy of South Africa. In 2002, an estimated 10% of retail trade in South Africa was channelled through the informal economy, which translates to around 2.7 million people (Schneider, 2004; Rolfe, Woodward, Ligthelm, Guimares, 2003). This indicates that the informal economy is a major part of the overall economy in South Africa. The informal sector was also estimated to make up 28.4% of South Africa’s Gross National Product in 2002 (Schneider, 2004).

### **2.1.3 RELEVANCE TO INFORMAL SETTLEMENTS**

Informal settlements are widespread throughout South Africa. While elements of the informal economy can be found throughout the country, it is much more prevalent in informal settlements. This is mainly due to the poor infrastructure and high rates of unemployment commonly found in informal settlements. These informal settlements are characterized by a “rapid population growth, a slow economic growth rate, increasing poverty, high unemployment rates and an inadequate supply of basic services to the majority of the population.” (Department of Trade and Industry, 2008). Because of their concentrated

nature, informal settlements provide an advantage in developing innovative procedures concentrated on decreasing poverty through enterprise development. Smaller programmes are able to impact larger numbers of people. The success levels of such programmes are also easier to measure due to the concentration of poverty. One of these particular informal settlements is the focus of our project: Monwabisi Park. It is located in Khayelitsha, a township on the outskirts of Cape Town. Most people in Monwabisi Park are living in substandard conditions with limited access to running water and plumbing. Approximately 50.8 percent of the Khayelitsha population is unemployed (these numbers are even higher for Monwabisi Park) or does not have enough income to provide basic needs like food and clothing (Baseline survey, 2009).

Our university, Worcester Polytechnic Institute, began working in Monwabisi Park in 2007. In 2008 a team of four students observed the current economic conditions in Monwabisi Park and identified a few methods to improve the economic conditions. These methods include job creation through a sewing centre, developing a community exchange system, providing the residents with the ability to obtain loans, and investigating the potential of a complementary currency system (WPI Cape Town Project Centre, 2008). The 2009 team continued the work of the previous year's team by further developing an economic profile of Monwabisi Park, and exploring the feasibility of micro-financing (WPI Cape Town Project Centre, 2009).

In part due to the work of the 2008 WPI team, the City of Cape Town also began work in Monwabisi Park. In 2009, the Violence Prevention through Urban Upgrading (VPUU) programme developed a plan for in-situ upgrading specific to Monwabisi Park (VPUU Vision for Monwabisi Park, 2009). The VPUU aims to create "an integrated human settlement through socio-economic improvements together with institutional capacity building and access to cultural facilities" (VPUU.org). They began their work in Monwabisi Park with a baseline survey which helped them identify social, cultural, institutional, safety/ security, societal, and economic problems. Specific economic issues identified through surveying included:

- Lack of business co-operatives
- Lack of business facilities
- Lack of business support
- Unemployment
- Lack of financial management

One of the short term interventions the VPUU implemented was a consultation with a Business Development Skills provider (Krause, 2009). The VPUU and the TTO are working to build a warehouse to distribute goods to the shop owners of Khayelitsha. This warehouse will provide shop owners with a

more effective way to purchase and transport their goods. The warehouse is currently under construction after two years of planning (personal interview with Andreas Gensicke, October 6, 2010).

The baseline survey showed that 85% of the businesses located in Khayelitsha were retail-based (Baseline survey, 2009). Many of these retailers sell basic goods and are known as spaza shops. As of 2008 there were fourteen spaza shops located in one of the four sections of Monwabisi Park. Spaza shops provide a good subject to focus programme development around due to the large number of people patronizing them and the potential growth that many of these shops are capable of, if provided with the proper resources (WPI Cape Town Project Centre, 2008).

## 2.2 SPAZA SHOPS

Spaza shop growth has been influenced by a variety of external circumstances. This section will examine the history and origins of spaza shops, discuss the infrastructure and the technology used in shops, and identify some of their common characteristics. The focus will then transition to address the advantages that spaza shops bring to informal settlements and examine some prevalent challenges that hinder spaza shop growth.

It is useful to understand how spaza shops have developed in South Africa. “‘Spaza’ means ‘hidden’ in Zulu. The term arose during the apartheid era, when restrictions were placed on black people running businesses” (Bear, 2005). During the apartheid era, many of these shops were established alongside or within people’s homes in order to elude the authorities. Spaza shop owners today set up their shops in their residences out of economic necessity rather than fear of persecution. Spaza shops are now legalized on the condition that they obtain a trading license in accordance with Business Act 71 of 1991 (Spaza News, 2005).

When comparing the characteristics of spaza shops, no two shops are the same. In Ligthelm and van Zyl’s 1998 study of spaza shops in Tembisa, Gauteng, they found 80% of spaza shops were made of corrugated sheet iron or operated out of metal shipping containers called spazatainers, as shown in Figure 1. There tended to be a lack of space to stock and display items in a spaza shop as they were run as part of the owners’ homes (Ligthelm and van Zyl, 1998).

Each spaza shop is unique in that each has been subjected to different circumstances which have influenced its character. Mr. Walied Saban, a native of the Western Cape, South Africa, explains that, “Spaza Shops [pop] up where there is life in the informal settlements. [They] start out small [sic] selling sweets, chocolates, fruit, scones, [and] chips, then [there are] bigger shops that sell your basic daily intake [that are like a] mini market, and then [there are] the ones that [look] like [a] chain store and liquor store [sic]; [they are] the ones that makes the most profit and gains [a lot] of customers” (W. Saban, email correspondence, September 22, 2010). While Mr. Saban’s description provides one image of a spaza

shop, there is no one universally accepted definition. Spaza shops can be found both in formal areas catering to the middle class, and in informal settlements serving the poor. The focus of our research is on informal spaza shops.



**Figure 1 A spaztainer in Gugulethu- Cape Town, South Africa (van der Wath, 2010)**

Shop owners have trouble deciding whether to engage in advertising since they can't quantify the returns on investing in promotional activities. Word of mouth is the most common form of advertising used, and 93% of spaza shop owners primarily rely on it (Chiliya, Herbst & Roberts-Lombard, 2009). Major companies occasionally provide spaza shops with advertising materials. For example, signs labelled "Coca-Cola" are commonly found at spaza shops, as shown in Figure 2 (Terblanche, 1991). More than four-fifths of spaza shops do have signboards that indicate their location (Ligthelm and van Zyl, 1998).



**Figure 2 An informal residential spaza shop displaying a Coca-Cola sign (Dlamini, 2005).**

A spaza shop's inventory is usually composed of basic goods like produce, drinks, cigarettes, and bread. Name brand goods tend to sell competitively, whereas many customers are unwilling to purchase

generic or secondary brands of products (Bear, 2005; Tladi & Mielhbradt, 2003). The prices of products sold at spaza shops can be found marked up 30% to 50% from wholesale prices due to supply-chain weaknesses. Customers are typically aware of the high prices, and will have a budget ready before the trade (Terblanche, 1991). Overall, the brands and prices of goods at spaza shops play a significant role in consumer buying tendencies.

### 2.2.1 ADVANTAGES

This section examines the advantages that spaza shops bring to both the people who run them and the people who shop at them. In addition to these benefits, patronizing spaza shops is advantageous to the community as a whole because it keeps money circulating inside the area instead of sending money out of the community when people shop at formal retailers. Table 1 displays the advantages that spaza shops offer to the community, and the drawbacks to shopping at spaza shops.

<b>Advantages of buying from spaza shops</b>	<b>Drawbacks of buying from spaza shops</b>
Walking distance from people’s 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 Drawbacks of Spaza Shops (Ligthelm & van Zyl, 1998)**

One significant benefit for shopping at spaza shops is the level of convenience that they offer to their customers. Spaza shops are found near people’s homes within informal settlements, which allows for easy access to goods. Consumers do not have to pay for public transportation, and they get their goods more quickly than they otherwise could (Business Times, n.d.).

Spaza shops also provide consumers a greater window for trade. They are typically open every day except Sunday, and are usually open for 13 to 14 hours a day (Ligthelm & van Zyl, 1998). Shops can open as early as 7:00 A.M. (Terblanche, 1991) in the morning, whereas large retailers operate mostly on weekdays and are open till 8 or 9 P.M. at best (Prinsloo, 2006). Consumers are able to buy their basic goods for longer periods of time than at large retail chains.

In Ligthelm and van Zyl’s study (1998), spaza shops in the informal residential areas allowed 47% of customers to buy on credit, with an average allowance of R 11,26 per customer. This cultural phenomenon can be explained by the social bonds between the customer and the spaza shop owner. As quoted by Calvin Makgalemele, a postal deliveryman in Spaza News, “Spaza[s] are generally owned by people you know and neighbours. You are therefore in a position to negotiate prices and even buy on

credit without being charged interest” (as cited in Spaza News, 2009). For those whom credit is extended, 98% settle their debt in one month, and a quarter of them do so in the first week (Ligthelm & van Zyl, 1998). The ability to buy on credit is one advantage that spaza shops offer over commercialized retail stores.

Other than the benefits offered to community members, running a spaza shop provides unique advantages to the owner over working in the formal economy. Spaza shops save money because they are not regulated by the government, and therefore do not have to pay taxes. In cases where spaza shops employ multiple people, owners are able to save money by lowering their salaries because they do not have to adhere to minimum wage requirements (Cape Town Project Centre, 2008).

One benefit of operating a home-based business is that there are low overheads resulting from not having to pay for additional property. Shop owners do not have the financial burden of maintaining a secondary property since they are running their store out of their home. They also do not need to worry about fuel and transportation costs travelling to and from work (Hiralal, 2010).

Shop owners who are mothers are better able to balance both their household and business affairs. Since women are the majority of the spaza shop owners in the informal economy, they are able to juggle their responsibilities. There is no need for them to place children in day-cares, which saves them time and money, and consequently affords them more parental care of their children. Mothers are endowed with many responsibilities and in some cases ‘they are spending 14-16 hours a day earning income to support their families’” (Hiralal, 2010).

### **2.2.2 CHALLENGES**

Although spaza shops offer several benefits to their surrounding communities, they also face many challenges that are preventing them from being as successful as they could be.

Table 2 gives an overview of the major challenges faced by spaza shop owners, and these challenges will be examined in further detail throughout the rest of this section. The table also identifies some of the root causes of these challenges. Finally, the table shows the consequences of how each of these challenges hurts business operations. The challenges are presented in order of importance as determined by our team.

**Table 2 Challenges spaza shops face**

<b>Challenge</b>	<b>Root Causes</b>	<b>Consequence to Spaza Shop</b>
<b>Business Knowledge</b>	<ul style="list-style-type: none"> <li>• Lack of educational opportunities</li> <li>• Expensive skills training programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Apprehensive about changing shop strategy</li> <li>• Lack the knowledge to improve shop practices</li> <li>• Lose money needlessly</li> </ul>
<b>Networking/ Purchasing Power</b>	<ul style="list-style-type: none"> <li>• Low bargaining power as a single spaza shop</li> <li>• Receive no discounts from suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Charge higher prices</li> </ul>
<b>Distribution System</b>	<ul style="list-style-type: none"> <li>• High crime rate</li> <li>• Transient nature of spaza shops</li> <li>• Poor market visibility</li> </ul>	<ul style="list-style-type: none"> <li>• Lose time and money</li> <li>• More vulnerable to crime</li> <li>• Inferior access to goods</li> </ul>
<b>Crime</b>	<ul style="list-style-type: none"> <li>• Spaza shops are a cash industry</li> <li>• Make appealing targets for robbers</li> </ul>	<ul style="list-style-type: none"> <li>• Lose money due to theft</li> <li>• Shop owners feel less secure in their homes.</li> </ul>
<b>Credit</b>	<ul style="list-style-type: none"> <li>• Banks nervous about providing loans to informal settlers</li> <li>• High loan costs</li> </ul>	<ul style="list-style-type: none"> <li>• Deters owners from investing and expanding their spaza shops</li> </ul>
<b>Health</b>	<ul style="list-style-type: none"> <li>• Inadequate access to health facilities</li> <li>• No backups if owners fall ill</li> </ul>	<ul style="list-style-type: none"> <li>• Must spend time away from their shop</li> <li>• Shop inconsistently maintained</li> </ul>



		during sickness
		<ul style="list-style-type: none"> <li>• Shop owners lose money</li> </ul>
<b>Gender</b>	<ul style="list-style-type: none"> <li>• Gender stereotypes</li> </ul>	<ul style="list-style-type: none"> <li>• Targeted for theft</li> <li>• Inferior networking opportunities</li> </ul>

### 2.2.2.1 BUSINESS KNOWLEDGE

One significant challenge that many spaza shop owners face is their lack of business management skills. Since many of these shops are created very quickly, spaza shop owners deal with a variety of challenges resulting from a lack of preparation and entrepreneurial dynamism. Many spaza shop owners do not keep proper business records or provide good customer service. They also often make mistakes during the costing and pricing of their goods (Bear, 2005). This lack of professionalism in running their shop hurts them in trying to understand how costs can be reduced and what items or practices can be altered in order to maximize profits. As a result, shop owners unnecessarily lose money (Bear, 2005).

Although spaza shop owners may be interested in learning better business management practices, there are several factors that prevent them from acquiring these skills. The main problem for many is the cost of business training, because they must pay for the transportation to the training centre and the class tuition itself; additional costs include textbooks and other supplementary materials that would be required for the classes. Because these micro-enterprises are informal, there are also many spaza shop owners who do not think that business training will benefit their shop operations. Unfortunately, they are sceptical and would rather work in their shops than spend the time and money to learn the skills necessary to run their business more efficiently (Skinner, 2002).

A major difficulty in offering these types of training programmes is that they must also adjust for spaza shop owners who may have never formally gone to school. Training programmes must be convincing enough for spaza shop owners to dedicate time and funds in order to create a stronger business. The foundation of an informal micro-enterprise comes down to its owner, and if that person is not educated in running a shop, it is unlikely he or she will have the initiative to expand. If shop owners could strengthen their business management skills, they could improve many of the practices they utilize in running their shops, and potentially be willing to take more risks to gain greater profits (Skinner, 2002).

### 2.2.2.2 NETWORKING/PURCHASING POWER

Another major challenge that spaza shop owners face is their lack of 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 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. Because of this, larger retailers can often offer goods at better rates than spaza shops, and as a result spazas lose business. If spaza shop owners were to work together and approach supplier as a co-operative, they may be willing to give discounted prices. This would not only benefit spaza shop owners but also the people who shop at spazas, who could then get more competitive prices at their local spaza shop, rather than having to travel to a supermarket a considerable distance away (Bear, 2005).

#### 2.2.2.3 DISTRIBUTION SYSTEM

Another major problem impeding the success of spaza shops is the lack of a consistent distribution system for getting the goods from the supplier to their shop. There are a large variety of solutions to this problem, but none are perfect. Some major companies do deliver their products to spaza shops directly, but the majority will not. There are also independent distributors that some shops hire to deliver goods to their shops. However, many shop owners have no alternative but to go and buy their goods themselves. Since many do not own their own cars, they will 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 distribution method has several major drawbacks. For one, it means that the shop owner is only capable of bringing back as much as he or she can carry. Additionally, shop owners are vulnerable to crime while they are travelling back and forth from their shops. One way this problem could be mitigated would be through the increased use of communication technologies. Spaza shop owners waste time and money travelling to suppliers when they could contact them by cell phone and have them send invoices by fax (Skinner, 2006). Also, if spaza shops could pay a reasonable fee to have their goods delivered straight to their stores, they would save time and money and it would greatly benefit their business (Bear, 2006).

#### 2.2.2.4 CRIME

Depending on the location of a spaza shop, crime can be a significant problem. Particularly in informal settlements, where the rate of crime is very high, robbery is a legitimate concern for shop owners. The VPUU baseline study (2009) showed that in Monwabisi Park, 40% of respondents reported having their homes broken in to. Spaza shops make very appealing targets because they are largely cash-

based businesses. Customers typically pay in cash, and so would-be robbers are fairly confident that a spaza shop will have cash. Another factor to be considered is that most spaza shops are home-based. As a result, not only their businesses but also their homes are invaded and situations can potentially turn violent. One way to attempt to reduce the vulnerability of spaza shops is by implementing cashless systems such as debit cards or credit systems. Reducing the number of cash transactions at spaza shops would make them less appealing targets for criminals (A. Gensicke, personal interview, October 6, 2010).

#### 2.2.2.5 CREDIT

Many spaza owners have great difficulty in attaining business loans. South African banks have been overly cautious in lending money to micro-enterprises (Department of Trade and Industry, 2008). A survey about obtaining credit was given to micro-enterprise owners in Durban. The survey found many owners had problems trying to secure loans. They received vague information when they were refused a loan, and banks seemed to be uninterested in dealing with these micro-enterprise owners (Skinner, 2006). To many of these informal spaza shop owners, dealing with financial services to obtain a loan is a daunting task. The process and paperwork become tedious, and owners become uncomfortable dealing with finance agents and understanding the jargon related to loans (Skinner, 2006).

Spaza shops may be able to receive loans, but they are often not enough to make a significant difference to their business. Even if a micro-enterprise is approved for a loan, the costs surrounding the certification of the loan can be overwhelming for spaza shop owners. The government's lack of regulation of lending practices allows spaza shop owners to be subject to unfair loan practices and dealings with private lenders who charge exorbitantly high interest rates (Skinner, 2006).

#### 2.2.2.6 HEALTH

Another problem spaza shops face is their lack of a support system should they fall sick. The success of a spaza shop is highly dependent on the health of its owner (Rangan, Quelch, & Herrero, 2007). Especially for shop owners who live off a lower income in an informal settlement, basic health services are not as accessible, and people are more likely to fall ill. "The percentage [sic] with fair or poor health in low-income areas [is] higher than in high-income areas" (Chao et al, 2007). If a spaza shop owner becomes sick, it often means they can no longer run their business (Chao et al, 2007).

One study of microenterprises in South Africa found that if a spaza shop is forced to close due to health reasons, there can be detrimental effects not only for the owner but also for the surrounding community. The shops customers are also hurt because they may have depended on the shops stockpile of essential goods or services. It is interesting to note that when shops close, "these businesses were not

replaced by new ones” (Chao et al, 2007). This direct correlation of physical health with business health amplifies reasons to invest in improved medical services (Chao et al, 2007).

#### 2.2.2.7 GENDER

The number of female business owners in the informal sector is over fifty percent, and women running spaza shops are faced with unique challenges (Department of Trade and Industry, 2008). Female shop owners face gender discrimination. They may have difficulty developing professional relationships with other spaza shop owners or suppliers who they want to purchase from. Many of these female shop owners are also mothers, and must split their time between raising children and maintaining their shop. Younger women face more challenges than older women because while older women are more respected in the community, younger women are subject to sexual harassment and are targeted more often in theft (Baseline Survey, 2009). Overall, in addition to the numerous other challenges that spaza shops face, female shop owners must contend with gender stereotypes and discrimination (Co & Mitchell, 2006).

## 2.3 TRIPLE TRUST ORGANISATION

At this point, we have discussed various aspects of spaza shops and the informal economy of South Africa, such as the social and economic impacts that spaza shops have on the surrounding community and the difficulties that micro-enterprise owners in South Africa face. Now we are going to shift focus to our project group’s sponsoring organisation, the Triple Trust Organisation (TTO), which is a non-governmental organisation (NGO) based in South Africa. The TTO has been working to alleviate poverty in South Africa for over twenty years. Over the past decade, they have begun to focus efforts on strengthening the spaza market in the Cape Town area.

### 2.3.1 ORGANISATION OVERVIEW

The Triple Trust Organisation was first created in 1988. Originally, the focus of the organisation was to provide business skills training and support to poor and disadvantaged people in South Africa. The organisation was created in the Western Cape province, but has since expanded and now orchestrates projects throughout South Africa. The TTO has provided business training to over 30,000 people since its inception. Their original mission had a three-part approach, which was how the name Triple Trust Organisation was derived. Those three parts were to offer skills and business training to impoverished people, to supply them with access to markets, and to provide them with access to finance (tto.org).

The year 2001 marked an important turning point in the history of the TTO, because they shifted the focus of their organisation away from assisting individuals and towards becoming a market facilitator.

Rather than focus on helping individual people, the TTO believed they could have a greater impact by helping to strengthen and develop existing markets that catered to the poor (tto.org).

Central to this transition is the concept of making markets work for the poor (MMW4P). The key aspect of this theory is that the starting point for economic improvement should be the market, not the people themselves or their individual businesses. In order to strengthen these markets, MMW4P advocates value-chain analysis, which is the process of investigating the entire supply chain from start to finish. The goal of the investigation is to identify obstacles that are preventing or impeding the poor from participating in the given supply chain, and then devise strategies to remove those obstacles. This idea of MMW4P is key to understanding the TTO's methods (Southern Hemisphere Consultants, 2007).

### **2.3.2 SPAZA MARKET DEVELOPMENT PROJECT**

The TTO first began to investigate the spaza market in 2002, and after eighteen months of research determined that attempting to grow the market would be a worthwhile application of their time, effort, resources, and expertise. First, we will go over the research that the TTO has performed on spaza shops. Then we will examine the two major initiatives that they started as a result of this research: the Shop-Net programme, and offering business training seminars for spaza shop owners.

#### **2.3.2.1 INITIAL RESEARCH AND FINDINGS**

In approaching the problem of how to strengthen spaza shops in Cape Town, the TTO's first step was to conduct extensive research into the spaza market in the area. This section describes the research that they conducted, and the conclusions that they drew.

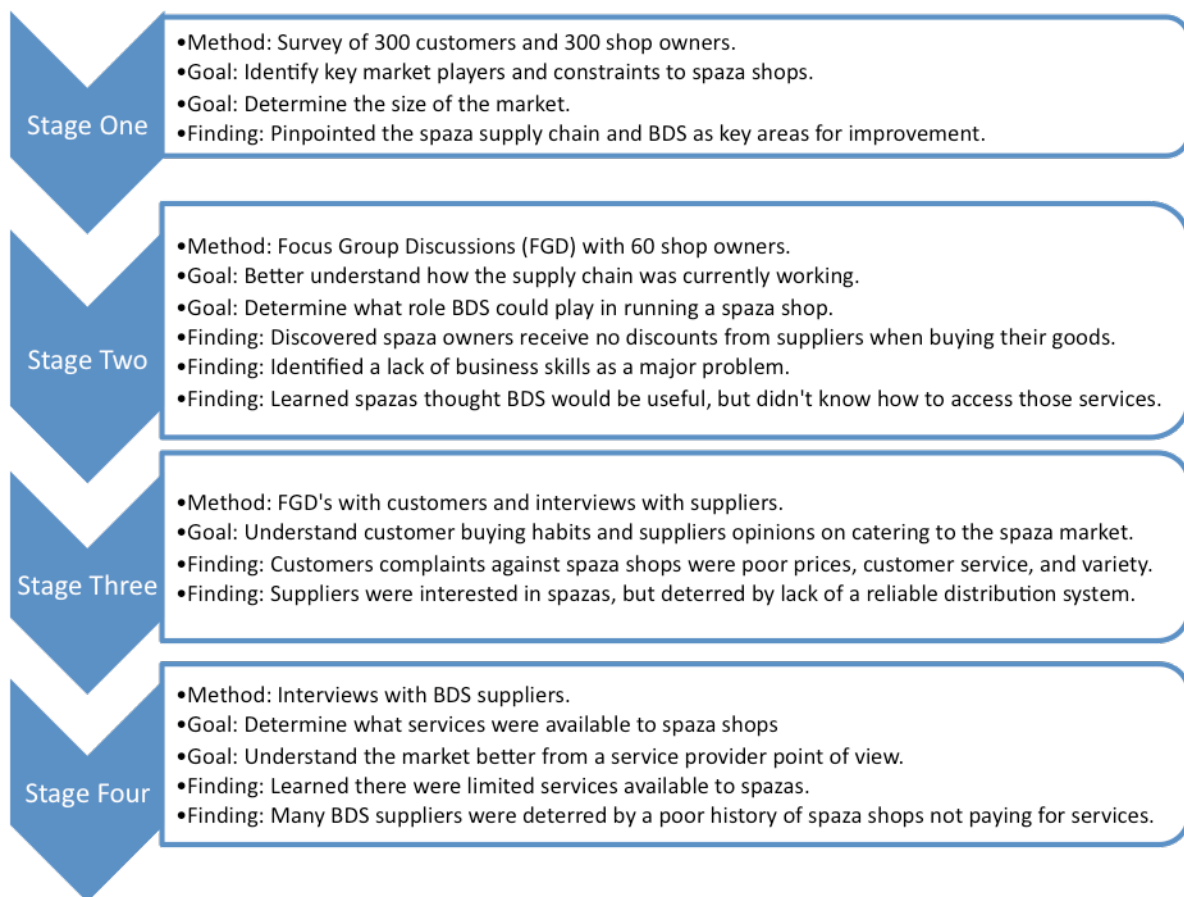
The Triple Trust Organisation first identified the spaza market as a target area of improvement because it was a large market in the informal settlements, and a part of the daily lives of many poor South Africans. By strengthening the spaza market, the TTO could help shop owners, who themselves are generally impoverished. In addition to this, by strengthening spaza shops they could assist all the people who buy goods at spaza shops by improving the selection, pricing, and customer service of their local shops. Previous efforts have shown the spaza market to be very large, with the total value of spaza market sales estimated to be around \$110 million in US dollars. On top of that, spaza shops can be found throughout South Africa, not just in the Cape Town area. If the TTO could develop a successful spaza market strengthening programme, it could potentially be applied to other parts of the country as well (Tladi & Mielhbradt, 2003).

The TTO conducted their research in four phases. They began by conducting general research into the spaza market of the Cape Town area, investigating items such as its size, the profile of its customers, and who the key actors in the spaza market were (i.e. shop owners, distributors, wholesalers,

manufacturers, and customers). Next, they conducted guided discussions with groups of spaza shop owners in order to better understand the industry from their point of view and identify the primary issues with the spaza market as the shop owners see them. After that, the TTO began discussions with consumers to obtain their input on what needs to change in the spaza market. They also began to communicate with wholesalers to judge their viewpoint on working more closely with shop owners. The final stage of the TTO's research was to speak with business development service (BDS) providers to determine how their services could be offered to shop owners (Bear, 2005).

In between each stage of the TTO's research, they analyzed the data they gathered then identified what important information still needed to be obtained. They then used those unknown areas to help design the next stage of their research, and gain the most comprehensive, focused, and applicable body of knowledge.

Figure 3 shows the four stages of the TTO's research, the goals for each stage, and the key findings that they developed as a result of each stage.



**Figure 3** TTO Spaza Market Research (Tladi & Mielhbradt, 2003; Bear, 2005).

After the TTO conducted these four stages of research, they analyzed all of the information they had gathered. The first question they needed to answer was: should they intervene in the spaza market? Given the problems they had identified, potential solutions to those problems, and the impact that a strengthened spaza market could have for the poor, the TTO decided that intervention was warranted. Although their initial investigation had been more focused on business development services for spazas, the TTO eventually concluded that most of these services would be more efficiently offered when combined with linkages to other important market players (Bear, 2005).

The TTO identified three main ways to strengthen the spaza market, all of which were related to the spaza supply chain. The TTO decided they could most effectively utilize resources by helping to strengthen the linkages between spazas and their suppliers, by improving relationships between spazas and their trading partners (manufacturers and wholesalers), and by improving business collaboration among spaza shops. This third idea would later evolve into the Shop-Net programme, which is now an integral part of the TTO's spaza strengthening efforts (Bear, 2005).

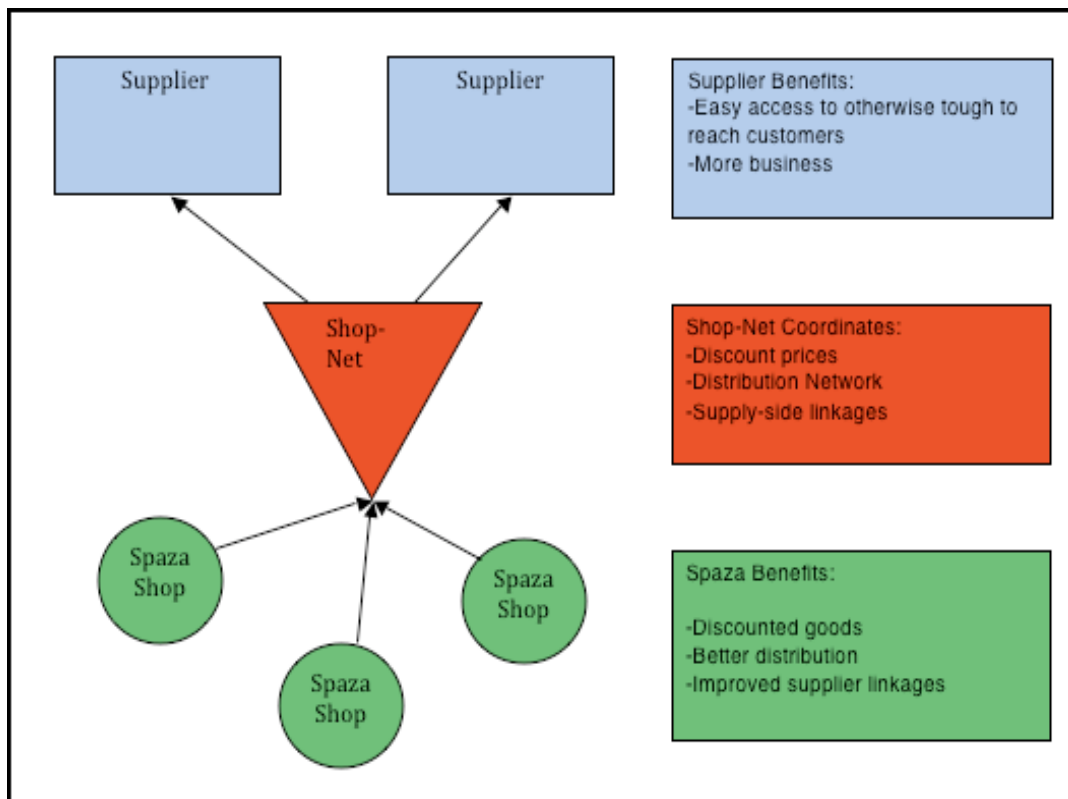
Overall, from 2002 to 2004 the TTO conducted a comprehensive study of the spaza market in the Cape Town area. They distributed surveys to shop owners and customers, held focus group discussions with customers and shop owners, and interviewed supply side actors and business service providers to obtain a holistic view of the market. Based on that data, they began to design programmes intended to address key weaknesses that had been identified by the various role players in the market. Their two major efforts, the Shop-Net programme and facilitating business skills training for shop owners, will be described below.

#### 2.3.2.2 SHOP-NET

From their investigation into the spaza market of South Africa, the TTO identified many challenges and obstacles facing spaza shop owners in trying to run successful micro enterprises. Although different actors in the market identified various problems, the TTO concluded that one of the greatest weaknesses was the supply chain that the shop owners were using to obtain their goods. In order to address this problem, the TTO developed a business collaboration network among spaza shops. This effort grew to become the TTO's Shop-Net programme, created in 2004 (tto.org).

Shop-Net is an acronym that stands for Spaza and House-shop Owners Partnership Network. The basic idea behind Shop-Net is that many spaza shops sell the same types of goods to their customers, and because of this have common supply-side needs; see Figure 4 for more information. In addition, most shops receive no special treatment or discounts from the suppliers that they obtain their goods from; spaza shops are simply too small, undocumented, and in some cases too transitory for larger suppliers in the formal economy to cater to. In an attempt to help alleviate this problem, Shop-Net identifies common

products sold at many spaza shops. Then, by combining the buying power of many spaza shops, Shop-Net approaches the appropriate suppliers and negotiates better discount rates on goods because they are capable of buying in bulk. This allows shop owners to get their inventory at cheaper prices, making their shops more profitable, and also allows them to pass better prices and value on to their customers. Offering better value to customers then creates more business for them, and makes their shops more successful (SASIX, 2009; Southern Hemisphere Consultants, 2007).



**Figure 4 Shop-Net Graphic (SASIX, 2009; Bear, 2005; Tladi & Mielhbradt, 2003)**

The TTO has a recruitment packet that they provide to shop owners in order to generate interest in the Shop-Net programme. Shop-Net does charge membership fees, but owners receive three main benefits from their participation: linkages to manufacturers and wholesalers, membership in to the voluntary buying groups, and access to new business services (tto.org). So far, the Shop-Net programme has seen considerable success. As of 2007, there were around eight hundred shop owners signed up for the Shop-Net programme (Southern Hemisphere Consultants, 2007). Shop-Net’s voluntary buying group is also growing. According to the South African Social Investment Exchange, between February and May of 2009 R851 294 was spent through the Shop-Net buying group. Between June and September, shop owners spent R870 674. In addition, as of September 2009, the number of repeat orders being placed through Shop-Net is up to 1,146 (SASIX, 2009).



In addition to offering more competitive prices on goods, the Shop-Net programme helps provide BDS to shop owners. For example, now that Shop-Net is coordinating better deals through suppliers, they provide better distribution services to the shop owners. Instead of having to pay for a taxi and travel to pick up their inventory, and only be able to bring back a limited number of supplies, the shop owners can now have their goods delivered to them at an affordable rate. Shop-Net is also beginning to see other benefits from their efforts. Now that suppliers can see the spazas as an accessible market, there is competition for Shop-Net business and they can also obtain goods that are targeted at the spaza market, such as more effective unit sizes on goods. For example, manufacturers are now willing to provide half-loaves of bread to spaza shops, since many customers prefer to buy half-loaves over whole loaves. The long term goal for Shop-Net is to build it in to a franchise that charges membership fees so that it can become self-sustaining and still offer its valued services to shop owners (Southern Hemisphere Consultants, 2007).

Overall, the Shop-Net programme is the TTO's attempt to address several key expressed needs of shop owners- better discounted rates and special offers from product suppliers and a more convenient distribution system for goods. Because the TTO has based the design of their programme on the needs of the target group, spaza shops, the Shop-Net programme has seen a significant amount of success in assisting spaza shop owners to run more profitable, successful businesses that better cater to the residents surrounding their shops

### 2.3.2.3 BUSINESS TRAINING PROGRAMMES

Another critical area that the TTO identified was the level of business management skills possessed by the majority of shop owners. Even though the communities that spaza shops cater to are incredibly poor, all sources indicate that a lack of demand for goods is typically not an issue for spaza shops. The demand is present, but they discovered that most shop owners lacked basic business skills such as record keeping, how to conduct a business health check, and how to properly perform costing and pricing. In order to address these issues, the TTO has begun to conduct training seminars where they can arm spaza shop owners with the appropriate business skills that they need in order to more effectively and successfully run their shops.

In April of 2009, the TTO launched a one year programme that was designed to train two hundred spaza shop owners in basic business skills. In addition to providing training in the areas identified above, the training also taught shop owners how to properly utilize Shop-Net. So far, feedback from the training seminars has been positive. Refer to Appendix I for the notes from a meeting our team attended to hear feedback about the TTO's Shop-Net and business training programmes. Most shop owners find the training useful, and say that they are more confident in how they are running their businesses. In addition,

the TTO has begun to use their own contacts to help facilitate communication between shop owners and financial institutions for shop owners who are looking to take out loans or receive funding to grow their businesses (SASIX, 2009).

During our stay in Cape Town, we were invited to attend a business training session that was taking place in Harare, a formal settlement in Khayelitsha that neighbours Monwabisi Park. A group of thirteen spaza shop owners in Harare had recently come together to form an association called the Imvuselelo Business Network, or IBN for short. After coming together, the group approached the TTO to request a capacity building workshop, and our team was able to attend and observe the training. Refer to Appendix H for a complete account of what topics were covered during the TTO's business training.

There have been some setbacks in the TTO's attempts to educate shop owners. Many of the people are unaccustomed to attending fixed time training sessions, and attendance is an issue because of poor time management or because they become preoccupied at their businesses. Problems in South Africa's overarching economy, such as recessions and rising prices on goods commonly sold in spaza shops, have also been impairing recent prosperity. Despite these setbacks, the training efforts seem to be proceeding successfully (SASIX, 2009)

The TTO has been training spaza shop owners in basic business skills in order to address business management mistakes that shop owners often make. By preventing spazas from making some of these mistakes, spaza shops will be run more effectively and profitably, benefiting both shop owners and customers. Providing this training has also begun to create networking opportunities between shop owners and financial institutions in the formal economy.

## CHAPTER 3: METHODOLOGY

The goal of this project was to help spaza shops in Monwabisi Park to grow into sustainable and financially stable micro-enterprises by studying the existing spaza market in the area, and then attempting to adapt the Triple Trust Organisation’s Shop-Net programme to Monwabisi Park, and facilitate business skills training for spaza shop owners. In order to meet this goal, our team defined several objectives to accomplish. They were:

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

The team developed a time line for the tasks completed over the course of the project. The time line is shown through a Gantt chart in Table 3 below.

**Table 3 Project Timeline**

Team Task List	Week									
	PQP	1	2	3	4	5	6	7	8	
Literature Review	■									
Mapping Exercises		■	■	■	■	■	■	■	■	■
Key Informant Interviews			■	■	■					
Focus Group Discussion				■	■	■				
Assist in Implementing TTO Programs						■	■	■		
Investigate a Spaza Association							■	■	■	■
Create a Final Report								■	■	■

Figure 5 shows the progression of the key events and items the team accomplished throughout the project.

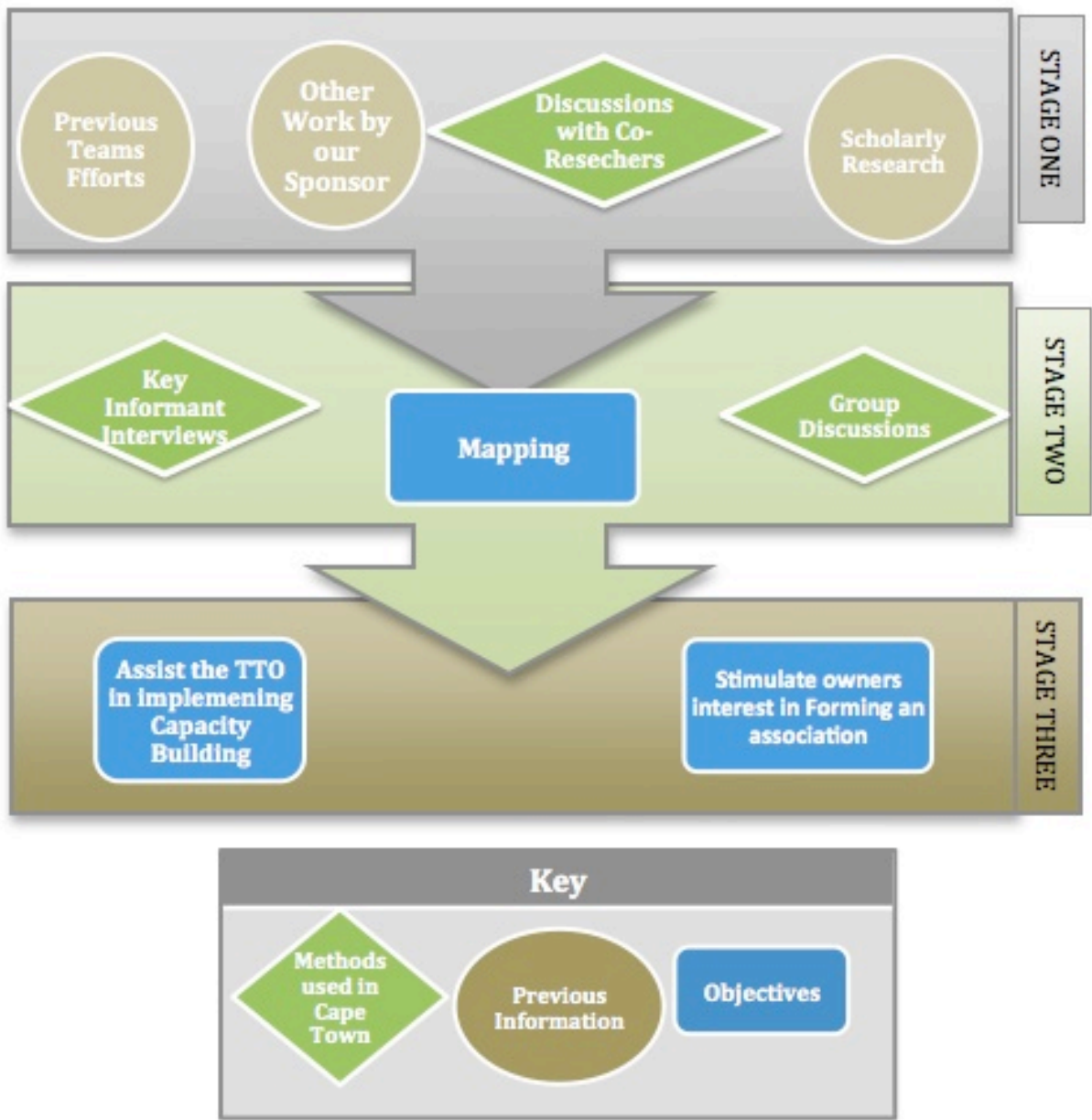


Figure 5 Methodology Graphic

### 3.1 MAP SPAZA SHOPS

One of our first goals upon arriving in Cape Town was to locate and map all spaza shops in Monwabisi Park. Our team had several reasons for doing this. The first was to determine how many spaza shops exist in the area. We also used this exercise to better understand the range of spaza shops, because they come in many different sizes and can sell a broad range of goods. We also recorded the locations of the shops for our sponsors, so they can continue the work we started.

The co-researchers were vital in interacting with the shop owners because they would often act as translators for our group. Before going out with the co-researchers we explained the purpose and goals of our project to them so that they would be better prepared to assist us in speaking with the spazas. The co-researchers also provided invaluable insight into the culture, and help us to ensure no cultural barriers were crossed. Ultimately our co-researcher ended up being just as knowledgeable about our project as we were, and was able to provide another valuable opinion on our project.

Initially, we set about mapping the shops on paper. Our team printed out Google satellite images of the four sections of Monwabisi Park. Then, with the assistance of co-researchers, we walked through each section. Their knowledge of the area they were able to immediately point out many spaza shops to assist us in navigating through Monwabisi Park. Our team started mapping in M-section, and then progressed through C, B, and A sections.

While we walked, one team member used the maps, and another created a numbered list of spaza shops. As each shop was discovered, it was numbered and the name was recorded, as well as some basic observations about the shop. At the same time, the person with the map would record the location using a number system. The final two team members carried notebooks to record observations regarding the physical appearance of the shop, and brief impressions on the size, range of goods, and apparent level of success of the shop. In this manner we moved through Monwabisi Park over the course of five days, and mapped the majority of the spaza shops in the informal settlement.

The other aspect of our mapping exercise was holding informal conversations with the spaza shop owners as we encountered them. We didn't have a formal list of questions, but there were some general questions that we would casually ask them in the course of our conversation. Some common questions were:

- What is your name?
- What is the name of your shop?
- How long have you had your shop?
- Why did you start your shop?
- Do you also live in this building?

- Does anyone else live with you?
  - Does anyone else work in your shop?
- Where do you go to get your goods?
  - How do you get there?
  - How often do you go?

While talking with the shop owners, we took notes on the content of the conversations. We also noted how willing the shop owner was to talk with us, and if they would be a good candidate to interview in more depth. Every night we typed our notes while they were still fresh in our minds. After we spent several days mapping, we acquired a hand-held GPS device that we borrowed from our sponsor, the TTO. The GPS proved incredibly useful, with it we could record the latitude and longitude coordinates of each shop and save the data in the unit's memory. This was preferable to our initial, hand-mapping system because it improved the accuracy of the maps. In order to better organize and analyze the data we gathered from the mapping phase, we input all of data in to a Microsoft Excel spread sheet. This allowed us to easily sort the data based on different criteria, and categorize and compare our data. Table 4 lists every field in our spread sheet, explains what it is, and describes why the data is valuable.

**Table 4 Information gathered during mapping**

<b>Name of Field</b>	<b>Description</b>	<b>Why</b>
Number	The number our group assigned to the shop	We used these numbers for our notes and to put the shops in to Google Earth.
Shop Name	The name of the spaza shop	Another way to refer to the shop.
Owner Name	The name of the shops owner	To refer to before revisiting a shop so we can approach them and use their names.
Section	What section the shop is in	To locate the shop more easily.
Size	How big the shop is (small, medium, large)	To qualitatively judge the relative sizes of various shops.
Age	How long the shop has been operating for	To examine how long spazas tend to last, and also compare the age with other factors in the spreadsheet.
NOE	Number of employees working at the shop	To gauge community benefit and another measure of successfulness.
Road Access	Is there road access for a car or truck to come to the shop	To look in to the possibility of having goods delivered.
Fruit/Veg Only	Does the shop exclusively sell produce	To notate whether or not Shop-Net can be applied to the shop.
Somalian	Is the shop run or owned by a Somalian	To examine the number of somalian shops, and see how they compare to other shops.
Other Attractions	Any other noteworthy things about the shop (pool table, video games, etc.)	To try to capture other outside factors for why a shop is thriving or struggling.
Notes	Any other notes we have on the shop	To keep track of any information not captured in other fields.

This information was gathered through a combination of observations and informal discussions with shop owners, and was expanded in subsequent phases of our project. Because we did not have the time to speak with every shop owner in Monwabisi Park, the spread sheet is not complete; while it is filled in fully for some spaza shops, there is very little data for some other shops which we only walked by.

We cannot say with certainty that all of the spaza shops in Monwabisi Park were mapped. The layout of the park was unplanned, evolved over time, and is haphazard. As a result, especially off of the main roads, mainly windy paths, and dense sections of shacks. It can be difficult to locate spaza shops in these areas. Even with our co-researchers' knowledge of the settlement, we often stopped for directions. Because of this, it is unlikely that we found all of the spaza shops in Monwabisi Park; it is a large, dense area, and we determined the time and effort required to perform a completely comprehensive scan for all businesses was unwarranted.

After we moved through Monwabisi Park and acquired the names and GPS locations of the shops, we considered how to present this data on a map. We explored two different software mapping programs, ArcGIS and Google Earth. Both programs are capable of taking in mapping data and displaying it in a presentable format. Eventually we decided to use Google Earth because it had a much simpler learning curve, and provided all the functionality needed.

Google Earth allowed our team to place a point on the map for each spaza shop we found. For each shop, we would refer to our numbered list of spaza shops, open up the corresponding way point in the GPS device, and input the latitude and longitude values. We named each dot based on the number we had assigned to that spaza shop. In addition, we input notes in to the description for the point. We saved the map images in a jpeg format; in order to easily print them, post them online, or email them to our sponsor.

The entire mapping exercise took us about five days to initially complete. However, because we didn't obtain the use of the GPS until we had already mapped around seventy five shops, we were forced to go back through the park in order to gather those coordinates. We did this throughout the rest of our time in Monwabisi Park, as we traveled through the area performing other activities. We also sometimes gave the co-researchers the GPS, and they gathered while we worked on other parts of the project.

### **3.2 CONDUCT KEY INFORMANT INTERVIEWS**

After mapping the spaza shops in Monwabisi Park, we conduct detailed interviews with a smaller selection of spaza shops. The interviews aimed to obtain more in depth information about the spaza shops, while still avoiding sensitive topics such as specific financial information.



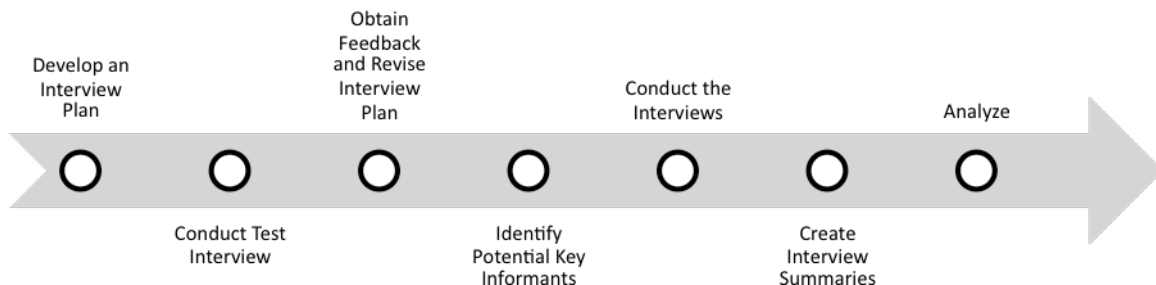
There were several key areas that we gathered more information in. First we wanted to know more about the issues that the TTO programs address, primarily business skills and supply logistics. We also attempted to identify the needs and concerns of shop owners in these interviews. Finally, we learned more about the personal background of the shop owners and their spaza shops. Key areas we asked questions in were:

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

Refer to Appendix E for our full, detailed interview plan.

While we did want to obtain detailed information on how various spaza shop owners operated their businesses, we attempted to conduct the interviews in a friendly, conversational tone to avoid putting the shop owner on the defensive.

Figure 6 shows a timeline of the steps we took in interviewing informants.



**Figure 6 Process to Key Informant Interviews**

The team began by developing a detailed interview plan based on the issues identified through background research and initial conversations with shop owners in the park. The depth of our questions, particularly those that focused on finances, were determined by balancing what was the most beneficial for our research with what we hoped would be comfortable for the shop owners to answer. The co-researcher reviewed the interview plan, and also provided valuable insight in how to approach the spaza shop owners.

We then conducted a test interview with one spaza shop that one co-researcher shopped at frequently. This test interview was used to determine the effectiveness of the interview plan, identify any problems, and to hash out the logistics of our teams roles during the interview. Our primary adjustment to the interview plan was to include more personal questions about the shop owner at the beginning, in an attempt to put the owner at ease before asking more specific questions about how they run their business. We also rephrased several questions so shop owners would more easily be able to understand. In terms of roles, it was the most effective to have one team member leading the interview, another asking follow up questions, and the remaining two team members taking notes. The interviews depended on the ability of the co-researcher to translate when the shop owners could obviously not understand English, which occurred periodically throughout each interview and rarely for the entire interview. The co-researcher initially approached the spaza shops, explained our connection to the VPUU and the Safe Node Area Committee, and turn the conversation over to the team. Our team rotated roles between interviews. We also continually reified our interview plan, based on new feedback.

We then began conducting in-depth interviews by identifying potential shops to speak with. We used a random number generator to choose fifteen shops, in order to enhance the credibility of the information gathered through interviews. However, while traveling through Monwabisi Park conducting these initial interviews, other opportunities to interview shops owners occasionally arose. We conducted interviews until the information gathered became repetitive, and we were not hearing any new information. Ultimately our team conducted twelve interviews that were a combination of shops chosen randomly and shops that presented good opportunities for interviews. After every day in the field, the detailed interview summaries were typed for later analysis. Key data gathered from the interviews was input to a Microsoft Excel spread sheet so that we could more easily sort and compare information.

The interviewing process took five days, at the end of the phase, we began to identify the gaps that still existed in our base of knowledge, and prepared for the next step in our project, conducting focus group discussions with spaza shop owners.

### **3.3 CONDUCT FOCUS GROUP DISCUSSION**

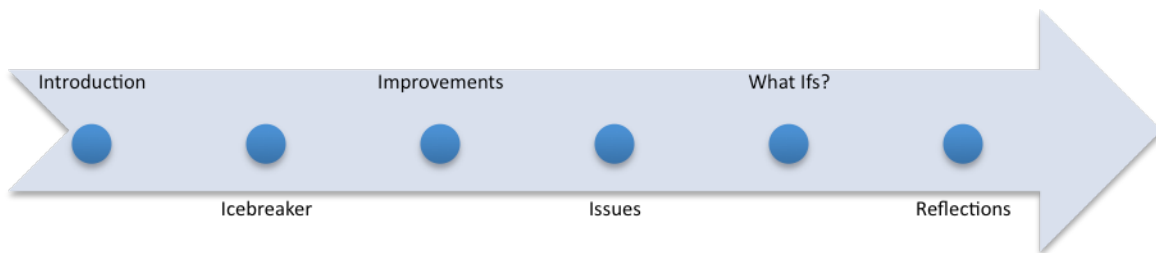
We held a focus group discussion with five spaza shop owners in order to:

- Confirm data gathered and conclusions drawn from interviews and observations of spaza shops in Monwabisi Park.
- Gauge the interest of shop owners in signing up for TTO programs, specifically capacity building sessions and Shop-Net.
- Gauge the willingness of shop owners to cooperate with each other for a mutual benefit.

In planning for the discussion, our team drew from the TTO’s experience in hosting FGD’s. We used several elements that we had observed them use effectively to attempt to enhance our own focus group discussion. Such elements include:

- Easel: The moderator of the focus group wrote down topics to discuss and jotted down key points brought up in conversation on an easel positioned at the front of the room. This was effective in allowing everyone to recall major points, demonstrate that we were listening, and help people follow the flow of the discussion.
- Use of language: We stressed at the beginning of the discussion that participants should speak in whatever language they felt comfortable using. We felt this was effective because it allowed participants to fully illustrate their point.
- Icebreaker: We used an icebreaker at the beginning of the discussion, which was valuable for getting the participants to be more comfortable and feel open speaking.

In preparation for our meeting, our team created a detailed discussion plan. The plan outlined our goals for the focus group, and the below timeline shows the major discussion topics that we covered in the meeting. Please refer to Appendix F for the complete FGD plan.



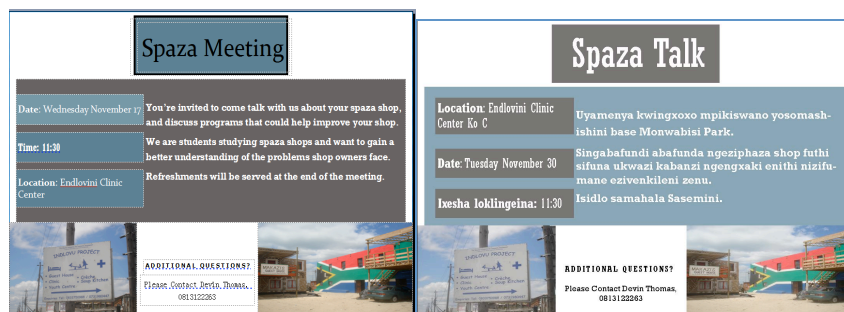
**Figure 7 Focus Group Discussion Timeline**

The most critical and significant portion of the discussion was the “what-ifs?” section, which was allotted the most time. The what-if concept is a research tool that the TTO developed for use in designing programs to help small business owners who may not have had very much formal education. The basic concept is that rather than describe a potential program in business terms that shop owners may not fully understand, pose a potential program as a hypothetical ‘what-if’ statement using simpler language, and ask them what they think of the idea (Bear, 2004). We modified this concept slightly, in order to gauge the interest of shop owners in both capacity building and the Shop-Net program without specifically

mentioning either by name. After presenting these ideas, asked them their thoughts on the concept, questions they have about it, and why or why not they would be willing to participate in such a service.

We decided that the twelve shops whom we had interviewed in the previous phase of our project would be ideal candidates to participate in the discussion. These shop owners demonstrated through their interviews their willingness to speak about their shops and the issues they were facing. We already established a basic relationship with them, and approached them a number of times. Most importantly, we mentioned to all of them that we would be coming back to them to invite them to a focus group discussion, and we wanted to follow through on our word.

Effectively marketing the focus group discussion to shop owners was an important phase in implementing the meeting. To ensure adequate participation in the discussion, we created a half page flyer to use as an invitation, which was easily distributed to spaza shop owners. The flyers in Figure 8, one in English and one in Xhosa, highlight basic information such as the time and place of the meeting and a general description of the purpose of the discussion.



**Figure 8 Invitation to the Focus Group Discussion. English version on the right and Xhosa on the left**

Our team decided that with the help of co-researchers, we should translate the flyer from English to Xhosa and only distribute the Xhosa version. In this way all the shop owners would be able to understand the entire invitation, and it would be easier to give it to friends or family of shop owners who were not in when we visited their shops. We made sure that the co-researchers translated the flyer directly, and did not simply paraphrase, to ensure no miscommunications. We also decided that we would offer a free lunch to all the participants, as an added incentive to attend, and this was advertised on the flyer.

When distributing the flyers, we explained the purpose of the discussion and gave the flyer to the shop owner, along with printed photos of them in their shops. These photos were taken at the conclusion of the detailed interviews we had performed earlier. We gave them these pictures as a thank you for initially speaking with us, and as a sign of good will that would encourage them to attend our meeting. We also asked all the shop owners who agreed to attend fill out an information sheet where they listed

their name, their shop name, and their phone number. We then used this contact information to get in touch with shop owners on the day of the meeting and remind them of the time and place.

We heavily planned the role of each of our team members on the day of the discussion. In the morning we set up a room to handle all of the shop owners, set out the food, and prepared the easel. For the discussion we employed the expertise of two co-researchers in order to assist with translation during the meeting. Before the meeting started, two team members with one co-researcher waited outside, and as each shop owner arrived they filled out an attendance sheet with their name, shop name, and contact information. We also gave each person a nametag, and all wore nametags ourselves. During the meeting, the four of us rotated through our roles as the topic of the discussion changed. At any time we had two people acting as facilitators leading the discussion. One person was the main facilitator, while the other person recorded notes on the easel. The other two-team members took notes.



**Figure 9 Shop owners eating after the conclusion of the focus group discussion**

The greatest challenge in running the focus group was the immense language barrier we faced. Even with the help of two co-researchers, situations arose where shop owners began to have discussions between themselves in Xhosa, and there was not always an opportunity for the discussion to be translated for us. We anticipated this occurring, and so in the days leading up to the FGD we worked heavily with our co-researchers so that they fully understood the goals of the discussion, and were nearly as competent as we were at leading the discussion.

We also utilized a voice recorder to make a recording of the meeting. This was incredibly useful because in the following days we were able to go back and listen to the recording at a slower pace with

our co-researchers. At that time we had them fully translate the entire meeting, so that even though we inevitably missed some points during the discussion we were able to grasp everything that occurred eventually. At that point we also wrote a detailed summary of the discussion.

### **3.4 FACILITATING IMPLEMENTATION OF TTO PROGRAMS**

The next step in our project was to attempt to implement the TTO's Shop-Net and capacity building programmes in Monwabisi Park. Based on the information we had gained during previous stages of our project and after discussions with our sponsor, we decided that there was sufficient need and interest in both programs to try to bring them in to Monwabisi Park.

Our first step was to hold an informational session for spaza shop owners. The purpose of this meeting was to give shop owners more detailed information about both TTO programmes, and sign shop owners up for one or both services. Unlike the previous focus group discussion, our team was not responsible for planning or facilitating this meeting. We did not have the expertise to speak in detail about either programme, and our team was also unable to be present in Monwabisi Park on the day of the information session. Instead a representative from the TTO, Stanley Hendricks, traveled to Monwabisi Park and led the meeting, which lasted about three hours.

While we didn't run the meeting, we still took the initiative to invite people, and we took care of as many of the logistics as possible. We made a new flyer similar to the one we used for our first FGD, with updated date and purpose information. With the help of our co-researchers we invited twenty seven people to the information session in the days leading up to it. We invited everyone who attended our FGD, everyone we had interviewed, and then a number of other spaza shops who we had positive, encounters with. We invited twenty seven shops because we wanted a large turnout at the meeting to generate as much interest as possible.

In addition to inviting shop owners, we gave detailed instructions to two co-researchers, Loyiso and Andiswa, who would be present at the information session to assist Stanley. They were responsible for setting up and breaking down the room for the meeting, greeting people and taking attendance, running the voice recorder, and in general helping with anything that was needed. Our team was also able to provide basic refreshments for after the information session.

During the meeting, which happened on November 25<sup>th</sup>, Stanley was able to enroll twelve in a TTO capacity building sessions scheduled for the following week, and also signed up eleven shop owners for the Shop-Net programme at the conclusion of the meeting. Because it took about a week to process the Shop-Net paperwork, our team assisted the TTO in distributing the membership cards to the new Shop-Net members.

The capacity building session occurred on November 30<sup>th</sup>-December 2<sup>nd</sup>, the next Tuesday, Wednesday, and Thursday. Like the information session, the business training was completely planned and run by Stanley. Our only role was to secure the room in the Indlovu Centre, and set up and clean up the room every day, as well as assist with any logistical issues that arose. In the morning before the first two days of the training session, our team also texted and called the shop owners who had signed up to remind them of the time for the business training. From our experience holding the first focus group discussion, we had learned that attendance at these sorts of meetings was unreliable, and the combination of texting each shop owner the night before and then calling them the morning of the event seemed to help improve attendance significantly.

At the end of the business training, the TTO had trained eight Monwabisi Park shop owners and enrolled eleven in the Shop-Net program; while that is only a small fraction of all the shops in Monwabisi Park, it will serve as a good starting point for future efforts in the area.

### **3.5 MONWABISI PARK SPAZA ASSOCIATION MEETING**

The final phase of our project was to attempt to facilitate the formation of an association of spaza shop owners in Monwabisi Park. From past research we strongly felt that increasing communication between spaza shop owners would benefit them all, and providing them with opportunities to collaborate with each other would also stimulate economic growth in the area. In addition, creating this association would provide the TTO and anyone else interested in working with the spaza shops of Monwabisi Park a centralized point of contact. Finally, creating an ongoing forum of cooperation between the shops was another way we attempted to ensure that the spaza shops in Monwabisi Park would continue to grow, develop, and progress after we left and our project was over.

In order to develop this association, we held another meeting to discuss how the shop owners in Monwabisi Park could work with each other to derive mutual benefits. We scheduled this meeting for December 9<sup>th</sup>, and we held it in a VPUU centre in the neighboring settlement of Harare. We changed the location away from the Indlovu Centre because our sponsor felt that holding the meeting outside of Monwabisi Park might cause the shop owners to take it more seriously, and also in order to accommodate guest speakers who lived in Harare.

We invited shop owners by distributing invitation flyers, and this time we also put a map with directions on the back of the flyer to ensure that no one would get lost. We invited thirteen shop owners to this meeting, all people who had attended the TTO information session two weeks ago. We chose those shop owners because we had heard from Stanley that at the information session they had discussed the

need to work together, and so we believed they would be the most open to the ideas we wanted to discuss at the meeting.

We had the opportunity to benefit from the presence of two guest speakers in the form of shop owners living in Harare. We had met these shop owners through contacts at the TTO, and we knew that they were part of a spaza shop association in Harare. We thought it would be beneficial to have them speak to the Monwabisi Park shop owners about their experiences, and so we invited them to attend the meeting. However, when they were invited they became very excited and even took it a step further, offering to function as co-facilitators and translators during the meeting, an offer which our team was thrilled to accept.

For this presentation the team was able to get in contact with a group of shop owners who recently started their own association of spaza shops. This association formed in another, formal section of Khayletisha called Harrare. The association started in September of 2010, and is called the Imvuseleo Business Network (IBN). There are currently thirteen members, and who already begun to see the benefits of cooperation. In order to stimulate the Monwabisi Park spaza owner's interest, we asked the leaders of the IBN to explain why they started the association and some of benefits to working together.

Working with the Harare shop owners we devised a meeting plan with four main sections. We planned for this meeting to last about two hours because we felt there were many topics to discuss. Our team opened the meeting by giving a ten to fifteen minute presentation on all of the work that we had been doing on Monwabisi Park over the past seven weeks. We discussed some brief background on who we were, then all of the major methodological steps we had taken, and finally we described some of the key findings and results that we had derived from our project so far. The purpose of this presentation was to give all the shop owners present a complete and accurate context for our presence, and the Harare shop owners assisted us in translating the presentation for anyone present who spoke only Xhosa.

After our presentation, we held a general discussion on the benefits of cooperating with each other, and hear how the Monwabisi Park shop owners felt about working with each other. Then the shop owners from Harare spoke about their experiences, and finally we would all discussed the possible formation of a Monwabisi Park spaza association. The meeting occurred as planned on December 9th with eight Monwabisi Park shop owners in attendance, and the outcomes of the meeting are described in our results section.



## CHAPTER 4: RESULTS AND ANALYSIS

After our group took all of the steps that we have outlined in our methodology section, we were left with a large body of knowledge about the spaza shops in Monwabisi Park. We have gathered geographical data on the shops, as well as both qualitative and quantitative data about them. This section outlines our most significant findings, as well as some of the implications and meanings that we have derived from the information. First we will go over the results from the mapping phase of our project. After that, we will discuss our results on several key aspects of the spaza shops in Monwabisi Park:

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

### 4.1 MAP SPAZA SHOPS

We identified ninety spaza shops in Monwabisi Park. Breaking the shops down in to sections, there are 16 shops in A section, 32 in B, 40 in C, and 12 in M section as shown in Figure 10. We attribute this primarily to the relative sizes and populations of each section; B and C sections are larger and more dense, where A and M sections are smaller and particularly M is more spaced out. In the process of mapping, we had the opportunity to observe all of the spaza shops in the area. We now have a firm understanding of the various types of spaza shops that exist, the range of sizes they come in, and the different types of goods that they often sell. There is an incredibly broad range of spaza shops in Monwabisi Park, and no two shops are the same. Based on the shops that we observed, we created several general categories to characterize that spaza shops as seen in

Table 5. Those categories are outlined in the below table, but many of the spaza shops that we have found in Monwabisi Park fall in to multiple categories, and there is often overlap between the categories in goods that the spaza shops offer.

**Table 5 Criteria for Determining the Size of Spaza Shops**

<b>Type of Shop</b>	<b>Typical Goods Offered</b>	<b>Size</b>
Fruit and Vegetable	Fresh produce (apples, bananas, cabbage, tomatoes, potatoes, etc.)	Typically small
Chips and Snacks	Candy, chips, crackers, cookies, etc.	Typically small, cater primarily to children
Cigarette/Convenience	Cigarettes, airtime, electricity, drinks, bread, some products from above categories	Size can vary from small to medium based on range of goods offered
Grocery	Many products from above categories, sugar, oil, paraffin, meat/dairy, other basic groceries	Medium to large, based on how successful the shop seems to be

Below is a map of all of Monwabisi Park that we created using Google Earth. Every red dot on the map represents a single spaza shop.



**Figure 10 Map of spaza shops in Monwabisi Park**

## 4.2 SPAZA MARKET INFORMATION

We identified a few key areas we wanted to gather information on from shop owners. The information presented in this section is our findings gathered through key informant interviews and a focus group discussion.

### 4.2.1 HISTORY OF SPAZA SHOPS.

The data we gathered from spaza shops in this area was fairly consistent between all of the shops. For example, almost every shop owner told us that they had started their shop because they were unemployed and needed a form of income. We verified almost all spaza shops in Monwabisi are run out of the owners home. They obtained the start up money for their shops from a variety of sources. Some borrowed money from friends or family, some people drew from other sources of money such as child support, and some sold valuable items to generate the cash. One woman sold her car in order to attain the start-up capital needed to get the initial stock, shelving, and other necessities to run her shop. While running a spaza shop can be profitable in the long term, shop owners take a considerable risk by starting their shops. They need a sizeable initial investment, and if the shop is unsuccessful they are left in an even worse situation than before.

We also gathered data on how long spaza shops had been in business, because it serves as an indicator for the stability of the spaza market in Monwabisi Park. If the shops tend to be older, that indicates the market is more stable; if many shops are new, then that would indicate the market is less stable and changes frequently. We found that the average age of spaza shops, among the shops we asked, was 4.9 years. As seen in Figure 11 The oldest shop was ten years old, and the youngest was two months. This seems to indicate that the spaza market in Monwabisi Park is relatively stable. Below is a graph of the ages of all the spaza shops in Monwabisi Park.

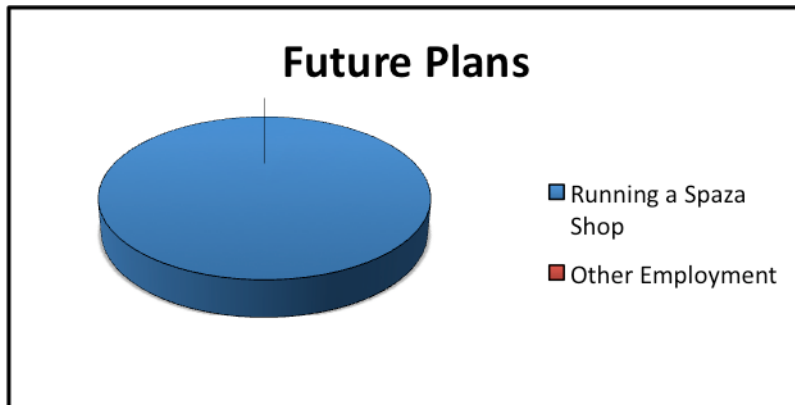


**Figure 11 Graph of the average age of the eleven shops interviewed**

We were able to obtain a TTO census of Monwabisi Park that they conducted four years ago. When we compared the spaza shops that they found with the ones that we have mapped, we were surprised to find only ten in common. However, upon closer investigation we believe that there are in fact more in common. Because of methodological reasons, such as how the names and addresses of shops were recorded, it was difficult to match up many of the spaza shops. The less stable the market, the larger the possibility the shop owner will close their spaza shop and seek employment that does not make use of business training. The overall the spaza market is stable, which indicates business training would be beneficial to the community.

#### **4.2.2 FUTURE PLANS**

We gathered information about the future plans of spaza shop owners through key informant interviews. This information acted as a way of determining how invested each shop owner was in running his or her shop. If a shop owner is willing to give up his or her shop for a more reliable and stable way of earning income, then they are likely not as dedicated to keeping their business for a longer period of time, and as such it is riskier to dedicate resources to assisting them.

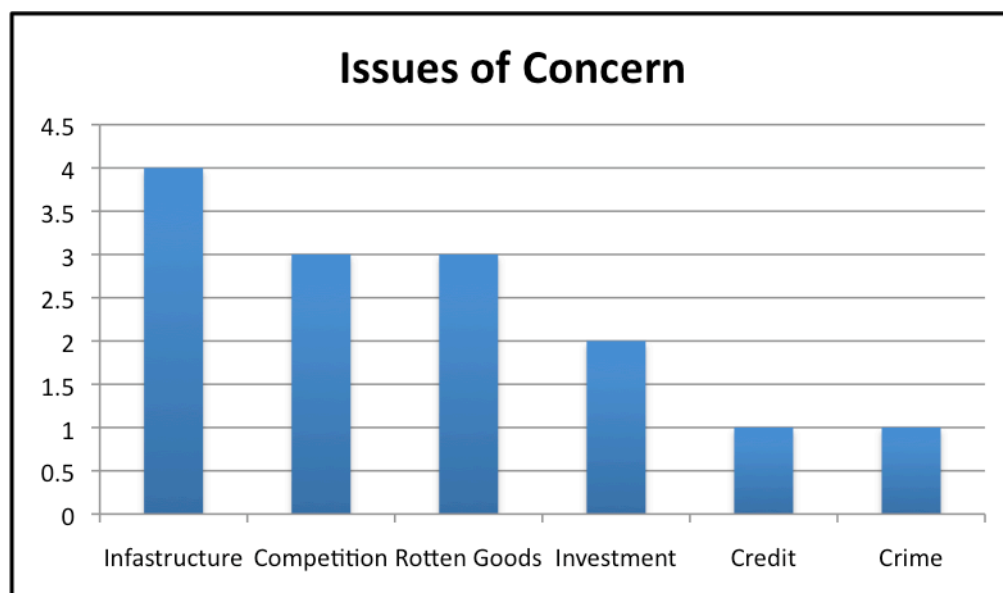


**Figure 12 Future plans of the eleven shop owners interviewed**

The results in Figure 12 illustrate that all of the shop owners told us they would not give up their shop for another job opportunity. They seem to be dedicated to running their shops long term. This shows that these spaza shops are not survivalist, and their level of dedication indicates that business training and support systems would be worth the time investment because the shops will benefit for longer periods of time.

#### **4.2.3 MOST PRESSING ISSUES**

During key informant interviews and focus group discussions, the shop owners identified the most pressing issues that they felt were holding back their shops. This gave the team an insight into which problems the spaza shop owners were the most interested in correcting.



**Figure 13 Issues of greatest concern as seen by the shop owners eleven interviewed shop owners**

The most commonly identified issue was the infrastructure of the shop itself. Many shop owners were looking to expand their shops; however they physically do not have enough space to stock more goods. Other than a lack of space, some shops have structural weaknesses, such as leaking roofs. Some shops also wish that they could make their shops more attractive so that they can entice more customers to shop there.

Competition was also identified as a major issue by several spaza shops, which is discussed later in more detail in the competition section of this chapter. Another issue that shop owners run in to is that due to a lack of proper insulation and refrigeration, goods can spoil, or go bad when they get rained on. During our focus group discussion, one shop owner also mentioned that goods can go bad when shop owners buy improper amounts of supplies, for example buying too many fruits and vegetables that they then cannot sell fast enough. This issue may be addressed through business training, particularly in terms of costing and pricing, and also cooperative buying and transportation.

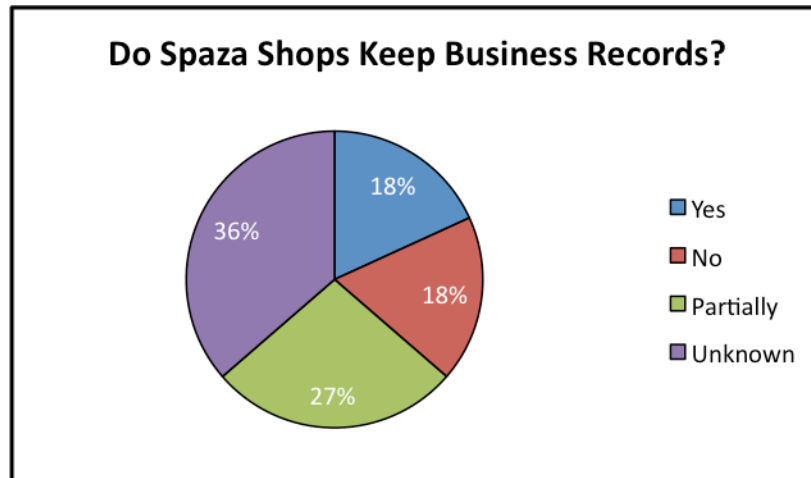
Shop owners also regretted not having more money to initially invest in their businesses, and not being able to attain a loan from the bank to start up their business. One shop owner thought that her shop was suffering because people would not pay for the goods they bought on credit, and one shop owner mentioned serious problems with crime.

Overall the spaza shop owners identified problems that were preventing them from making greater profits. Our team was more concerned with gathering information about issues that could be resolved or alleviated through business training or supply chain interventions. However, that does not make the problems that shop owners identified any less serious. While our project is only addressing certain issues that spaza shops in Monwabisi Park face, there is certainly room for future efforts to investigate solutions to other issues.

#### **4.2.4 RECORD KEEPING**

Another major issue that we investigated in terms of how shop owners run their businesses is what record keeping practices, if any, they utilize. By investigating record keeping in spaza shops we could learn more about the level of education that shop owners have received, as well as judge whether the TTO's capacity building sessions could be usefully applied to the shop owners in Monwabisi Park.

When investigating the issue of keeping proper business records, we found that some shops kept no records at all, some shops kept complete records, and many shops were somewhere in between those two extremes. We were also unable to gather data on this subject from some spaza shops. Our findings are summarized in the chart below:



**Figure 14 Graph of records kept by the eleven spaza shops**

For the purposes of our project, we considered a shop owner to keep complete business records if they kept track of their purchases and expenses, took inventory regularly, and kept track of their sales and profits. Performing all of those activities would allow a shop owner to have a clear idea of the businesses' progress, also where the weaknesses and strengths lie. As an example, one shop owner we interviewed did keep records. He would count his stock at the end of the day and write it into a notebook. Then he could determine his profit or losses for the day.

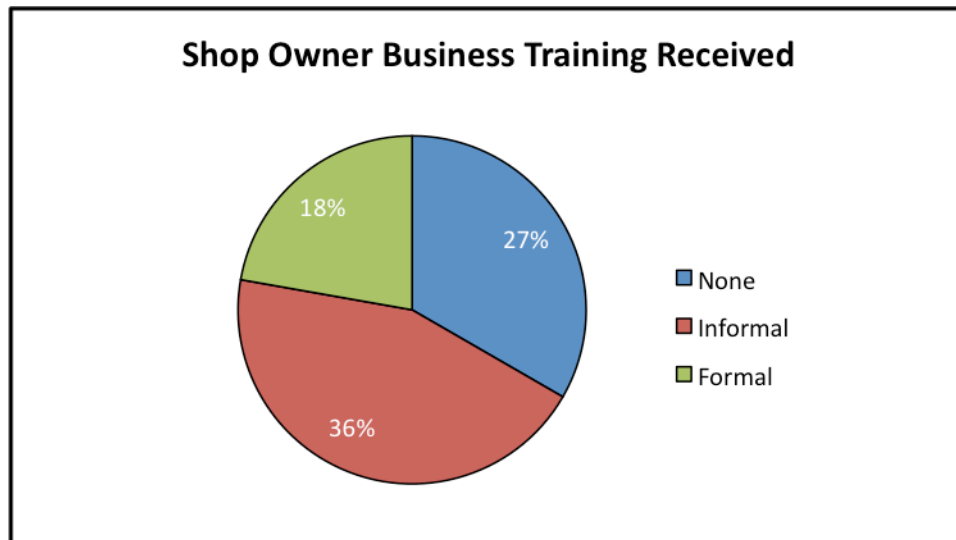
We considered a shop to keep partial records if it performed some, but not all, of those tasks. For example, many of the shops who kept partial records kept receipts when they bought goods, but did not take inventory or keep track of sales properly. Many spaza shop owners said that they did not take inventory because they felt that they could tell what is in their shop and how well they are doing simply by looking at the store, and therefore record keeping is not necessary. However, our team is concerned that this approach will cause them to incorrectly restock their store, and prevent them from capitalizing on profitable items and minimizing losses from costly products.

Based on our research, we have found that only a minority of spaza shops in Monwabisi Park keep complete business records. As a result, at least in terms of record keeping skills, we decided that capacity building sessions could be beneficial.

#### **4.2.5 BUSINESS TRAINING**

Through both interviews and group discussions, our team also tried to gain a better understanding of the general levels of business skills that shop owners in Monwabisi Park possessed. We wanted to learn about areas of running a business beyond just record keeping, such as advertising, costing and pricing, and customer service.

We received a broad range of responses from shop owners when we asked them about the level of business training that they had received. While some shop owners said they had no training at all, a good number had received some sort of informal training. This education typically came from a friend or family member, or from a different job where skills could sometimes be transferred to running a spaza shop. Some shop owners also said that they had received formal business training, either through a school or some sort of programme. The following chart illustrates the levels of business skills training that we observed in the Monwabisi Park spaza owners.



**Figure 15 Graph of shop owners previous business training**

Particularly during our focus group discussion, we asked shop owners whether they thought that 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. Even the shop owners who said that they had received formal business training seemed excited by the prospect of more education. This finding also supports the conclusion that the TTO's capacity building programs would be welcomed and useful in Monwabisi Park.

#### **4.2.6 SUPPLY CHAIN ISSUES**

Because the TTO's Shop-Net programme is primarily intended to alleviate supply chain problems faced by spaza shops, we investigated those issues during our interviews and focus group discussions.

Our key findings are:

- Spaza shops were not receiving goods at discounted prices.
- Spaza shops were not getting 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. No shops that were interviewed said they were able to get goods cheaper because they bought them in bulk. As a result their prices cannot compete with super markets or neighboring Somalian shops that do receive bulk discounts. It also indicates that the shop owners could benefit from a collaborative buying service such as the Shop-Net programme.

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. Half of the shops interviewed said they had to close their shops in order to travel to the store. The shops also have the additional cost of transportation. While some shop owners own their own cars, forty percent of those interviewed said they had to hire a taxi service to carry their goods.

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

#### **4.2.7 VIEWS ON COMPETITION AND COOPERATION**

We gathered information about shop owners views on cooperating with each other through key informant interviews, and we also dedicated a large portion of the focus group discussion to talking about if spaza shop owners would be able willing to with each other.

##### **Key Findings**

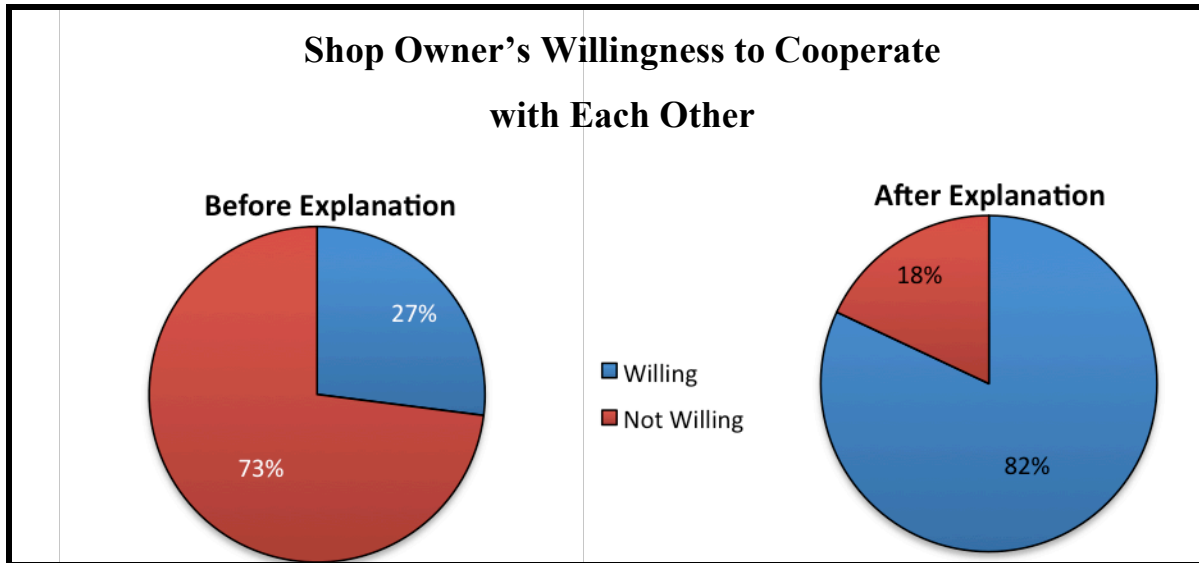
- Shop owners see competition with other spaza shops as a major issue.
- Shop owners do not trust each other.
- There are no current channels of communication among spaza shop owners.

As mentioned in the previous section, shop owners identified competition as a major issue hurting their businesses. A third of the shop owners saw competition as the main problem their shop faced. The majority of these shop owners thought there were too many spaza shops in their area, who are able to sell their goods at lower prices. Many of these shops are run by foreign Somolian shop owners. These shops often have a larger range of goods, are much cleaner than most spaza shops, and have better advertising. These shop owners typically have more business knowledge than native spaza shop owners, and are able to sell their goods at a lower cost because they all work together to buy their goods on bulk. The success of the Somlian shop owners has lead to resentment from the native spaza shop owners.

In addition to seeing other spaza shops there is a lack of trust between the shop owners. Some shop owners were concerned that neighboring shops would lower their prices out of spite in order to hurt the competition. These perceptions illustrate the extent of the lack of trust between shop owners. If the shops are going to cooperate with each other, it is important that they are able to trust each other. A

major factor contributing to this lack of trust is that the shops rarely talk to each other about business related issues.

There is currently little to no communication between shop owners. They are aware of each others prices because the customers often refer to competing shops when purchasing goods. However, this is all they know about other spaza shops. When neighboring shops owners have conversations, they do not discuss business. During the focus group discussion none of the shop owners present had spoken with each other previously.



**Figure 16 Shop Owner Co-Operation with explanation for the eleven shop owners interviewed**

Figure 16 shows that initially people saw the other shop owners as too much competition and would not be willing to work together. After understanding through cooperation they might be able to purchase their goods on discount and derive other benefits, they often became open to the concept of working with each other. This shows the importance of educating the shop owners on the possibilities and benefits of cooperation, which was done during the capacity building information session.

Shop owners saw meeting with each other as the first step to developing a more trusting relationship. They also agreed that meeting was beneficial for all their businesses. Since they were much more responsive to working together after speaking about their businesses in a group setting, we decided it would be helpful for the shops to be able to communicate with each other in the future. 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.

### 4.3 IMPLEMENTATION OF TTO'S PROGRAMS

Seventeen shop owners attended the information session about the TTO's programs on November 26th. Although we were unable to attend the meeting, Stanley, our sponsor, informed us that the overall tone was positive and enthusiastic. As a result of the meeting, 11 shop owners officially signed up for Shop-Net, and paid their R 10 membership fee. Their membership cards were delivered the follow week, and planned on ordering goods within the month. Additionally, 13 people signed up for business capacity building.



**Figure 17 Our sponsor Stanley Hendricks during day tow of the capacity building**

The capacity building took place in the Indlovu Center the week following the information session. Due to lack of attendance on the first day, the training only took place for two days. On the second and third day, eight shop owners attended. Refer to Appendix A, for an overview of the contents of the training. Overall people thought the training session was helpful, and they seemed excited to employ the skills they had just learned. At the end of the training, all the shop owners who participated filled out a feedback sheet where they discussed their experience with the training and gave their opinions on it. For the full feedback sheets filled out at the close of the meeting, refer to Appendix G. Less than a week later we began to see the 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.

#### 4.4 MONWABISI PARK SPAZA ASSOCIATION MEETING

Eight Monwabisi Park spaza shop owners and four members of the IBN attended the spaza association meeting along with our sponsor and advisors. For a detailed description of the meeting, the minutes can be found in Appendix H. The team hoped the meeting dynamics would be similar to our first FGD, where the shop owners had an open exchange of ideas. The shop owners were hesitant to participate perhaps due to a lack of familiarity with the questions being posed, and the larger group setting with the shop owners from Harare. Lulu, from the IBN, described why spaza shop owners from Harare formed their association, the steps they took to start up the association, their current operations, and the benefits they were already experiencing from working together. At the close of this impressive presentation the Monwabisi Park shop owners agreed that they would like to be part of a similar association, and they were hopeful to join in the IBN's footsteps and would like to turn to them for guidance in order to develop this association. As a result the IBN and the Monwabisi Park owners set up a meeting for the following day in the Indlovu Center at 10:00 am. We were extremely surprised and excited by this rapid progression towards collaboration.

The subsequent meeting took place in the Indlovu Center and was entirely run by the two founders of the IBN. By the end of the meeting there were already tangible results of their collaboration. For example, Albany Bread Company will not deliver to an address in informal settlements, but the Harare shop owners are getting bread for the Monwabisi Park owners at a discounted rate by combining the buying power of both the Harare and Monwabisi Park shops. Also the following week members of the IBN and four Monwabisi Park spaza shop owners walked around the park recruiting more spaza shops to their association. The groundwork for a Monwabisi Park spaza association was laid much faster than we anticipated, and there is now a point of contact for the shop owners. We are confident that the Monwabisi Park spaza association has the resources it needs to form successfully.

## CHAPTER 5: RECOMMENDATIONS

Now that we have concluded all of the fieldwork from our project, we are left with a unique body of knowledge and experience. While we are by no means experts on working with spaza shops, we have generated many ideas and insights into working with them, particularly in Monwabisi Park. The following section synthesizes some of our ideas in to recommendations for actions that may be taken to further strengthen the spaza market.

- Extend Shop-Net programme to all spaza shop owners

Out of the one-hundred shops mapped, eleven of the shops were able to sign up for the Shop-Net programme. Due to time constraints our team was not able to attempt to recruit all of them, and there are still many shops in Monwabisi Park that would potentially be interested in signing up for Shop-Net. We recommend the TTO works with the newly formed Monwabisi Park spaza association and use the map we have created to walk around Monwabisi Park and recruit more shop owners.

- Implement a referral program to increase membership in Shop-Net.

In order for the Shop-Net programme to expand, the team recommends the TTO to implement a referral programme among current Shop-Net members in which 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 can receive an incentive. This type of referral programme can help TTO recruiters to quickly identify and assist interested shop owners, and will save them work by having the shop owners recruit for them.

- Fund a local liaison to recruit spaza shops to join Shop-Net and to inform them of training opportunities.

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 recruiting co-researchers with the same or better skill sets in implementing the Shop-Net programme. They can help in quickly building trust between spaza shop owners and the TTO recruiter.

- Expand the range of goods available to Shop-Net members.

In conducting the mapping exercise of spaza shops in Monwabisi Park, twenty of the one-hundred shops we identified sold fruit and/or vegetables. For some of these shops, selling fruit and vegetables accounts for a majority of shop sales. Shop-Net currently does not provide fruit and vegetables for shop owners to purchase, so to help shop owners increase their buying power, it would be useful for Shop-Net to begin offering fruit and vegetables. Currently shop owners still have to hire private transportation and travel far to specific fruit and vegetable markets, such as Epping, in order to stay

competitive. By offering this major category of goods, it would reduce the hassle of shop owners dealing with multiple sources when purchasing stock. It would also allow Shop-Net to expand to shops that specifically sell fruit and vegetables.

- Provide easier access to capital.

The most commonly identified issues by spaza shop owners were infrastructure problems due to lack of access to capital, and this could be addressed by allowing shop owners to get loans. Several shop owners expressed an interest in acquiring a loan to improve their shop. The loans would help them expand their range of stock and make structural improvements to make their shops more presentable and attractive to potential customers. The TTO can be an effective third-party in introducing Shop-Net spaza shop owners to financial institutions that would be able to provide loans. If a loan is approved for a particular shop owner, the TTO can follow up with the shop owner to make sure that the loan funds are being invested properly.

Another way to provide financing to shops is through encouraging some sort of revolving loan system between shop owners. The shop owners could put a set small amount of money into a communal pot on a monthly basis, which could then be lent out to specific community members as needed. Since shop owners would be extremely hesitant to donate money, it would be important to fully explain to them the benefits of the programme. The programme would also be more effective if it were voluntary. It would be important to have a rigid timetable for paying them back, and a predetermined maximum loan amount.

- Diffuse tensions between South African and Somali spaza shop owners.

We believe that the Triple Trust Organisation should make an effort to work with foreign shop owners, particularly Somali spaza shop owners. In understanding the spaza market in Monwabisi Park, there were a number of Somali-operated spaza shops. From our initial observations of these shops, they seem to be well-organized and successful shops that clearly know how to run a small business. These shop owners should not be treated as a threat but as a potential partner in cooperating with local spaza shop owners. In order for this effort to be made successful, it would require a translator who can speak both Somali and Xhosa.

- Conduct research on consumer buying preferences.

We also recommend further exploration of consumer buying tendencies. Spaza shops participating in Shop-Net mostly sell their goods at lower prices than 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.

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## APPENDIX A: ANNOTATED BIBLIOGRAPHY

### Informal Economy

[1] Abor, J., & Quartey, P. (2010). Issues in SME development in Ghana and South Africa. *International Research Journal of Finance and Economics*, 39

Very useful source. It gave an overview of what an enterprise is, whether it is micro, small, or medium. It highlighted the importance of small enterprises in Africa and how influential they are to the continent's economies. Gives a clear definition of the difference between a micro, small, and medium enterprise. It also gave an in-depth discussion on how South Africa specifically defines an enterprise through the National Small Business Act it passed.

Submitted by: Devin Thomas

[2] Bisseker, C. (2006, March 17). Informal economy. Stimulation won't help create many jobs.

*Financial Mail (South Africa)*

Talks about how stimulating the informal economy is not the best use of resources because spaza shops don't help the unemployment rates enough (there is typically one, occasionally two owners). The money it would take wouldn't stimulate enough jobs, and also the majority of the stores would remain survivalist. Published in 2006 the data is not too helpful but can be used sparingly in the background section. Pick 'n Pay and Shoprite are the two largest chain stores in South Africa. Shows where the average consumers' expenditures occur (on what goods). The data come from the BMR (maybe some of this data is more current from this source).

Submitted by: Alexandra Hause

[3] Klasen, S., & Woolard, I. (2006). Surviving unemployment without state support: Unemployment and household formation in South Africa. *Journal of African Economics*, 18(1), 1-51.

Not very helpful, yet. Detailed study on unemployment in general in South Africa. Conducted in 2008 so maybe much of this information will still be relevant. However most of this document will only be relevant if we get into the large unemployment rates in the country in general.

Submitted by: Alexandra Hause

[4] McKeever, M. (2006). Fall back of spring forward?: Labor market transition and the informal economy in South Africa. *Research in Social Stratification and Mobility*, 24(1), September 3, 2010-73-87.

A really helpful source. Although it's not very current, submitted in 2003, the change in size of the informal economy in South Africa could be helpful. The article concludes that white men use the informal economy as temporary workplaces, while others (non-whites, women and people with lower education) are less likely to use it as a step towards formal employment.

Submitted by: Alexandra Hause

[5] Skinner, C. (2006). Falling though the policy gaps? Evidence from the informal economy in Durban, South Africa. *Urban Forum*, 17, 125

This article takes a scholarly approach in analyzing the different ways outside organizations could address the major issues that spaza shop owners themselves identified. One drawback is that the data found in the article is over five years old. This article mentions President Mbeki's address in 2003 when the idea of a "second" economy in South Africa was first introduced, and even comments on the idea of

an informal economy in general. This will be helpful in the background section. In 2003 there was a census of Durban's small shop keepers taken. The methods of this census could be used in the methodology on a smaller scale for Monwabisi Park. The more general results of the census will also be helpful in developing the background section.

*Submitted by: Alexandra Hause*

[6] Robert Rolfe, Douglas Woodward, ANDRÉ Ligthelm, Paulo GUIMARÃES. The Viability of Informal Micro-Enterprises in South Africa. (Whitman School of Management, Syracuse University, Syracuse, New York). 1-34. Presented April 2004.

According to this document's introduction, there can be much to obtain regarding micro-business in South Africa. Research was done by obtaining primary sources from business owners. Statistics are performed to analyze access to capital, ownership by gender, business training and size. It is concluded that access to capital and positive urban settlements have a strong impact in generating a sustainable livelihood for such entrepreneurs. Women are at a disadvantage to spawn such businesses.

*Submitted by Likuvi Chebelyon-Dalizu*

## **Spaza Shops**

[1] Bradford, W. D. (2007). Distinguishing economically from legally formal firms: Targeting business support to entrepreneurs in South Africa's townships. *Journal of Small Business Management*, 45(1), 94-115.

Very useful source. It made an effort to uncover the underlying problems small business owners are dealing with in South Africa. They surveyed informal businesses in Kayelitsha which makes the facts found in this study highly relevant to our efforts in Monwabisi Park. Because the source described in detail on how they surveyed shop owners in Kayelitsha, it will be very helpful in formulating what questions to ask spaza shop owners when we profile them.

*Submitted by: Devin Thomas*

[2] Chao, L. W., Pauly, M., Szrek, H., Pereira, N. S., Bundred, F., Cross, C., & Gow, J. (2007). Poor health kills small business: Illness and microenterprises in South Africa. *Health Affairs*, 26(2), 474.

This source was useful in focusing on one of the challenges that microenterprises face. Not a lot of information covered the correlation between health and the health of micro-enterprises and this covered it in detail.

*Submitted by Devin Thomas*

[3] Co, M. J., & Mitchell, B. (2006). Entrepreneurship education in South Africa: A nationwide survey. *Education and Training-London Then Bradford*, 48(5), 348.

Useful source. The document covered the young people of South Africa and their level of education in terms of entrepreneurship and running a business. The group has been discussing not only current spaza shop owners but to address people who are interested in starting one. The recommendations the survey suggested called for collaboration between spaza shop owners and higher education institutions in potential internship/apprenticeship opportunities. The idea is compelling because spaza shop owners could gain a lot of knowledge from a business academic.

*Submitted by Likuvi Chebelyon-Dalizu*

[4] Dessing, M. (1990). *Support for microenterprises: Lessons for sub-saharan africa* World Bank Publications.

Useful source. It discussed different strategies and methods of assisting microenterprises in an effective way. They discuss a top-down and bottom-up strategy as two approaches of helping small businesses. The article also addresses that the socio-economic environment of an area must be taken into consideration when developing a programme to help microenterprises. They recognize the importance of government help in creating successful programme.

*Submitted by: Devin Thomas*

[5] Emongor, R., & Kirsten, J. (2009). Supermarket expansion in developing countries and their role in development: Experience from southern African development community

This article was very helpful in examining the impact of larger supermarkets in Southern African countries. The researchers included data from all South African countries, and based their conclusions on case studies in Botswana and Zambia. This article was of particular interest because it was written in 2009, and the data is largely still current and applicable. The paper focused on small-scale farmers (who would sell their goods to the supermarkets) and consumers, and ultimately concluded that supermarkets had a positive impact on both. While the paper does not focus on the small shop owners left out by these large supermarkets, there is significant data and social research that will be helpful in the social Implications section particularly subsection Spaza Shops vs Established Retailers.

*Submitted by Alexandra Hause*

[6] Geoffrey Irungu. (2010, Thursday, 15 July 2010 12:10). Analysis: Why agency banking will not replace kiosk owner as unbanked's top leader. *The Citizen (Dar Es Salaam)*,

Mr. Irungu argues that informal enterprises established on the under-established developments will hold a stable front as creditors. The government has contemplated implementing their network to the country's (Kenya) total financial sector since the poor account for a significant portion of the population. Kiosk owners think that this effort will benefit them through unforeseen benefits. The government, however are not overly convinced and are deterred by the popular, overzealous need to move this initiative in that direction. The article concludes that the government would inherently impose too many regulations and might discourage investors. It is seen that stringent rules would be essential in order to establish a steady sector.

*Submitted by Likuvi Chebelyon-Dalizu*

[7] Gulyani, S., & Talukdar, D. (2010). Inside informality: The links between poverty, microenterprises, and living conditions in Nairobi's slums. *World Development*.

Useful source. It highlighted how important microenterprises are to the poor areas of Nairobi. Microenterprises and self-employment have risen out of the slums because of the lack of jobs available. It tried to understand what factors allowed for micro-enterprise to be created from gender to living conditions.

*Submitted by Devin Thomas*

[8] Hlengani, T. (2007, April 27). Sowetho's investment boom. hot property. *Financial Mail (South Africa)*, 34.

Much of their sources of labor came from studies commissioned by the city of Johannesburg. The reports can be downloaded from [www.fm.co.za](http://www.fm.co.za). They are fixing this problem by opening malls that have huge well-known retail stores. The residents complain that these stores have not helped unemployment rates. And they are taking jobs from the local shopkeepers. However the consumers like the new shops because they save them lots of money. One shopkeeper dealt with these issues by catering to "fast-moving" items (sweets, and specialty sandwiches. Another shopkeeper sold drinks at the wholesale prices, and relies on personal relations. There have also been studies done that have shown that

proximity to these malls correlates with a decrease in business. The city has started to combat this by implementing the Soweto Empowerment Zone.

*Submitted by Alexandra Hause*

[9] Kalpana Hiralal. (2010). The "invisible" workers of the informal economy - A case study of home-based workers in Kwazulu/Natal, South Africa. *J Soc Sci*, 23(1), 29-30-37.

Hiralal provides a slight argument that the “invisible” workers (women) of mirco-enterprises are stressing and its telos is to provide a means for sustainment. Hiralal examines several societies in Latin America, Africa and Asia. The report draws upon a meld of discoveries and expectedly, does not parallel each other. In the observed Latin American and Asian societies, women work informally to gain some income while in the studied African society (KwaZulu/Natal), both women and men supported such economies to support themselves. There are a lot of factors that compel these entrepreneurs: cultural, educational, financial hardships and diseases. In all, the unaware are given a better idea of the hardships that force such people to conduct their own businesses.

*Submitted by Likuvi Chebelyon-Dalizu*

[10] Knowledge at Wharton. (2007, May 30, 2007). In South Africa, poor health can kill small businesses. *Knowledge at Wharton*

The striking tale told in this article is that the business owner’s poor health correlates to the “illness” of the business. Professors and associate researchers sought to measure the impact of diseases, particularly HIV/AIDS, had on the informal sector. Primary interviews of owners or relevant persons were recorded, those involving the future of the business. Two years later, the researchers returned to examine the health of both the business leader and the business. These communities are impacted since the business did not show any sign of recovery nor imminent business development. *Submitted by Likuvi Chebelyon-Dalizu*

[11] Krauss, Stefanie I., Frese, Michael, Friedrich, Christian & Unger, Jens M (2005).

*Entrepreneurial orientation: A psychological model of success Among Southern African small business owners.* Department of Psychology, Interdisciplinary Research Unit on Entrepreneurship and Management: Evidence-based Best Practice, Justus-Liebig-University.

This source could be useful in understanding the approach small business owners in South Africa take in starting/operating their shop. This report tried to measure their business performance by a number of factors related entrepreneurial goals. The results of the study could influence us in ways in which we approach educating business owners through the Shop-Net programme.

*Submitted by Devin Thomas.*

[12] Ligthelm, Prof AA (2002). *Characteristics of Spaza Retailers: Evidence From a National Survey (Media Release).* University of South Africa Bureau of Market Research

This source may be useful in understanding key information about spaza shops including its importance to the economy of South Africa. The report reveals products that most profitable among spaza retailers. We can evaluate this information in assisting spaza owners in ways to become quickly successful and profitable. At a minimum, the report will provide an overview of the influence of spaza shops to the economy of South Africa

*Submitted by Devin Thomas.*

[13]Manana, Z. (2009). Antecedents of store patronage and cross-shopping: The case for increasing grocery spend in Soweto.

This 148 page dissertation examines the consumer trends in choosing larger established retail stores compared to smaller Spaza shops focused in the town of Soweto. There is an in depth statistical

analysis of the relationships between consumers and both small spaza shops and larger retail stores. This source will be very helpful in the background section with social implications. It will also aid in the understanding of current business practices of small spaza shop owners, and in the methodology when creating questionnaires for shop owners.

*Submitted by: Alexandra Hause*

[14] Palmer, R. (2007). Skills development, the enabling environment and informal micro-enterprise in Ghana.

Useful source. Providing an overview of the variety of challenges spaza shop owners faced. It presented opportunities done by the government of Ghana to train micro-enterprise business owners. The article recognized the importance of skills development in not only running an individual business, but opening doors to other forms of employment.

*Submitted by: Devin Thomas*

[15] Rogerson, C. (1991). Home-based enterprises of the urban poor: The case of spazas. *South Africa's Informal Economy*, 336–344.

Helpful but uses a loan company to base its surveying of spaza shops on (seems like a bad idea since most spaza shops don't get tons of loan). Includes a classification of the informal economy. There was a survey of spaza shop owners that participated in a loan scheme by the Quatro Trading company (they have a somewhat lenient approach). They don't include the shops that are less than 6 months old.

*Submitted by: Alexandra Hause*

[16] SPAZA News. (2010). *Spaza News Real Issues For Spaza Shop Owners*. Spaza Media.

This source was very useful. This company has been piloting a programme to educate spaza shop owners by releasing monthly newsletters with stories on spaza shop owners and advice on helping to grow their business or to quell bad business practices. Spaza news is not available for distribution in Monwabisi Park but it could potentially be made available to spaza shop owners there.

*Submitted by: Devin Thomas.*

## **Case Studies**

[1] Haan, H. C. (2006). *Training for work in the informal micro-enterprise sector: Fresh evidence from sub-sahara africa* Kluwer Academic Pub.

Very useful source. It provided several case studies from different parts of Africa that involved supporting micro-enterprises. The source highlighted failures and successes of each programme and their efforts could be translated into the strategies of implementing components of the Shop-Net programme.

*Submitted by: Devin Thomas*

[2] IN, S.B. (2008). Annual Review of Small Business In South Africa

Very useful source. Provided a complete and detailed assessment of the state of small businesses in South Africa. It detailed overviews of a variety of government initiatives that support micro-enterprises. It correlated challenges micro-enterprise owners deal with to the efforts that are being made or need to be made to avoid the problem.

*Submitted by: Devin Thomas*

## **Triple Trust Organisation Sources**

- [1] Bear, M., Tladi, S., & Pedro, D. (2004). *The "what if..." service concept test: Triple trust organisation's market research tool to test microenterprise interest in new business service ideas* No. 1) SEEP Network.

This source may prove very useful in helping us with our methodology, particularly in interviewing shop owners. This is a report discussing the effectiveness of the 'What If' research concept, which is an approach the TTO developed and implemented for interviewing spaza shop owners. While the purpose of the report is to analyze the effectiveness of this tool, and how it can be applied in other scenarios, we will more likely view it as an example of the surveying and research methods the TTO used in Cape Town.

*Submitted by Zack Garbowitz.*

- [2] Bear, M., Tladi, S., Pedro, D., & Bradnum, P. (2005). *Making retail markets work for the poor - why and how triple trust organisation decided to intervene in the spaza market in South Africa* (Case Study). USA: The SEEP Network.

This source has been incredibly helpful in performing background research on the TTO's work with spaza shops. This is a case study of the TTO's initial efforts in spaza market development. It discusses why the TTO initially identified spaza shops as an area of improvement to focus on, and then reports on their initial research in to the spaza market, and the analysis and conclusions that they drew from that research. The report concludes by discussing the lessons that they learned during their research, which our group will certainly take in to consideration when developing our own methodology.

*Submitted by Zack Garbowitz*

- [3] Miehlabradt, A. O., & McVay, M. (2005). In Tanburn J. (Ed.), *From BDS to making markets work for the poor*. International Labour Organisation.

This source may or may not end up being applicable to our project. It is a book that discusses the theory and practices of third world market development. Since the TTO is connected with the MMW4P project, it is likely that they refer to and implement some of the knowledge in this book in their own projects. At a minimum, this source will provide us with more general information on stimulating economic growth in impoverished communities.

*Submitted by Zack Garbowitz.*

- [4] Nussbaum, M., & Miehlabradt, A. (2003). *Assessing BDS demand and supply in weak or limited markets* (Discussion Synthesis). Washington, D.C.: The SEEP Network.

This source is a useful resource in looking at the research methods used to study business development services (BDS) in informal economies like South Africa. The source is a report on an online discussion regarding how to research BDS's, and then how to develop programmes to help strengthen them in weak economies. It isn't related specifically to the TTO or South Africa, but the knowledge is still applicable and we will certainly take it in to account, in particular it may be useful in developing our methodology.

*Submitted by Zack Garbowitz*

- [5] Southern Hemisphere Consultants. (2007). *The legal empowerment of the poor: Informal business*.

This source was useful in examining some of the theory behind the Spaza Market Development project and in examining some of the steps that need to be taken to improve the overall economic status of the people in South Africa. The report uses the TTO's spaza development programme as a prime example of backward business linkages helping small shop owners. This report also discusses the need for

improved education and forward business linkages, but our focus was on his discussion regarding small business owners and Making Markets Work for the Poor (MMW4P).

*Submitted by Zack Garbowitz.*

[6] *Spaza market development project* (2009). SASIX Investment Exchange.

This source was very useful for our background research. This is a two-part report written by SASIX, an organisation who compiles reports on philanthropic projects to present to potential investors. This report analyzes the Triple Trust Organisation's Spaza Market Development project, both before it was implemented and six months in to the year-long project. The report concludes that the project seems to be well received and is showing some results. We will use this source as a reference for the work that the TTO has already been doing in the Cape Town area.

*Submitted by Zack Garbowitz.*

[7] Terblanche, B. (2010, August 23, 2010). Good business revives spaza shops. *Mail & Guardian*.

This source will likely be marginally useful at best in assisting with background research, however it did raise some interesting social and political issues related to spaza shops that I had previously not considered. This is a newspaper article written by a South African newspaper in August of 2010, and it is discussing the issue of tensions between native spaza shop owners and immigrant shop owners, specifically Somalians. It touches on many issues related to our project, such as the levels of training, skill, and education in shop owners, and their views of other entrepreneurs and their willingness to trust and work with each other.

*Submitted by Zack Garbowitz*

[8] Tladi, S. (2003). Spaza Project Updates- *Key Learning for the SEEP PLP in BDS market assessment*. Triple Trust Organisation.

This source was very useful in giving an inside look in to the research and methodology of the TTO. It is a report written by the TTO discussing the results of their initial research in to the Spaza market. It also contains some of the initial material used by the TTO in their interviews with shop owners. It provides more background on the research and findings of the TTO, and we will also potentially be able to refer to this when preparing for our own interviews with shop owners.

*Submitted by Zack Garbowitz.*

[9] Tladi, S., & Miehlebradt, A. (2003). *Triple trust organisation spaza shop project case study*. Triple Trust Organisation.

This source seems like it will be very useful in our background section and in understanding the views and background of our sponsor. This is a report written by the TTO that discusses why they chose to investigate the spaza market, the findings from their initial research, and discussion on the research they are now conducting. The only drawback to this report is that it was written in 2003, and since then the TTO has likely conducted much more research, so if we can find an updated report it would be even more useful.

*Submitted by Zack Garbowitz.*

[10] Triple Trust Organisation. *Triple trust organisation: Empowering people through enterprise development*. Retrieved September/4, 2010, from <http://www.tto.org.za/>.

This source was very helpful in providing general background on the Triple Trust Organisation, our primary sponsor. This is their organizations website, and contains a large amount of general knowledge

about the TTO, their mission, their methods, their associates, etc. While we most likely will not site this source directly, it was very helpful in starting to accumulate a base of knowledge about our sponsor, and pointing us in the direction of more useful sources.

*Submitted by Zack Garbowitz.*



## APPENDIX B: EMAIL CORRESPONDENCE WITH WALIED SABAN

Hi Kuvi

its like this at first the community in these areas where the foreigners set up there shops were very happy as these foreigners was selling there stock very cheaply and as for those on the local side had to adjust there prices as they were loosing customers very quickly a couple of years back a riot started where by the locals demolished shops and allot of the foreigners got injured and maimed that time they called it xenophobia and allot of the foreigners fled the town ships due to this chaos, some of the foreigners then moved to the the coloured areas where they were accepted a bit more warmly if i may say so some at these foreigners got use to the Afrikaans language and adopted it very quickly even tho they treated as bad as homeless people but they pulled through a lot has made friends and enemies as it goes in these parts of the cape flats. majority of the foreigners has returned the locations and started from scratch. and i do believe that they are helping the economy i would say yes as they play a big part in the community as they provide for the community as some of the locals has difficulty in going to Malls and spending money on transport so when the spaza shops are just around your corner i don't think that i would waist time and money were by i can just walk to the spaza shop and purchase what i need there.

i do apologise for not giving you more info due to my duty's i have to leave I'll chat with you tomorrow again please forward any questions regards

saban

On Fri, Sep 24, 2010 at 8:40 AM, Chebelyon-Dalizu, Likuvi <lkcd225@wpi.edu> wrote:

> Mr. Saban,

> Great! That's a good start. That's what we have discovered, too. The spaza shops go through rapid changes from being big star spaza shops to the same old ones years down the road or dead. Now about the people of South Africa, how do they react against foreigners. Let's say for example the owners of the Kwiri Kwiri shops. I've heard that there seems to be some contention between the native owners and the foreigners who come down and set up shop. And do you think they help the economy as well?

> -Kuvi

>

Hi Kuvi

Firstly i think what you guys are trying to do is a great idea and on what you want to achieve. i,m glad that you considered me to be part of your project i will try my utmost best to give you the proper info you need.Spaza Shops in Khayelitsha as you might be aware of there is quite a huge amount of these Spaza Shops popping up where there is life people in the informal settlements start out small if they are by the means of buying in items to sell for example selling sweets, chocolates, fruit, scones, chips then you get the bigger shops that sells your basic daily intake its like ????? how can i explain it a Mini mini mini mini market and then you get the ones that looks like chain store and liquor store in one these are the ones that makes the most profit and gains allot of customers last but not least then you get the spaza shops that are owned by what the informal settlement people call them in Cape Town Kwiri Kwiri these are the people that come from Somalia, Nigeria, well basically from all around Africa's Refugees so no that you have a small peace to go on with i need to end my chat with you so that i can start my daily duty further more i do hope when you do need any other info that you wont take so long to respond as you said that you will be coming through in October well let me go i will chat again with you on Monday

regards

Saban

On Thu, Sep 23, 2010 at 5:41 AM, Chebelyon-Dalizu, Likuvi <lkcd225@wpi.edu> wrote:

> Dear Mr. Saban,

>

> Sorry, for being late with my reply. I am very interested in what you  
> know about the spaza shops in South Africa, and if you happen to live  
> in Cape Town or know of Khayelitsha, it would be outstanding. My  
> name's Kuvi and I'm a part of a four-person team doing an IQP research  
> project for WPI. We're working on improving the informal economy of  
> Monwabisi Park by focusing on strengthening spaza shops in informal  
> settlements in the area. In fact, here's our mission statement of our  
> project: The goal of this project is to help spaza shops to grow into  
> sustainable and financially stable micro-enterprises in Monwabisi Park  
> by creating networking opportunities between spaza shop owners and  
> wholesalers, adapting the Triple Trust Organisation's Shop-Net programme  
> to Monwabisi Park, and facilitating business skills training for spaza shop owners.

>

> In mid-October, we're going to be traveling to South Africa (for seven  
> weeks) in order to work with our sponsor the Triple Trust Organisation  
> (TTO) in strengthening these spaza shops, but before we go we've been  
> doing as much research as we can to learn about the situation and  
> strategies that can be used to help these people. I would like to  
> broaden our base of knowledge and I thought this would be great way to  
> connect to people who live in South Africa. Based on the description  
> of your background it seems like you may have something of value to  
> contribute to our research. I would really appreciate close  
> collaboration about this topic. Again, I'm sorry for replying so late.

>

> Cheers,

>

> Likuvi Chebelyon-Dalizu

## APPENDIX C: CASE STUDIES

Several case studies related to micro-enterprise development have been done. Understanding of these cases, particularly the problems and challenges faced executing the project can better form strategies in implementing programmes in Monwabisi Park.

In Tanzania, a series of short courses were offered to micro-enterprise business owners. Working with fifteen different organizations, they released a survey to micro-enterprise owners to better understand their current skill sets and what areas of business training need to be stressed once the programme was offered. Once the results of the survey were analyzed, four main objectives were formulated in what training skills were to be offered. Training would involve teaching skills directly related to a current market trend in order the micro-enterprise owners could maximize their profits on something that was popular. Training was unique to the informal sector it was teaching in order that lessons are specifically catered to the demographic attending training sessions (age, gender) and relationships that could be formulated between business owners and local markets close by. Training would also be implemented through what current training support infrastructure was there (Haan, 2006).

Several observations were made during the training programme. Because micro-enterprise trainees would come out of training knowledgeable in running a business, many trainees desire to contact credit services in regards to financial support. It would have been good for the programme to provide a direct contact to credit and financial services. Training programmes should have been divided between enterprise owners and employees. Trainees were able to afford the programme because it was subsidized. Trainees paid travel and lunch. A carpentry course offered by the programme inspired twenty percent of participants to start their own shop (Haan, 2006).

In a case of a privately owned institution, Mengo Institute of Technology, in Uganda, began by two people with a sufficient technical and teaching background. They have many courses in which advanced and government skills certificates and diplomas are available to achieve. For a full-time student, it will take two years to earn a general certificate but another year of student can earn an advanced certificate. Between sixty and eighty percent of students pass final exams to earn a certificate. Classes were held in either the morning or afternoon and instructors taught in English. Many of Mengo's students range between eighteen and thirty-five year old who go to school half the day and work the rest of the day at their informal shop. It is estimated that once a certificate is earned, students end up in either the formal, informal, or unemployment sector of the economy (Haan, 2006).

Mengo faces different challenges in running a successful training institution. Many of the issues stem from it being privately funded. Students pay USD 45 per term and about USD 72 for diploma courses. The dropout rate is high because many of the students cannot come up with the training fee.

There is not enough training equipment for each course. Trainers are reduced to teaching “practical” classes just once a week. Mengo has to also deal with costly taxes authorized by Ugandan Revenue Authority in running the institution. Owners of Mengo cannot resort to increasing fees to combat each of the challenges because the dropout rate would increase and would turn away potential students. As a for profit institution, audits from 1999 have shown that Mengo was in deficit after all training costs were implemented. With pressure to improve training courses, increase salaries of trainers, and increase student fees, Mengo must find a reasonable balance in order to cater to young students and turn them into skilled craftsmen (Haan, 2006).

Like Mengo, a similar training facility in Zambia, Mansfield Institute of Technology, aims to teach students valuable skills to open up employment opportunities post certificate. The courses are more compact in that it takes a minimum of six months to receive a certificate and a year to receive a diploma. Besides typical teaching methods of covering written materials, trainers make an effort to make forty percent of the class hands-on by incorporating class-specific workshops. Mansfield makes an effort to mix business skills along with the technical in order that the student has the knowledge and ability to utilize their skills to start their own business. Once a student has earned their certificate, Mansfield provides a recommendation letter and assists students with attaining full-time to internship-level jobs. Many students end up coming back to school to complete their diploma course. Mansfield has a challenge like Mango in that they do not have enough training resources. Potential issues that have been highlighted in the Mansfield study that can apply to all privately funded training institutions in the third-world is issues with the training staff. Some of the staff is not as knowledgeable in the courses they teach. Also, the training staff at Mansfield constantly changes in that there are there are new trainers for courses frequently which lead to inconsistent teaching (Haan, 2006).

## APPENDIX D: INTERVIEWS WITH SPONSORS

### Interview 1: September 21, 2010 at 8 A.M. Eastern Standard Time

Phone Interview

Interviewee- Donovan Pedro

Interviewers- Devin Thomas, Likuvi Chebelyon, Zack Garbowitz, Ali Hause

Discussion Topics:

#### ***Personal History with The TTO***

Donovan Pedro is Operations Director, and also sits on the board-17 years of TTO experience  
TTO-22 years old. Fighting Poverty, head office in Cape Town

#### ***Please Explain a little about the Shop-Net Program***

Started in 2002

First the TTO commissioned some research on the spaza market

Received a one-page report

Which showed it was an under focused and under researched market

Since then focus and attention on the market has increased

Why focus on spaza-shops?

Researched the spaza market because of impact on the poor

Most spaza shop owners start these businesses because they are unemployed

Spaza shops are a way for owners to put bread on the table

Most people in the community use spaza shops on a daily basis

Good way to Make Markets Work for the poor

Approach is to understand the markets and talk to as many shop owners as possible

Wanted to diverge from a supply based approach to a demand led intervention

Have done research, surveys, FGDs, and interviews to develop the program on two  
continuums

Build Social Capital Among Spaza Shops- Horizontal linkages

Lead to the idea of the Shop-Net Program

It is a benefit driven network that offers-

Access to voluntary buying groups (Shop-Net negotiates with suppliers)

4,200 spaza stores in the greater cape town area (through extrapolation)

logic for economies of scale and collective purchases

shop owners place orders with Shop-Net, then Shop-Net finds best  
possible price

Offers business training programmes, or capacity building

owners often have no formal training

Teaches owners things like costing & pricing and how to build business

Also, Understanding basic business documentation

Vertical Linkages- goal is to bring the manufacturer closer to the shop owners

There are currently too many middle men handling products, taking away the margins

Use strength of horizontal linkages

Supply chain integration- moves some of the manufacturers closer to spazas

Focus is on meeting the customer's needs

Operates through partial format franchising

They focus on 20 to 30 products in high demand

Shop-Net will go talk to the manufactures to negotiate products at better rates

### ***Difficulties that have arisen with the implementation of Shop-Net***

Banking issues- handling lots of cash

Getting shop owners motivated to attend training since these are pre-existing businesses

Issues with trust and the shop owners – they pay up front for stock

For example they have to pay money (down) initially for goods

It can be difficult for owners to put faith in TTO programs

Always give shop owners good records, invoices, etc.

Animosity with the new foreign shop owners entering the market

Lots of north Africans starting spaza shops

Shop owners don't understand business well, and they don't keep good records

### ***Have the spaza shop owners responded well to the Shop-Net?***

Overall they react positively.

Gave an example: the move to a market related fee.

The TTO started by using funded money and people had to pay 50 rand for 8 deliveries per month. They then moved to a market related fee-300 rand per delivery. Shop owners initially didn't see the value but after a few weeks came around to it, so overall shop owners seem to react positively to the program.

The fact that shop owners came back to the program is a strong success indicator

If the TTO can provide a service owners feel it is worthwhile to pay for, success

TTO trying to build supply + demand in the market

Requires building trust (especially being on time with deliveries)

Represents a critical link to development continuum- the shop owners will see the benefit

### ***How effective do TTO Training programmes seem to be? Are they helpful?***

TTO does a follow up with the shop owners after they receive the training.

Spoke to Professor Jiusto about helping with better record keeping systems

Need to get owners to understand the value of information, record keeping

### ***Prior work in Monwabisi Park***

Nothing however this presents a good opportunity

Never go in with a preconceived solution

Understand dynamics of Monwabisi Park on its own

Focus on demand-led intervention

This is the method the TTO uses when beginning work in a community

### ***Warehouse in Khayelitsha***

Step towards vertical supply chain integration

Trying to bring manufacturer closer to the market

Represents an exit and sustainability strategy for the TTO

There is a business case for manufacturers to supply wholesalers to supply spazas

Approximate size- 750 square meters

Pro-poor equity structure

Ownership of the warehouse-Spaza shop owners 51%, 20% rest of community, remaining is investors

Will act as a distribution center

Should create wealth in the township

Distribution center is linked to development continuum

Voluntary buying group is first step of continuum

Get shop owners to understand value of the buying group

Better prices, delivery of goods, saving money, etc.

Partial format franchising is the next step

Partial Format Franchising-the idea of buying specialized goods

Provides another benefit to spaza shop owners

All about meeting the customers needs  
Distribution center will play an integral role  
Trying to develop the market, focused on meeting the customers needs

***Has anything started in relation to construction?***

Working with the VPUU, ground will be broken soon  
Had to sort out many community dynamics  
Operating within the VPUU framework  
Still working to finalize the plans. It has been 2 years since its inception.  
Contact Andreas Gensicke from the VPUU.

***Where is the funding for the warehouse coming from?***

50million rand- provided by city of Cape Town & German bank  
The city is involved at the distribution center level

***Things we should explore while in Monwabisi- Profiling Spaza Shops***

Stock holding, product turnover  
Business equipment  
Infrastructure  
Turnover- sales  
How much money do they take from business?  
Recording keeping systems  
Do they already have business training?  
Shop owners are typically hesitant to give information initially  
Build a set of proxy indicators  
Alternative to traditional information gathering tool  
Additional tool (a set of indicators of how successful a spaza shop is)  
Example- bread sales as an indicator  
Helps TTO to determine level of credit to offer shops  
Useful indicator for overall shop success  
People employed is another good proxy indicator  
In this way we can gather information without requiring detailed financial info

***Priority issue development-*** things we should be looking into in anticipation of our visit?

Difficult to get good information out of spaza owners  
Promote Shop-Net  
Make delivery systems more efficient  
Record keeping system for spaza shop owners specifically  
Don't know sales/ profit/ stock for profitable use  
Objectives  
Payment issues, such as the methods used to pay  
More efficiency in regards to working with Electronic orders

***Competition by Other Organizations***

People have tried to start distribution centers  
People see it as an easy way to make money but they don't seem to work  
Advantage of the TTO-product distribution focus  
Important to include the target group in the decision making process

***How has the government impacted the TTO's work?***

Can be difficult to get other people to understand TTO thinking/approach  
Many loan initiatives provided by the government to shop owners  
shops struggle to access these initiatives  
Try to keep government aware of the program but have no open support  
Government could help more in distribution centers

***What involvement do you have with the VPUU?***

Both identified spaza shops as a target area, so they started working together  
Partnership has evolved out of potential for a distribution center

***Other resources and things to look into before traveling to Cape Town.***

UNISA Beautiful Market Research. (BMR)

They have done research on a national level in terms of spazas

They have very similar findings in other areas

The work can be applied to South Africa as a whole

Supports research done by TTO, similar findings

Spaza shops are everywhere, so if the programmes work in Cape Town they

should

be able to be applied anywhere.

***Questions for our team***

We will be traveling to Cape Town from October 22nd to December 18th.

Email contact: ct10spaza@wpi.edu



**Interview Summary from Discussion with Andreas Gensicke, VPUU  
October 6<sup>th</sup>, 2010**

***Introductions***

- Our team:
  - Devin Thomas
  - Ali Hause
  - Kuvi Chebelyon
  - Zack Garbowitz
- Interviewee:
  - One of our sponsors, Andreas Gensicke from the VPUU.

***Could you please describe some of your history working with the VPUU? What is your position?***

- Been working with the VPUU for 10-12

***Has the VPUU done any previous work with spaza shops? Is the warehouse the first effort?***

- Spaza shops are in similar circumstances throughout the area.
  - One important question to answer is, what are constraints between formal and informal spaza shops?

***Our team has reviewed the VPUU's executive summary on their business survey. Have any programmes been implemented as a result of this research?***

- Many small projects, such as patrolling team.
- Trying to build up a bakery to sell to warehouse to be distributed to spazas.
- Trying to link ways of helping the people together.

***Could you elaborate on capacity building programs?***

- VPUU gives many different trainings based on issues identified during work with community.
- Trainings on computer and business skills, primarily through TTO.

***Could you elaborate on cashless trading system?***

- Spaza shops vulnerable to crime since they are cash based, they make big targets.
- Looking for alternatives to so much cash, such as paying through a card linked to a banking system.
  - Get these cards to community members.
- Would reduce cash being used.
- Need to figure out how people can reload their cards, may use cell phones.

***Has any of this cashless system been implemented yet?***

- Some banks do already have cashless systems in South Africa.
- TTO and VPUU are also working with another organisation looking into cashless systems
- Have also approached computer companies, but the systems are expensive.

***How is Harare different than Monwabisi Park?***

- Harare is a formal area built by government, well developed.
- Monwabisi Park is mostly tin shacks, much less developed, less space, less roads.
- No lights, no electricity in Monwabisi Park.
- No schools, no hospitals, spaza shops are mostly along the main road.

***Can we get the full findings of the business survey?***

- We will speak with Scott Jiusto to see if we can get the data.

***Our group has been developing potential objectives for when we're in South Africa.***

- *Want to try to profile and map spaza shops in South Africa.*
- *Conduct interviews with spaza shop owners.*

- **Learn more about the spaza market.**
- **Speak with spaza shop customers to understand their buying habits.**
- **Assist TTO in recruiting spaza shops in to the Shop-Net program.**
- **Develop a response to another priority issue.**

***Do these objectives line up with the VPUU's goals?***

- Yes, the VPUU does support all of these objectives.
- Our group can hopefully learn new information that would be useful to VPUU and TTO.
- Try to find out how to recruit them more effectively.
- Determine why people stop cooperating with Shop-Net.
- Why do people lose interest?
- Why don't they have the interest to compete with major chains?
- Why won't they cooperate with each other? They work individually.
- It may stem from a cultural problem. They want to do things on their own. Spaza shop owners do not seem to be willing to help each other.
- Shop owners don't even share transportation to go get goods.
- We should try to investigate this issue further.

***Our group is trying to develop a response to a priority issue. Do you have any ideas for what we may try to work on?***

- For Andreas, the most important questions are:
  - How can we recruit shop owners?
  - How can we convince them Shop-Net is valuable?
- The warehouse is a major investment.
- There around 3000 spaza shops in Khayelitsha, many people depend on them.
- There will be major negative repercussions if the spaza market is wiped out by major retailers.
- Spaza owners will need to do away with their individualism to compete.
- Need to look for sustainability in the spaza shop business.
- If we can determine how to make the spazas a viable business model, that would be excellent.
- Many NGO's and the government have made many false promises to spaza shops.
  - Shop owners are likely to not believe us.
  - May speak with us, but probably won't trust us.
  - This may be a major constraint our group will face.

***In terms of constructing the warehouse, who will be building it?***

- The warehouse is being financed by the City of Cape Town.
- Warehouse is costing about 2.5 million dollars.
- Any company of sufficient size can tender for the warehouse.
- One company won the tender and has started working on the warehouse.
  - Part of the contract is they must give work to the local residents.
  - Must subcontract with local companies.

***Do you know about how many people may be employed?***

- Very difficult to determine how many people.
- It will all be based on what types of work need to be done.
- We may be able to find what percentage of the work needs to be given to the local community.
- Our group will send Andreas an email with any specific information we will need to know.

***The general concept of the distribution center:***

- The center of the warehouse is where spaza goods will be stored.
- Try to get these goods directly from manufacturers, and want manufacturers to deliver to the warehouse.
- Manufacturer will need to pay for shelving in the warehouse.
- Outside the distribution center, there will be 18 small shops, a bakery, some offices, and a boxing center.

- It's going to be a major center.

***Who will be running the warehouse once it is constructed?***

- The concept is that many spaza shops will come together to form a corporation.
- Out of this group of spazas, they will form a board of trustees.
- The board will then run the entire distribution center.
- The center will be owned 51% by the community (the spaza shop owners).

***How will you determine what goods will be stocked in the warehouse?***

- Most spaza shops sell many common goods
- Warehouse will try to stock many of these goods
- Looking at stocking 20 to 25 main, best selling products

***If the spaza market starts to grow, can the warehouse handle more of them?***

- Difficult to imagine a situation where many more spaza shops start to appear.
- Distribution center should make things easier for spaza shops.
- Prevent spaza shop owners from driving to many wholesalers, lose lots of time and money getting their goods.
- Want to save that time so they can put it in to their businesses instead.
- And so spazas can compete with super markets, and give out specials to attract more customers.

***In terms of delivery of goods, how will spaza shop owners get goods from the distribution center?***

- Warehouse is going to look to hire community members who own vehicles.
- Give them work as distributors.
- These people will deliver goods to the spaza shops.
- Shop owners can also go straight to the warehouse to get their goods.

***Have any security concerns been addressed in terms of the warehouse?***

- Security considerations have been taken.
- May also let taxi drivers stay in the warehouse over night.

***How will you determine which shops will be chosen to operate around the warehouse?***

- VPUU is advertising space through the newspaper.
- People can apply to operate shops around the warehouse.
- Potential shops must have a bank account and financial records.
- Must show they have a registered business.
- VPUU will then interview business owners and choose the shops they determine are most appropriate.

***Which newspaper is this advertised through?***

- Vukani newspaper, which is distributed throughout Khayelitsha.
- Many people have access to this newspaper.
- Spaza shops also sometimes stock the Vukani.

***Is there anything else important that we missed that you think is important?***

- We will be able to grasp the situation much better once we are there.
- Very difficult to truly understand the situation without seeing it for yourself.
- Our team is very excited at the opportunity to travel to Cape Town and work with the VPUU and TTO.
- There are major differences that cannot be understood until we get there.

***Are there any questions that you have for us?***

- When will our team be in Cape Town?
  - ***We will be in the area from October 22<sup>nd</sup> to December 18<sup>th</sup>.***
- How many people are coming?
  - ***There are four members in our group.***
- ***In the future we will try to plan our discussions a bit further in advance.***
- ***We won't hesitate to contact you with further questions.***

***Thank you very much for your time! We are really looking forward to working with you in the future.***

## APPENDIX E: SPAZA SHOP INTERVIEW PLAN

### Interview Questions for Spaza Shop Owners

- Introduction
  - Our names, ask for their name, buy something from the shop
  - Language note
    - Feel free to talk in whichever language you are the most comfortable speaking in.
  - Institutional Review Board disclaimer
    - Can be found in the project proposal.
  - Reason we are doing this survey
    - We are students who are working with the VPUU and SNAC. They are considering using a service provider to bring programs to Monwabisi Park intended to help spaza shops. But the first step in this process is to learn if those services can help Monwabisi Park. We are studying spaza shops here, and we are trying to get a better understanding about the problems you face. Would you be willing to speak with us for about thirty minutes about your business? Or if now is not a good time, could we come back some other time to speak with you? When would be a good time?
    - Explain how the interview will go
      - We are going to ask you some in depth questions about your shop
      - This interview should last about thirty minutes.
- How did you start your shop?
- What do you think are the good parts of your business at the moment?
  - Why do people come to shop at your shop?
  - Why do people come to your shop instead of other shops in the area?
- Do you keep any sorts of records in running your spaza shop?
  - Do you keep hold of receipts when you buy your goods?
  - Do you ever take stock of what goods are currently in your shop?
  - Do you have a general sense of how much money you are making weekly?
- In your opinion, what are the major problems that are holding back your business?
- How would you like to change your shop to get more business?
  - Are there certain goods you wish you could sell?
  - Would you like to change the way your shop looks?
- What are your plans for the future?
  - Would you still like to be running your spaza shop a few years from now?
    - Are you looking to grow your business?
  - If you got a job opportunity somewhere else, would you take it or would you rather continue to run your shop?
- Where do you get the goods that you keep in your store?
  - Do you go to the same place to purchase all your stock, and how often do you visit these stores?
  - If you go to buy them, how do you get there?

- Do you go with anyone else?
- Does anyone run the shop for you while you are gone, or is the shop just closed?
- Do you see this as a problem that is holding back your business?
- Do you ever receive discounts when you buy your goods? Do you pay the same price as regular consumers would?
- How do you decide how much to sell your goods for?
  - For example how much do you sell bread for
  - Do you ever sell your goods at discounted prices
  - Which goods do you sell the most often?
  - What item do you make the most money on?
- Do you ever give goods to your customers on credit?
  - How does that work?
  - Do people usually pay you back?
    - How long does it usually take?
  - How do you keep track of who owes you money?
- Where did you learn how to run your spaza shop?
  - Have you ever received any business training?
  - Would you be willing to participate in a free business-training program?
- What are your views on working together with other spaza shops in the area?
  - Would you ever be willing to work together?
  - Do you ever talk with other shop owners in the area?
    - Compare strategies?
    - Talk about where to get goods?
    - Anything else?
- Would you be interested in participating in a group discussion with other spaza shop owners in order to discuss these issues further, and to learn more information about the programs we could potentially bring to Monwabisi Park?
- Do you have any questions for us?
- Thank you very much for your time, and we will speak with you again soon.

## APPENDIX F: FOCUS GROUP DISCUSSION PLAN

### Logistical Notes

- Time: 11:30 A.M. on Wednesday, November 17<sup>th</sup>
- Seating Arrangements
  - Half circle with tables in front of them (four tables with five chairs)
  - Facilitator will stand in the front- will be a rotation of the four of us (the other three will be sitting at one of each of the four tables)
- People present
  - Spaza Team
  - Spaza shop owners- 12 Invited, 10 RSVP'd
  - Advisor?
  - TTO Representative- Stanley
  - Co-researchers (Loyiso (main translator), Andi)
  - Member of assets team?
  - We would like to audio record the meeting, after getting everyone's permission
    - Have one team member checking that the batteries haven't died every 5 min
- We want to provide some sort of free food to participants
- Be sure to keep all participants involved
- We should use name tags
- Time limits- over all one hour (not including refreshments)
  - Intro/ Icebreaker- 10 min
  - Changes-10 min
  - Issues-15 min
  - What ifs – 20 min
  - Reflections- 5 min
- *Use of the white board*
  - As a strategy, the facilitator should first list the subjects the shop owners bring up on the white board

### The Overall Goals

- Gauge their interest signing up for a program that will improve their shop
  - How-The what if section
- Gauging their interest and ability to cooperate

- How-The response on the what if section
- Confirm what we have already been hearing
  - Supply Chain issues
  - Lack of record keeping
  - Lack of business training

### **As People Arrive (Andi, Devin, Zack)**

- Have two team members and a co-researcher greeting people when they walk in, and asking them to use the sign in sheet
  - Script for introduction: Thank you for coming. Can you please confirm your information on the sign in sheet, make yourself a nametag, and have a seat wherever. We are going to wait to start the meeting to give everyone time to arrive.
  - Sign in sheet: Name, shop name, shop address and phone number
  - Have people make up their name tags

### **Introductory Speech (Loyiso)**

- Xhosa Introduction (Kuvi)-Thank you for coming, we know you have traveled far, taken time out of your business to be here today. We hope that this conversation today will be as helpful for you as it will for u.
  - Enkosi ngobukho benu, siyanibulela ngelithuba lokuvala I business zenu siyathemba ukubalentetho izakubaneziphumo ezihle.
- We are students from WPI working in Cape Town.
  - Each introduce ourselves in Xhosa
  - Indicate that Scott and Bob are our professors
  - Indicate that Stanley is another one of our associates
- We just wanted to reiterate what we are doing here; we are working with the VPUU and SNAC. They are considering using a service provider to bring programs to Monwabisi Park intended to help spaza shops. We are only here for five more weeks, so your input is very important to us.
- But the first step in this process is to learn if those services can improve your spaza shops We are trying to get a better understanding about the challenges you face. We will discuss these matters with a service provider to better tailor the program to fit the needs of spaza shop owners in MWP
- Do we have your permission to record the meeting with a voice recorder for our education purposes?
- In terms of rules in this discussion, please be respectful of everyone else's opinions, and make sure to let each person finish before speaking.

- All the responses to the questions we ask are completely voluntary and you should feel free to leave at any time.
- Please feel free to speak in whichever language you feel the most comfortable in, we want to ensure everyone feels free to express the ideas they want to.
- After the discussion, please stay for some food and refreshments.
- Any Questions?

### **Ice Breaker (Ali, Devin)**

- Guessing Game- How many spaza shops do you think are in Monwabisi Park?
- Name, shop name, section, guess on number of spaza shops
  - We have about 95 spaza shops in the park
- Summary
  - There are approximately 6,000 households in Monwabisi Park
  - If we said each household spends 800R on food each month, for a family of five people
  - This comes out to R 48,000 per spaza shop per month; there is much opportunity for all of you to grow your shops and bring in more business.

### **Improvements (Ali, Devin)**

- Transition: So we want to start by asking you...
- What would you like to change or improve about your spaza shop?
  - Heading- **Improvements**
  - When someone speaks, then ask if other people have had similar or different experiences, and why?
    - If someone says a different experience in which it is negative, the comment should be noted and brought up again in the problems phase of the discussion.
  - Also sometimes ask people why they want to change what they do
    - What are the things that are holding you back from doing this right now?
  - Some potential things that we could use to prompt them to speak more
    - Infrastructure (larger, cleaner, beautify)
    - Range of goods

### **Issues that they are facing (Devin, Ali)**



- Transition: Now that we have talked about some of the things you would like to change about your shop, we want to talk to you about some of the challenges your shop faces.
- Heading- **Challenges**
- What are some of the issues that your shops faces that you see as a major problem?
- Things to avoid talking about
  - *While we want to hear about any problems that shop owners identify, we want to hear more about problems that the TTO programs can address. Therefore we won't dwell too much on certain problems identified, although we will certainly record them. Those topics include, but are not limited, to:*
  - Protocol if these issues are brought up: Write them on the board, and ask if anyone else has another issues their shops face
    - Crime
    - Health
    - Structural Problems
    - Race and Gender Issues
    - Receiving loans from the bank
    - Storage
    - Giving goods on credit
    - Competition
- Things we want to encourage conversation about.
  - *When someone identifies a problem*
    - *If they have just identified the problem, ask the person to elaborate on the issue further*
    - *Ask what other people think of this.*
      - *Do they also face this problem? Is it not an issue? Why?*
      - *Maybe let one or two other people respond,*
      - *Then ask how anyone has tried to address this problem.*
      - *Then ask what other problems business owners face. (move on to another topic*
    - We only want to do this for certain issues. Should the conversation come to a stand still, or certain issues are not brought up by the shop owners on their own, the facilitator should encourage them to speak using the following prompts. They are:
      - Transportation
        - Prompt: Do you spend very much time every week going to get goods for your shop, and does this affect your business?
        - Follow up questions if the conversation does not start naturally

- Do you have to close your store while you're shopping?
  - Do you receive discounts from the supermarkets?
    - Why or why not?
    - Would you like to?
  - How do you decide where to go purchase goods?
    - Convenience
    - Discounts those places provide
    - Low prices at supplier
    - Other services that helps transporting/purchasing goods
- Record keeping issues
  - Prompt: How can you tell if your business is doing well?
  - Follow up questions
    - How do you know how many goods are in your shop right now?
      - Do you save receipts or invoices?
      - How do you use these receipts/ invoices?
    - How do you decide how much to sell your goods for?
    - How do you know how much money your business needs in order to sustain itself?
      - We do not want them to reveal exact amounts
    - Do you know what your profits are? How?
      - Daily? Weekly? Monthly?
      - We do not want them to reveal exact amounts
- Business Training
  - Prompt: Has anyone ever received any sort of business training?
    - What topics were covered in this training
    - Do you think it has helped you to run your shop? How?
      - Has anyone learned these things through other ways than business training?
        - Prompt them with:
          - Family, friends,
          - Jobs
          - General education

- Prompt: What are some things you would like to learn about running a business?

### **What If? (Zack, Kuvi)**

- Transition: Now that we have discussed some of the issues that your spaza shops face, we want to talk to you about some potential programs that could help your shop
- *Ask what other people think of this.*
  - *Do they also feel the same way? Why?*
  - *Maybe let one or two other people respond,*
- What if... you could get your goods on discount by buying in bulk or by combining purchase orders with other spaza shop owners?
  - **Heading- What if... Discounted Goods**
    - Would you be interested?
      - If not, please elaborate
    - What would be some of your concerns?
      - How could those concerns be addressed?
    - What would it take for you to participate in this kind of program?
    - What if there was an outside organization that found the lowest prices on these goods.
- What if... there is a service that could deliver your goods to you for a fee?
  - **Heading- What if...Delivery of Goods**
    - Stock would arrive on time and safely.
    - You can spend more time at your shop.
      - And you never have to go to the stores, you can call the order in using the telephone
    - Don't have to pay high transportation costs such as taxi.
  - Would you be interested?
    - If not, please elaborate
  - What would be some of your concerns?
    - How could those concerns be addressed?
  - What would it take for you to participate in this kind of program?
    - If not, please elaborate
  - *Try to use information that was mentioned during the previous section (if anyone mentions how often they get goods)*

- What if you could undergo a free business training session targeted at spaza shop owners where you could learn business practices?
  - *Heading- What if...Business Training*
  - Would you be interested?
    - Are you willing and able to take time from your shop to attend training?
  - What would be some of your concerns?
    - How could those concerns be addressed?
  - *If people ask what kinds of business practices*
    - Record keeping/ costing & pricing/ general entrepreneurship

### **Reflections (Kuvi, Zack)**

- What did you think about this meeting?
  - Do you think this conversation was beneficial?
  - What did you find was surprising?
  - Would you attend more meetings in the future to talk about how to improve your shops?

### **Ending speech (Loyiso)**

- Thanks for coming today, your participation has been really helpful. We are going to continue evaluating what we have been learning, and you will be hearing from us some time soon.
- Thanks for attending our meeting today, your participation has been very helpful. Our team's next steps at this point will be to go and speak with the organization who provides the services we have been speaking with you about, and telling them about the feedback that you have given us in order to decide which programs may work best for Monwabisi Park.

## APPENDIX G: SPAZA ASSOCIATION MEETING MINUTES

Spaza Association Meeting

December 9, 2010

VPUU Center Peace Park

- Introduction
- Presentation- facilitated by Lulu
- Ice breaker-went around the room and said our names, shop names, and section of Monwabisi Park
- How can you all benefit by working together and communicating more?
  - Do you think that it is helpful to come together and talk about your ideas for running spaza shops?
    - No one is willing to share their ideas- so LuLu tries to pull people out by asking them more detailed questions
      - Advantages and disadvantages of buying things individually (clarified by Jeff)
        - Begins by talking about the expense of transporting goods individually
          - No longer a need for them to close their shops as they go to a wholesaler
        - Creating an opportunity to buy in bulk, and are allowed to pool your money and are able to negotiate with supplier
          - Will be able to get their goods cheaper and are able to sell their goods at more reasonable prices
        - Will be able to borrow goods from each other when they borrow bread from each other
          - They will not have to tell customers that they do not have goods. And the other shop is able to sell more goods
      - Competition is healthy for the shops
        - Don't compete by shooting each other, but
  - What is IBN, what does it mean, and why did they put it in place (gives LuLu the floor)
    - Started in September- thirteen shops. They had a problem with competing with the other shops in the area.
      - In the old days there was not any competition.
        - There not foreigners in the spaza market.
        - There were not even established companies (no Pick N' Pay, ShopRite, Spar)
      - The Invuseleo Business Network (IBN) IBN decided to start their program
    - They understand that they cannot compete with the foreigners alone
    - They were all the first person in their families to start their businesses
      - Historically they are just employees

- The IBN realized it is important to acquire the business skills
  - This is how they decided to contact the TTO about how to gain an understanding about how to calculate the profit
- They also realized that they could not accomplish anything alone
- They cannot be racist and say that foreign businesses cannot work here, but rather they must make their own businesses stronger than these foreign businesses
- Revival of their businesses, lets come together as one- they committed each other and set down how they should run their businesses
  - For example, They must run their business from 6am-9pm
    - They were worried about crime, so they asked the police station to come and patrol at those times
    - They wanted to keep their shops open longer than ShopRite (8am-6pm)
- Mentions something about the city of Cape Town, and hand out photos from the graduation ceremony
- Benefits of the Organization they are currently experiencing
  - Re-explains the operating hours of the IBN agreed to keep their shop open for
- Asks how much they sell their goods for, compares this to how much Jeff sells his goods for
  - Zandi 5,85R and Jeff 5,50R
- Is there is an agreement shop owners must sign when they join IBN
  - Yes, there are rules enforced by specific people
  - Coke deal where they supply their own shops, and then supply other shops in Khayletisha
- Makes a note that he did not explain all of the benefits
- Turns things back over to Jeff-who gives an explanation in Xhosa
  - Explains how the Harare shop owners are currently working together??
  - Shops the Shop-Net tool kit
  - Mentions Ubuntu??- Mentions Madiba
- Do you see something like the IBN happening in Monwabisi Park?
  - Zandiswa: It is interesting to see the unity in the IBN.
  - The meetin opens our minds. There are things that we do use, but there also things that we neglect about our shops. With this meeting, we see clearly the benefits of this meeting. IBN clearly shows this to us.
- Do think there might be an adjustment in bring an association like IBN to Monwabisi?
  - We would like to follow IBNs footsteps. They have gone through the process and have experience in what to do; therefore, we would like to turn to them for guidance in the development of an association like this.
- Do think you would do something differently with MWP when upbringing IBN to Harare.
  - There we certain procedures like policies that t, there will have to different conditions since both areas have characteristic issues. One of the reasons that they encountered was evaluating the competitors in the area, particularly the Somalians...
- Is there someone who can possibly lead the association whenever we are away from MWP?
  - Lulu: the best thing for you is to invite us to have a meeting tonight so that we can share our policies to you.

- After the discussion the group has decided to meet at the Endlovini Center at 10:00am Friday, December 10, 2010.
- Stanley asks for a minute
  - Mentions thanks you to the Students and Professor
  - Thank you to residents for attending the meeting
  - Shop-Net representative will be able to help you guys put in the orders
  - Lastly mentions that they will have a graduation later this year- and hopefully there will be more members in the future
    - Will be giving the packages and the files of the IBN members (and will be handed out to the Monwabisi members last year)
    - Part of the follow up from the Capacity Building

## **APPENDIX I: SHOP-NET FEEDBACK MEETING MINUTES**

Donovan Pedro, the Regional Director of the Western Cape TTO branch, invited us to a feedback discussion where eight shop-owners whom had signed up for the Shop-Net programme six weeks prior shared their experiences as members. The following is a summary of the meeting.

### SHOP-NET Meeting at TTO

Place of event: TTO headquarters, 12 Johns Street, Mowbray, Cape Town

Date: Wednesday, October 27, 2010

Time: 2 pm-3 pm

Attendance: Mavis Potiyane, Leivnox Xhentsa ,Teaeka Mpeststieni, Madodandile Mlenga, D. Banjatwa, Nikiwo Mbadamana, Nontsapho Nokwe, Clifton Swartz, Robert Hersh, Scott Juisto, CT10 Spaza Team

### Before the Capacity Building Training

The greater question posed: What challenges did you face before participating in the capacity building program, and how did you deal with them?

The collective response was that taking command of the shops welfare was difficult where the motive of the shops' existence was to churn out money with no future of growing the business. In retrospect, most acknowledged that there was no means of keeping a system of filing business transactions and records. One of the greater losses of money was due to selling products on credit, whereby at the debtor could not honor the credit terms. Another would be the issue of sustaining the family through the shop's stock. There was also no structured method of pricing goods.

### After the Capacity Building Training

The TTO taught costing and pricing strategies that were practiced in an exercise called the Big Game during the training.

### The Positives

The pricing lesson proved to be helpful for assessing profits and can now judge the success of the business. As with record keeping, they are able to see the daily progression of the business. The shop-owners are aware of where assets of their business are posited at any particular given time with the lessons they have received from the training. There also seemed to be a problem with watching their neighbors progress, especially in the Somalian businesses, which ultimately distracted them from investing properly in their own. This problem seemed to be solved with the help of the training. The most



perceived benefit, however, was the method of being organized. This helped them in planning for future and plan for any normal losses.

### The Negatives

Although the program proved to help tremendously in aiding in keeping the business organized, the fundamental concern was the financial assistance they needed at the instant they joined the program. Some feel that by the time any of the strategies have any considerable effects, the entire business would be in the red almost to the point of bankruptcy. The average starting amount for a loan is about R10 000 with uses placed into the advertising, and structure development. The other options of attaining loans were exhausted and seemed too demanding for the shop-owners. For example, Standard bank offered loans that required the members to be active members for six months, and for those who invested time received nothing.

### Feedback on the Shop-Net Program

The shop owners find the Shop-Net program to be essential in stimulating their business to grow. The previously identified problem of attaining stock has been sufficiently eliminated through the program. The delivery of stock to the shop-owner's spaza shop, the cheap stock and financial options lessen the burden of the shop-owners by affording them more time and buying power.

The Shop-Net programme cannot provide a large selection of items it seems. The reason for this is that Shop-Net seeks items that can be bought at a large volume, thereby getting a discount from wholesale businesses and have the shop-owners sell them at the competing price. Items like airtime, braiding hair and cool drinks are either sold at the larger markets at the competitive price or there is not enough of the product in the large market to offer any discounts to merchants. The present efforts of the TTO in expanding its business it to seek larger distributors like Coca-Cola or Simba.

## APPENDIX H: CAPACITY BUILDING IN HARRARE

TTO Capacity Building Workshop

Place of event: VPUU - Harare Hall

Date: 09/11/2010 -11/11/2010, Time: 10:00am - 2:00pm,

Attendance: Mvuselelo Business Network

Instructor: Stanley Hendricks

Tuesday, November 9<sup>th</sup>, 2010

The welcome and introductions proceeded with a toilet-paper icebreaker. Stanley informed the class to take as many sheets from a roll of toilet paper as they wish. For each sheet of paper a participant takes, he/she shares a fact about himself/herself. We then established house rules to which the entire class shall abide over the course of the Capacity Building training. Of these rules, respect for each other, volunteering to prepare refreshments, confidentiality, and cleaning up after the premises were among the most important rules.

The room was initially setup to seat about 5 by each table around the room with the instructor by the easel in the front. Stanley instructed us to name our teams. Mastande (to expand), Sisonke (unity), and Lukhanyo (brightness) were the names chosen by the groups. The first main activity we did was to define characteristics of an entrepreneur. The class in its respective groups was instructed to define characteristics of an entrepreneur on a piece of writing-board sheet. After 10 minutes' time, we compared definitions between teams as well as the instructors definitions. The second main activity was to identify customers. We are given a sheet with pictures of seemingly ordinary people. We are to identify a reason why the person/people in the image should be interested in buying from our own spaza shops. The main purpose of these activities was to break the shop owners out of their stagnant mind set, and get them to look for more opportunities. This was followed by a break where tea, coffee, biscuits and fat cooks were served.

An introduction to the 4 Ps of Marketing: The instructor teaches some concepts of effective marketing (fill in) ... We conclude the class by filling out daily evaluations.

Wednesday, November 10<sup>th</sup>, 2010

At the beginning of the class, Stanley reinforces the house rules by penalizing those with a R5 fee to any broken rule. We collectively do a recap of the previous class afterwards. Stanley distributed sheets that entail business practices like order forms, projected cash flow statements, etc and explained them in great detail. The first interactive activity was to calculate cost prices of common products. Each group is

given calculators, a writing-board sheet, and a marker. We are to establish a cost price for each individual unit (15 minutes allotted). Stanley then enquires the shop-owners to write down any procedures or methods on how each shop-owner establishes their selling prices. Then, we later evaluate the selling price for each unit based on other indirect costs. After taking a break we return to the second interactive activity: costing and pricing. Stanley goes further in enumerating the difference between the cost price and selling price, and how to calculate a selling price reasonably. The moral, however is to never to sell a product below the cost price. We conclude with daily evaluations.

Thursday, November 11<sup>th</sup>, 2010

We recap of the previous day's activities and dive into the activity left from the previous day. Stanley enforces the fundamental meaning that the shop employs shop-owner, never the opposite. We transition into performing cash flow statements. Stanley asks for each group to define the importance of cash flow. We break for tea, coffee and biscuits. The second interactive exercise was to define the meaning of cash flow in our respective groups. Stanley then defines what cash flow means and it is made more clear. Several marketing strategies, like investing surplus, are elucidated as practices the shop-owners can actively implement in their shops. The rest of the meeting follows a lengthy discussion of any unanswered question, comments and other stories. The meeting was concluded with the end of course evaluation as well as the daily evaluation. Other handouts on the Shop-Net program were also distributed.

The outcomes and what was learned

These capacity building training sessions built a surmounting interest among the spaza shop-owners. Most of them signed up for the Shop-Net programme within a day of the ending of the training session. Others didn't but when confronted about their hesitance, they reconsidered and went forth with the program.

Conversations with the shop owners

It seems as though most of the male owners are not primary owners of the spaza shops; instead, they supply the appropriate funds to the shop in order to cover some of the costs, while their partners (mostly wives) physically run the business. This includes buying the stock, manning the window and keeping a tidy shop.