AN ASSESSMENT OF THE STRUCTURE AND OPERATION OF SPAZA SHOPS IN A SELECTED TOWNSHIP IN SOUTH AFRICA

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Abstract
Spaza shops are an important component of the South African township economy as they provide vital goods, employment and an income to most township dwellers. This notwithstanding, the sustainability of spaza shops has been problematic, with most closing down within the first few years of operation. Against this backdrop, this paper assessed the structure and operations of spaza shops in the Mankweng area and investigated the problems that inhibit their viability. A quantitative approach that necessitated the use of a structured and closed-ended questionnaire was adopted to collect data from 50 spaza shop owners. A GPS device provided the coordinates utilised to map the spatial distribution of the spaza shops in the area. The results suggest that most of the spaza shops surveyed were foreign owned with the preponderance of Ethiopians (34%) and Somalians (34%). South African spaza shop owners constituted 26% of the sample. The study notes that although spaza shops generate income for owners and are integral to the township economy, they face a variety of challenges. These range from crime and theft, competition among many shops and a lack of access to credit facilities that could enable the expansion of the business. The study recommends that spaza shop owners form a union-platform from which they can share strategies of overcoming challenges. Such a union would also enable spaza shop owners to access funding from government schemes and private investors alike so that their operations are expanded.

Key words: spaza shop owners, informal sector, operational challenge and South African township

JEL: L1, L26, M10, M13.
1. Introduction and background

Spaza shops are particularly relevant to South Africa and emerged against the backdrop of the apartheid discriminatory policies. The rapid increase in the population in the late 1900s, coupled with limited access to land and unemployment, mounted pressure on the ordinary black South African to turn to the informal sector for livelihood (Terblanché, 1991). Such informal activities included hawking and the operation of spaza shops which become viable in the mid-2000s.

Spaza shops avail goods to customers who are either far from the central shopping areas or cannot afford the high prices charged at these centres. In fact, most of these centres were built in high income areas, leaving the low-income areas with very little access to shopping areas. This necessitated the development of small informal enterprises called spaza shops in the poor areas because it was the most favoured feasible economic alternative for the township entrepreneurs. Going forward, spaza shops have become the life-line of many township people in South Africa.

More than half of the businesses in South Africa are small scale, making up a significant proportion of the township economy (Hikam & Tengeh, 2016). Under the current challenging economic environment in the country, characterised by a rising cost of living and unemployment, spaza shops offer a viable alternative livelihood for a substantial number of residents in the townships (Hikam & Tengeh, 2016). Thus, spaza shops are an important component of the South African township economy. They not only provide goods, but are also a source of employment and income for most township dwellers. Despite their importance, the sustainability and success of the spaza shops have however been problematic, with most of them closing down within a few years of opening (Ligthelm, 2005; Charman et al., 2011).

While some authors have linked the problems affecting spaza shops to the entrance of migrant entrepreneurs into the township economy (Charman et al., 2011), more research is needed to understand the nature of these businesses, the way they operate, and how and why most of these spaza shops are not performing well or are closing down. An understanding of these issues as well as the environment in which they operate is necessary to be able to suggest viable strategies for entrepreneurial development of this important sector of the South African township economy. Hence, the aim of this study was to determine the operational challenges of spaza shops in the Mankweng area. In attaining this goal, it was deemed necessary to gather information on the distribution of spaza shops and the profile of the spaza shops in terms of ownership, establishment, operations, and profitability.

2. Literature review

2.1. Defining spaza shops

A spaza shop is a small entrepreneurial enterprise that functions within the informal economy of South African townships (Charman et al., 2011). The term spaza is taken from the isiZulu language, meaning hidden (Bear, 2005) or camouflage (Terblanché, 1991). The term emerged during the apartheid era where black entrepreneurs were restricted from operating businesses, hence they secretly had to find a way of providing small shops in the township.
from which everyday groceries could be purchased, in contrast to high order goods which could be purchased from distant markets in towns (Charman et al., 2011). In other countries spaza shops are known as tuckshops.

2.2. History spaza shops in South Africa

Informal businesses make a major part of the African economy as a whole and the South African economy in particular (Charman, 2011). To Terblanche (1991), spaza shops emerged in the South African in around 1980s, partly due to rising unemployment and apartheid policies. However, because spaza shops are located within residential areas and trade occurs between people that generally know each other, Charman et al. (2011) also points out that operating a spaza shop on credit line is a possible reason for the collapse of many small businesses in South Africa’s informal sector. Furthermore, the frequent changes in spaza shop ownership and the increase in the foreign ownership of spaza shops may pose a threat to the local owners. Other challenges identified by Charman et al. (2011) included unsustainable pricing systems and the issue of multiple spaza shop ownership.

Whilst the spaza market offers potentially good-looking opportunities for success, many new entrepreneurs fail. A number of studies in South Africa have shown that most spaza shops do not last in the market (Perks, 2010). Although no accurate data on the survival of spaza business is available, it is estimated that up to 50% of new competitors are unable to sustain their businesses for longer than five years (Charman et al., 2011). This point is also supported by Ligthelm’s (2005) study, which reported that only 40% of spazas surveyed in the study had been in operation for longer than five years. Against this background of a high failure rate, this study seeks to understand the structure of the spaza shops in Mankweng, assess their operations and identify the challenges that they face in order to understand how and why most spaza shops in the country fail.

A number of studies have been carried out on spaza shops in South Africa. One of such studies was conducted by Charman et al. (2011), in Delft-a relatively poor township on the outskirts of the city of Cape Town. The objective of the research was to investigate the extent to which immigrant entrepreneurs have entered the spaza market and the strategies that they have utilized to capture market share. The research sought to contribute towards an analysis of the cause of the tensions between local and foreign micro-entrepreneurs through focusing on the changing nature of ownership (and business practices) within the spaza market (Charman et al., 2011). Other authors (e.g. Chebelyon-Dalizu et al., 2010) have focused on the informal operation of the spaza shops which borders on illegality, and on investigating the characteristics of the spaza shops (Cant & van Scheers, 2007; Ligthelm, 2005).

According to Charman et al. (2011), spaza shops have shifted from the local to foreign ownership and from small to large-scale entrepreneurship. This is supported by Ligthelm (2005) study which indicated that more than half the spaza shops were foreign owned. Some of the foreign spaza shop owners use the price discount approach to drive out the local spaza shop keepers (Liedeman, 2013).

The Charman et al. (2011)’s study in Cape Town made some interesting observations regarding the success of some spaza shops and that such success hinged on the role of the extended family in providing start-up capital and labour, the fact that some were physically
operating from rooms of residential households (hence saving money for rent) and that there were low-entry barriers to participation in the spaza shop business. Another study by Ligthelm (2005) emphasised the importance of the social ties between the micro-entrepreneur and his/her neighbours as the basis through which most spaza shops are successful. Some spaza shops offer credit to their customers and therefore have a hold on those customers such that they continue shopping from them.

2.3. Impact of spaza shop

Indeed, spaza shops occupy an important space in the socioeconomic landscape of the poorest societies of any place in the world. The spaza shop business, therefore, impacts on these societies and also shapes the employment structure, livelihood and the economy statuses of the country as a whole.

2.3.1. Employment structure

Due to the high level of unemployment, which is often the result of sluggish job creation, within the community, spaza shop entrepreneurship provide an alternative source of livelihood and means of survival (Ligthelm, 2005). Basardian et al. (2014) argue that spaza shops are used as the alternative of income due to the increased level of unemployment of the middle age and old adult groups. This also results from the increased standard of living in the townships (van Scheers, 2011). Spaza shops are seen as the source of income for most of the spaza shop owners and on the other hand they serve as an important source of employment. Other studies have also confirmed that spaza shops play a vital role in the economy of developing countries by facilitating the flow of money within and amongst the poorer communities and country as a whole (van Scheers, 2011, Hikam&Tengeh, 2016). Besides this, spaza shops have become an essential source of employment to its owners, families and their respective neighbourhoods. In most cases, they employ 2 people, where one is the cashier and the other is responsible for deliveries (Charman et al., 2011).

2.3.2. Livelihood

It is challenging for the poor communities to come up with alternative means of livelihood due challenges such as land tenure, limited or no access to money and unavailability of resources (Terblanché, 1991). As such, spaza shops have become a resourceful alternative means of livelihood (Charman et al., 2011). This is because people need food on a daily basis and other low-order goods and services, therefore, selling food and other low-order goods has a greater possibility of customers. In addition, the spaza shop owners have a reliable source of income depending on the pace at which people are buying, the type of product sold, business structure, market area and the socioeconomic status of customers (Charman et al., 2011).

2.3.3. Economy

Van Scheers (2011) argues that, spaza shops exist in the informal economy called turbulent structural imperfection economic sector, which changes with time to improve the economy. This means that the informal economic sector is the building block of the whole economy of a country, therefore, their better performance brings good economic hub, more especially
when they develop. There are indications that there are fewer South Africans working in the informal sector than expected due to the high levels of unemployment (Chebelyon-Dalizu, et al., 2010). Schneider (2004) indicates that it is difficult for South African entrepreneurs to compete in the informal economy because of the competition between and amongst the informal business owners. Perhaps, this is because foreign owned informal businesses are doing better than the locally owned. This is primarily because entrepreneurs of foreign origin generally cooperate with each other, hence out-competing local informal sector entrepreneurs that are not united.

2.4. Structure of spaza shops

The informal economy is practiced outside the government sphere in Southern Africa, therefore, there are no regulatory policies to govern their operation (Schneider, 2004). In most Southern African countries, spaza shops, also called tuck shops, are usually owned by men (Charman et al., 2011). Government deregulation on spaza shop business means that spaza shops are informally operated. Generally, these traders require no permit to operate and more often are not obliged to adhere to any municipality’s regulations. Their growth is also unregulated and therefore difficult to trace and account for. Most spaza shops in Southern Africa are individually owned and operated by families, with family members usually working in the shops. The majority of these businesses are operated from residential premises, although an increasing proportion has operated on commercial premises in recent years.

2.5. Challenges of spaza shops in Southern Africa

As African countries take stock of their achievements in terms of the Millennium Development Goals, one wonders what role spaza shops played towards achieving these goals. With the legal framework in South Africa biased in favour of the formal sector, there is no doubt that the contribution of the informal sector becomes compromised (van Scheers, 2011). As a result, the contribution of the informal economy to the GDP of the country is not well understood even though anecdotal evidence suggests that they are linked. Compounding the situation is the fact that structural difficulties hinder the documentation of the flow between these sectors. Hence, despite the informal sector’s usefulness, monitoring and record keeping regarding informal sector practices are challenging due to the nature of being relegated to the margins of the economy by the government. More so, failure to account for informal sector earnings also means that its contribution to the GDP is often unrealistic.

3. Method and materials

3.1. Study area

Mankweng is located in the Capricorn District of Limpopo Province in South Africa. Mankweng occupies 12.5 square kilometres and is divided into seven units, ranging from Unit A to Unit G. The areas boast of blacks, coloureds and whites, although blacks are the majority. Though comprising of seven units, financial and time constraints limited the study to three units. The selected units; A, B and C covered approximately 40% of the total area of Mankweng.
Within the study area units (Units A, B and E), a census, rather than a survey, was done since all identified spaza shops in the study area were included in the study. The census approach was informed by the none-existence of a data base and this study therefore provides such for future studies in the area. All the spaza shops in Mankweng Units A, B and E constituted the sampling frame became the sample size. In total, the sampling frame consisted of 50 spaza shops: 26 in Unit A; 11 in Unit B and 13 spaza shops in Unit E. Hence, the questionnaires were administered to 50 spaza shop owners to elicit information on the structure of their shops, the operations as well as the challenges that they were facing.

### 3.3. Mapping

A map showing streets of Mankweng was used to traverse the area identifying any spaza shop located in the study area. The walk-about in the area along each street ensured that most of the spaza shops were easily identified and their location recorded. A global positioning system (GPS) device was utilised to record the spatial location of spaza shop in the form of X and Y coordinates. Other attribute information was also recorded in relation to the spaza shop: the spaza shop name and the area/unit in which it was located. The collected GPS coordinates (and the respective attribute information) were captured into an excel spread-sheet and later inputted into the GIS software (ArcGIS software 10.2).

### 3.4. Data Analysis

Anchored on the quantitative research paradigm, most of the questions in the questionnaires were structured to suit the SPSS programme. The data collected through the use of questionnaires was captured and analysed through the use of SPSS. Using SPSS, meaningful information was extracted and displayed through the use of graphs and tables. Cross tabulations were performed on a number of variables to establish whether relationships existed between them or not. Spatial data showing location of spaza shops in Mankweng were recorded and saved on a GPS device. Coordinates were captured, stored and manipulated within the GIS environment using ArcGIS software to create a map showing the location of the spaza shops surveyed during the study in Mankweng. The inputted data were manipulated in the GIS environment, using ArcGIS software. Excel document in the ArcGIS was converted into a point layer and superimposed with a digitised polygon of the study area so that spaza shop locations could be spatially represented making up the map showing variables of this study using ArcMap document.

### 4. Results and discussion

#### 4.1. Spaza shop location

There is no definite pattern in terms of how spaza shops are located in the study area. Given that most of the spaza shop businesses operate independent of the law, they tend to locate wherever the owner desires. This notwithstanding, the majority of the spaza shops were found along roads. This is generally so that they can take advantage of customers passing along the roads. A map of the study area notes an uneven distribution of the spaza shops within the study area. Perhaps the high concentration of spaza shops on the eastern side of Unit A can be attributed to the presence of the University of Limpopo from where many
customers come to buy. This area is thus one of the busiest and most favoured location for informal sector entrepreneurs.

4.2. Structure of the spaza shops

4.2.1. Gender of respondents

The findings indicate that gender imbalances exist in the ownership of spaza shops, with men dominating more. For instance, men constituted 92% of spaza shop owners while females made up only 8% of ownership. The significant difference in gender inequality amongst the spaza owners raises questions not only about the entrepreneurial ability of different genders, but also about possible gate-keeping that may be hindering women from establishing and running such businesses. These issues and more will be elaborated on later.

4.2.2. Spaza shop ownership by marital status

In terms of ownership, the findings suggest that there were imbalances along marital status. For instance, the majority of the spaza shop owners were cohabiting, with 80% of the respondents falling in this category. The second largest category (12%) in terms of marital status was made up of those that were single, while those that were married constituted only 6%.

4.2.3. Race of respondents

In terms of race, spaza shop owners were categorised into the following categories: Black, Coloured/Mixed and Indian/Asian. The findings concede that there were more coloured/mixed owned spaza shop (70%), followed by Black (28%) and Indian/Asian (2%). The majority of the shop owners in the mixed group were of Ethiopian and Somalian origin.

4.2.4. Age of respondents

In relation to age, the results note that the majority (46%) of the respondents were in the 31-40 age groups, followed by the 51-60 age group (38%). The 21-30 age group made up 14% while those in the 51-60 group constituted only 2%. The age distribution among the spaza shop owners clearly indicates a dominance of the middle ages (31-50) and that the older age groups are poorly represented.

4.2.5. Educational levels of respondents

The results show that the majority (52%) of spaza shop owners had attained a high school qualification while 36% had some secondary education. The sample was therefore relatively educated. Only a few of the spaza shop owners however indicated having attained either a college certificate/diploma (8%) or an undergraduate degree (2%).

4.2.6. Nationality of respondents

Profiling the respondents in terms of national origin, the survey revealed that spaza owners were of different nationalities. The majority of the owners were Somalians (34%) and Ethiopians (34%). South Africans constituted 26% of the spaza shop owners while the remainder were Zimbabweans (2%), Indians (2%) and Pakistanis (2%).
4.2.7. Source for stocking spaza shop products

This survey sought to understand the source of the business stock among spaza shop owners and revealed that although there were multiple sources, the majority of the spaza shop owners indicated that they sourced most of their goods from wholesalers (70%), while others indicate their major source as the supermarket (28%). Only a few spaza shops (2%) were using small shops or retailers as their main source of stock for the spaza shop. One of the arguments often advanced to explain the difference in profit levels between local and foreign informal sector entrepreneurs has been the issue of the source of goods sold in the business.

4.2.8. Source of stock by nationality

This study found (Figure 1) that different spaza shop owners of various nationality stock goods they are selling from different places. Most of the foreign owned spaza shops such as those owned by Indians, Zimbabweans and Pakistanis indicated that they were completely stocking from wholesalers. They revealed that their choice to stock from wholesalers was motivated by the fact that they were likely to get bigger discounts resulting in more profit. Somalian shop owners indicated that they stocked from both wholesalers (82%) and from supermarkets. Their rationale was that they could sometimes find goods that were cheaper from the supermarkets, especially when supermarkets had a sale or promotion. This was also the same case with Ethiopians and South Africans, who also sourced from a variety of suppliers. The difference was however that South Africans also had an additional source that was not being utilised by the other nationalities: sourcing from small shops and retailers where 8% of the South African spaza shop owners indicated using this source. Given that prices of goods in the small shops and retailers are generally high, this may explain why some of the local spaza shops sell their goods at relatively higher prices compared to non-locals.

![Figure 1: Source of stock by nationality](image)
4.3. Operation of spaza shops

4.3.1. Startup date of the business

The survey in Mankweng was also interested in finding out the longevity of the spaza shops given assertions made in literature that most of these businesses do not last for more than five years, especially those owned by South Africans. The results concede that most (58%) of the spaza shops in Mankweng had been established between 2007-2012, while 40% started operating from 2013 onwards. Only 2% of the spaza shops had started operating before 2007. Thus only that 2% of the sample had spazas that had been operating for 9 years or more, perhaps validating the literature claims that most of the shops have short life spans.

4.3.2. Location of spaza shop operation

An attempt was made to ascertain where spaza shops in Mankweng were conducted. The results note that most (34%) of the spaza shops operating from a house/yard or garage while 30% were operated from a permanent stall in a market and 24% were operated from a permanent stall on the street/roadside. Only 12% of the spaza shops were operated from home.

4.3.3. Tenure status of spaza shop

As the preceding section shows, the spaza shops business was being conducted from different locations. This also meant that they had different statuses of tenure as well. The majority (45.7%) of the spaza shop owners were paid rents. Others were operated on a rent free basis: 13% indicating rent-free with permission while 19.6% were rent-free without permission. The other proportion, 10.9%, shared space with others to save on cost. This is a strategy that some spaza shop owners use to be able to reduce expenses and therefore increase their profits to levels that can sustain the business. Only 10.9% owned the land and therefore operated freely from those premises.

4.3.4. Rent payment

How much rent were spaza shop owners paying in Mankweng? Most of the spaza shops owners (57%) revealed that they were paid rents of between R 500 – R 1 000 per month, while 24% were paying between R1001 – R1500 per month and the remainder (19%) indicated paying less than R 500 per month. While some of the amounts that they were paid do not seem to be much, the profit margins reduced accordingly.

4.3.5. Who started the spaza business

In terms of who initiated the business, it was revealed that the greatest proportion (36%) of spaza shop owners started running the business alone (36%) while others started running the businesses with other business partners (32%). Only 18% of the businesses were started with family members or with the extended family (12%). Even fewer businesses were bought (2%). Overall therefore, the majority of the spaza shops are generally started by individuals and business partners.
4.3.6. Motivation for starting the business

Different spaza shop owners were motivated to establish their business by different reasons. The greatest proportion (38%) indicated that they had always wanted to run their own business (see table 1). Economic motivations however seemed to dominate as 22% ventured into the business because they had been unable to find jobs, while 14% wanted to give financial security to their families. Other lesser reasons had to do with owners wanting money just to survive (4%) or the need to provide employment opportunities to family members (6%).

Table 1: Different motivations of starting business

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I was unemployed and unable to find job</td>
<td>22</td>
</tr>
<tr>
<td>I had job but it did not pay enough</td>
<td>2</td>
</tr>
<tr>
<td>I wanted to provide employment for members of my family</td>
<td>6</td>
</tr>
<tr>
<td>I need more money just to survive</td>
<td>4</td>
</tr>
<tr>
<td>I wanted to give my family greater financial security</td>
<td>14</td>
</tr>
<tr>
<td>My family members have always been involved in business</td>
<td>4</td>
</tr>
<tr>
<td>I wanted to provide a product/service</td>
<td>4</td>
</tr>
<tr>
<td>I have always wanted to run my own business</td>
<td>38</td>
</tr>
<tr>
<td>I wanted to do something new and challenging</td>
<td>2</td>
</tr>
<tr>
<td>I wanted more control over my own time/ to be my own boss</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.3.7. Source of capital for spaza shop

There were different sources of capital being used for starting the spaza business in Mankweng. Table 2, notes that the greater proportion (64%) of the businesses were started by capital from personal savings. Other sources of capital included loans from informal financial institutions like stockvels (16%) and loans from relatives (16%). It is worthy to note that only 1% of the spaza shops were started by money from micro-finance institutions and none from banks. This indicates that entrepreneurs in the informal sector have little access to the formal sources of finance. Accessing start-up capital from informal sources may have impact on the profitability and survival of the business as some of the interest rates are too high for business sustainability. About 88% of the business owners interviewed in the survey indicated that they had never applied for a bank loan. The majority indicated that they either were sure that they would not be given loans given that they had no collateral, correct documentation or had no knowledge of how to go about it.

Table 2: Sources of start-up capital for spaza shops in Mankweng

<table>
<thead>
<tr>
<th>Income source</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal savings</td>
<td>32</td>
<td>64</td>
</tr>
<tr>
<td>Loan from informal financial institutions, e.g. stokvels</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Loan from micro-finance institution</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Usurers/money lenders (Mashonisa)</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>
Loan from relatives & 8 & 16 \\
Total & 50 & 100 \\

4.3.8. Capital used to start-up spaza shop businesses

Every business requires a start-up capital and the amount is depends on the type of the business and the start-up costs. In this survey, it was revealed that close to half of the businesses (46%) required start-up amounts of between R5001 and R10000. A further 18% reported having started with a capital outlay of between R10001 and R15000. Only 12% of the businesses need capital outlay of above R15001. This may validate assertions made in literature that businesses like the spaza shop that operate in the informal sector do not need huge capital amounts to start.

4.3.9. Spaza shop monthly profit

One of the fundamentals of running a business like spaza shop is to make profit. As such, an attempt was made to ascertain how much spaza shops in Mankweng made monthly as of the time of the survey. The results suggest that half of the spaza shops (50%) indicated that they were generating between R2 500 and R5 000 per month in profits. The other third (32%) reported profits ranging above R5000 per month.

4.3.10. Goods sold in spaza shop

Spaza shops in Mankweng were found to be selling a variety of goods. Most of these goods were household goods and electronics. This is primarily because household goods are in daily demand. Electronics, on the other hand form part of people’s daily entertainment and social networking. As the graph below shows, household goods constituted 48% of the goods sold while electronics accounted for 18% of the goods sold from these spaza shops. Other products included cooked food (14%), and accessories such as bags, and sunglasses (6%).

4.3.11. Range of goods sold and shop sizes

There is an observable pattern between the size and the goods sold in the spaza shops of Mankweng. It was noted that, smallest spaza shops, ≤ 20 m², are mainly used to sell household products and all variety of goods except music, film, CDs and DVDs products, whereas the largest shops, 31-40 m², were mainly found to be selling electronics. This means that space is crucial when selling goods such as electronics related products. The majority of spaza shops were found selling domestic products, 26% of spaza shops in a ≤ 20 m² spaza shop capacity and 22% of spaza shops selling same household products in a 21-30 m² spaza shop capacity, making a total of 48% alone. Furthermore, there are 54% of spaza shops that are ≤ 20 m² selling all variety of goods except music/films/CDs & DVDs in Mankweng Units A, B and E. On the basis of spaza shop average area, 21-30 m², there is 44% of spaza shops selling a variety of goods.

4.3.12. Bulk stocking

About 40% of the spaza shops that re-stocked from wholesalers indicated that they generally buy their goods in bulk. The reasons for preferring bulk stocking (70%) included the fact that it was cheaper to stock as bulk buying afforded discounts compared to buying in small quantities. Another proportion (25%) revealed that they had no personal transport and thus
when they hire bakkies to transport their goods from the wholesalers, they prefer to do it less frequently, hence buy in bulk to save on transport costs that may accrue if one buys more frequently.

Table 3: Reasons why spaza shop owners prefer to stock in bulks with other spaza shop owners

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulk stock is cheap</td>
<td>14</td>
<td>70</td>
</tr>
<tr>
<td>Not having buying permits</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Not having reliable transport</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.3.13. Value of the spaza businesses

The value of the spaza shops as of the time of the study varied considerably. Perhaps this could be attributed to a number of reasons including the stage in the startup process and level of growth achieved over the years. The spaza shops in Mankweng’s worth range R5 001 to R500 000. It is worth noting that the majority could be valued between R30001- 50 000 inclusively. On average of all the spaza shops had a net value of R32 858, 14.

4.4. Challenges of spaza shops

The study found that spaza shops in Mankweng were faced a number of challenges that were impacted negatively on the development of their businesses (see Figure 2). The challenges included; the inability of spaza shop owners to access credit from official and formal sources like banks and credit houses so that they end up borrowing money from money lenders (Mashonisa) at high interest rates that makes it difficult for the business to sustain. Competition came up as a common challenge amongst spaza shops and this results in fewer customers per individual spaza.
Spaza shops were slightly affected by competitors of spaza shop businesses around. With 6% of those who never got affected by spaza shop competition and 16% who were often affected. 6% of the spaza shop owners often lack access to credit with 58% that never did. This shows that the majority of spaza shop owners in Mankweng do not have lack of access to credit to develop and improve their business. One of the reasons why this is so, it might be the fact that they are not aware of how access to credit can be important.

According to the results above, 72% of the spaza shop businesses were slightly affected by theft with only 28% who never experienced this. The overall results portray that crime is not a usual challenge in Mankweng. Therefore, there are many spaza shops which are operating without outbreaks of theft.

The results above further indicate that 90% of the respondents never experienced tight legal regulations and just 10% which they experienced it sometimes. This means that there are no strong legal requirements for one to run a spaza shop. Looking at level of education, most of the spaza shop owners did not go to higher educational institutions, especially for business knowledge. Entrepreneurship schools or business training centres would have been valuable with information regarding how to run small business at a rate that will be manageable to avoid given losses and other challenges.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Never</th>
<th>Sometimes</th>
<th>Often</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tight legal regulations/being-unlicensed</td>
<td>10%</td>
<td></td>
<td>90%</td>
</tr>
<tr>
<td>Prejudice against my gender</td>
<td>0%</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Physical attacks/assaults by police</td>
<td>0%</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Verbal insults against your business</td>
<td>2%</td>
<td></td>
<td>98%</td>
</tr>
<tr>
<td>Arrest/detention of yourself/employees</td>
<td>2%</td>
<td></td>
<td>98%</td>
</tr>
<tr>
<td>Harassment/Demands for bribes by...</td>
<td>2%</td>
<td></td>
<td>98%</td>
</tr>
<tr>
<td>Crime/theft</td>
<td>2%</td>
<td></td>
<td>72%</td>
</tr>
<tr>
<td>Conflict with other entrepreneurs</td>
<td>2%</td>
<td></td>
<td>62%</td>
</tr>
<tr>
<td>Lack of access to credit</td>
<td>6%</td>
<td></td>
<td>58%</td>
</tr>
<tr>
<td>Storage problems</td>
<td>2%</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>Suppliers charge too much</td>
<td>2%</td>
<td></td>
<td>48%</td>
</tr>
<tr>
<td>Competition from supermarkets/large...</td>
<td>6%</td>
<td></td>
<td>48%</td>
</tr>
<tr>
<td>Too many competitors around here</td>
<td>6%</td>
<td></td>
<td>48%</td>
</tr>
<tr>
<td>Customers don't pay their debts</td>
<td>16%</td>
<td></td>
<td>84%</td>
</tr>
<tr>
<td>Too few customers</td>
<td>28%</td>
<td></td>
<td>72%</td>
</tr>
<tr>
<td>Insufficient sales</td>
<td>2%</td>
<td></td>
<td>98%</td>
</tr>
</tbody>
</table>

Figure 2: Challenges faced by spaza shops in Mankweng
5. Conclusion

The findings of this study suggest that most of spaza shops in Mankweng were foreign owned. Foreign owned spaza shops seem to outperform their Native counterparts in terms of profitability and survival. This perhaps stems from a number of reasons not limited to the fact that the foreigners cooperate on a number of fronts. For instance, sharing expenses as they purchase goods in bulk. Hence, these foreign owned spaza shops are able to sell their goods at a relatively lower cost than the locally-owned shops. In doing this, they were able to attract the majority of the customers in the area. In addition, the foreign-owned businesses are able to sell the products in affordable smaller quantities that customers preferred.

It was also observed that some of the spaza shop owned by foreigners, especially among the Somalis and Ethiopians had been established through funding accessed from church organizations and with relatively better conditions and repayment terms. This has probably facilitated the increase the number of foreign owned spaza shops in Mankweng because they get a financial support to start business.

Out of the 50 spaza shops in the study area, 26 were from Unit A, 13 from Unit E and 11 from Unit B. Most of these spaza shops clustered in Unit A due the proximity of such a location to a University that in turn broadens the customer base. The typical challenges that the respondents reported included fewer customers, competition from other spaza shops and other bigger chain shops. Unresolved, these challenges generally lead to the death of most spaza startup and this particularly grave for the Native owned shops.

6. Recommendations

It is recommended that spaza shop owners get advanced business workshops and training so that techniques of running a business can be understood and skills can be shared. Local spaza shop owners are encouraged to make spaza shop business union, where common standard procedures such as bulk stocking and price setting can be initiated like foreign spaza shop owners do. The legal society is encouraged to assist spaza shop owners regarding business plan structure and other legal and economic issues to enable them understand their right of accessing loans and financial aid to develop and improve their businesses.

7. References


8. Liedeman, R. (2013). “Understanding the internal dynamics and organisation of spaza shop operators: a case study of how social networks enable entrepreneurialism amongst Somali but not South African traders in Delft South, Cape Town”. Department of Political Studies, University of Western Cape, South Africa.


