



Strengthening Spaza Shops in Monwabisi Park, Cape Town

An Interactive Qualifying Project submitted to the faculty of Worcester
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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 informal settlements and the cities and 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 opportunities for the residents of these informal settlements, and as a result an informal economy has developed throughout South Africa, primarily composed of the people who are unable to find employment in the formal economy. 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, with very weak linkages to the formal economy. Many of these small businesses struggle due to a lack of access to resources that could otherwise assist them, such as access to banks and credit or business support services.

In particular, our research 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 Monwabisi Park 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 Protection through Urban Upgrading (VPUU) programmes 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, 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 is to help spaza shops to grow into sustainable and financially stable micro-enterprises by studying the existing spaza market in the area, and then attempting to create networking opportunities between spaza shop owners and suppliers. Ultimately we hope 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 accomplish this goal, we will begin by gathering data on the Monwabisi Park spaza market through surveys, interviews, and focus group discussions. We also plan to map 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 learn more about the spaza shops in Monwabisi Park and begin to build trusting relationships with the shop owners there, we will profile a small number of shops. To gain a more focused and detailed understanding of how spaza shops operate and what challenges they face, we will conduct interviews and host focus group discussions with shop owners. We will then assess the information we gathered to identify the needs and concerns of the Monwabisi Park shop owners. Based on that analysis, we hope to bring the TTO's programmes in Monwabisi Park.

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 discussing 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 in 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:

Consistent with this positive outlook, 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.

There are many different types of businesses that exist in the informal economy, and their size can vary significantly as well. Generally, the size of a business in the informal economy is classified based on the number of employees working at that business. Most businesses in the informal economy

can be classified as medium, small, or micro-enterprises. Our project focuses on micro-enterprises, which employ from one to four people (Rogerson, 1991). Businesses can also be classified based on the types of jobs or services that they perform. These types of jobs vary significantly, but some examples are hawkers, vendors, retail shop employees, informal public transportation workers, artisans, and people who provide specialized services (Skinner, 2002). Many of these businesses have close ties with the formal economy, and the overlap between the two economies masks the characteristics that indicate they are informal endeavours. The ability to accurately classify the informal economy is important in developing programmes to diminish poverty, because different types of businesses face different problems and have different needs (Skinner, 2006).

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 they 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). While this is much larger than the size of the informal economies in some western countries, for example the United States is only 8.8%, it is still the lowest percentage in the rest of Africa, which has an average of 42% compared to the formal economy. This can be partially attributed to the fact that the formal economy in South Africa is stronger than formal economies on the rest of the continent. The Gross National Product per capita in South Africa is 3020 USD. The average for the rest of the continent is 782 USD, which shows how much stronger the overall South African economy is compared to the rest of Africa (Schneider, 2004).

The informal economy in South Africa is unique from other informal economies in several ways. A study conducted in Durban, South Africa found that only 15% of workers in the informal economy saw treatment by the local authorities as a major problem (Skinner, 2002). The types of businesses, mainly food stores and meal workers, that had issues with these local authorities indicate that the government was primarily concerned with health and safety issues. This shows an advantage in the South African informal economy; even though businesses in the informal economy operate outside of government regulations and do not pay taxes, government interference or persecution is not a major issue. On the other hand, Schneider, a professor of economics studying informal economies around the world, discovered there were less people working in the informal economy of South Africa than expected, given the high rates of unemployment. This implies a disadvantage of the South African informal economy; it is harder for people to start businesses in the informal sector of South Africa than it is in other places. This may also indicate that there are high levels of competition between informal business owners (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, they are 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 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).

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)

Spaza shops tend to have scarcity of technology. Ice blocks are often used to prolong the shelf-life of perishables (Terblanche, 1991). Refrigerators and deep freezers are available in 39% and 43% of the spaza shops, respectively. Other utilities like running water and electricity are rarely found in spaza shops (Ligthelm & van Zyl, 1998).

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). Usually, products are referred to by their brand name rather than product name. For example, toothpaste is associated with the name Colgate. 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.

Advantages of buying from spaza shops	Drawbacks of buying from spaza shops
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). Women who work in spaza shops are able to care for their children while earning an income (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.

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

Table 2 Challenges spaza shops face

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). Older women are often able to go to retailers to purchase goods for their store alone and maintain a sense of security. 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.

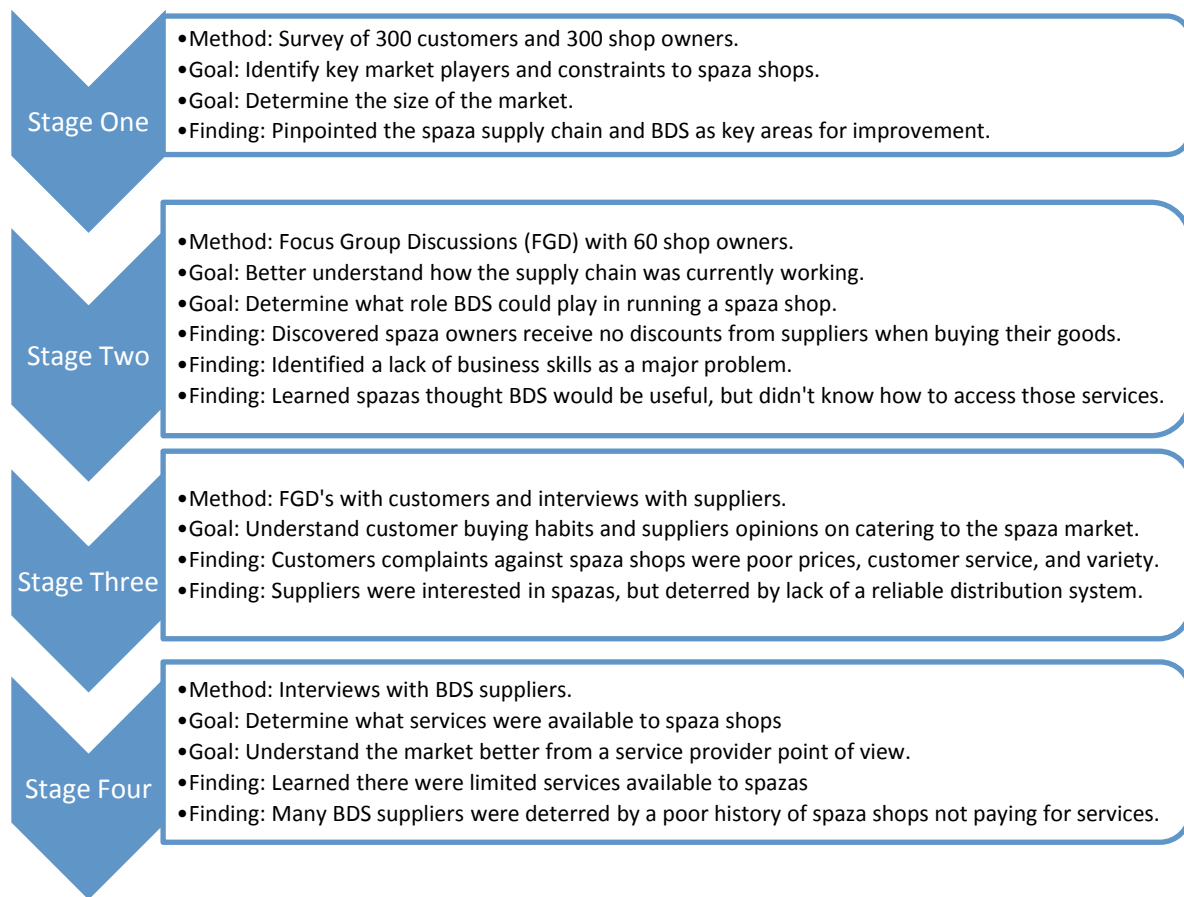


Figure 3 TTO Spaza Market Research (Tladi & Mielhbradt, 2003; Bear, 2005).

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 in to 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).

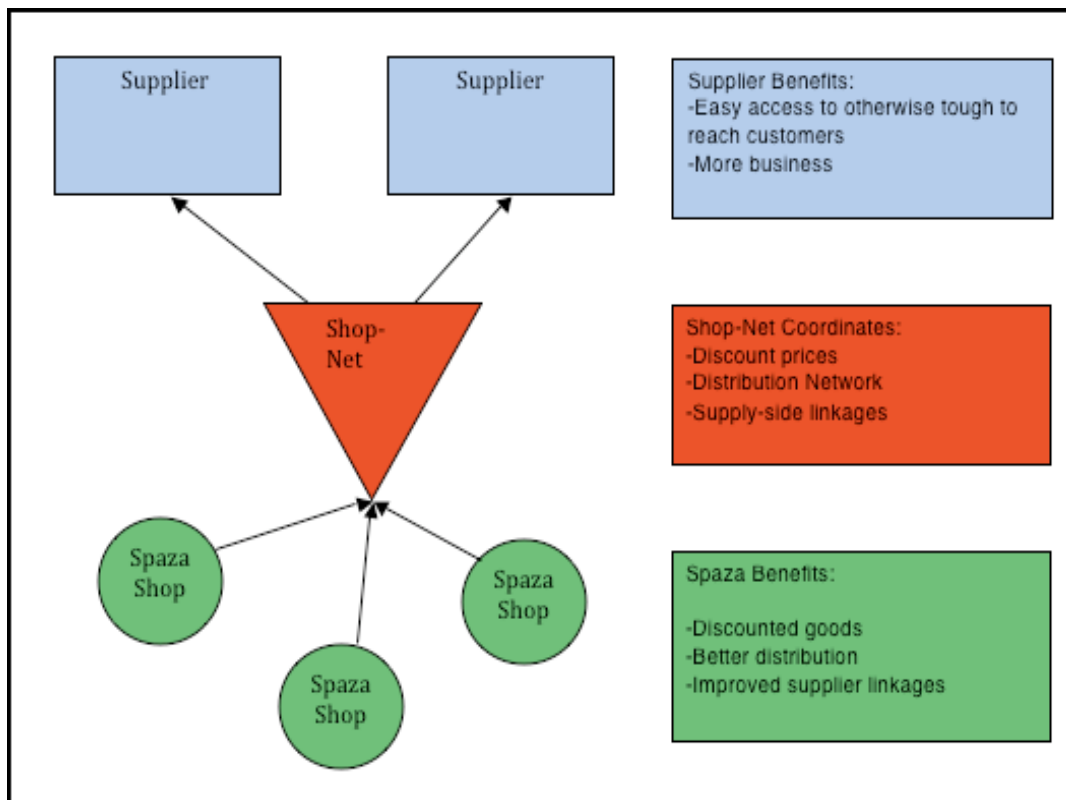


Figure 4 Shop-Net Graphic (SASIX, 2009; Bear, 2005; Tladi & Mielhbradt, 2003)

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. 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).

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 is to help spaza shops to grow into sustainable and financially stable micro-enterprises in Monwabisi Park by studying the existing spaza market in the area, and then attempting to create networking opportunities between spaza shop owners and suppliers. We also hope 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 has defined several objectives to accomplish. They are:

- Obj. 1: Map spaza shops in Monwabisi Park.
- Obj. 2: Profile spaza shops in Monwabisi Park.
- Obj. 3: Understand consumer buying habits.
- Obj. 4: Identify needs and concerns of spaza shop owners in Monwabisi Park.
- Obj. 5: Assist the TTO in recruiting shop owners in Monwabisi Park into the Shop-Net programme.
- Obj. 6: Develop a response to one priority issue related to spaza shop development.
 - Devise a simple recording keeping system for spaza shop owners.
 - Improve the proxy system the TTO uses for measuring the success of spaza shops.
 - Investigate ways that the TTO can help to improve the efficiency of spaza business transactions.

The team has developed a tentative time line, as shown in Table 3, we plan to complete during our seven weeks in Cape Town.

Tentative Task List	Week							
	PQP	1	2	3	4	5	6	7
Literature Review								
Discussions with co-researchers								
Mapping exercises								
Profiling shop owners								
Discussion with consumers								
Identify needs of shop owners								
Assist TTO in implementing Shop-Net								
Respond to priority issue								
Compile the profile book and final reports								

Table 3 Proposed Gantt chart

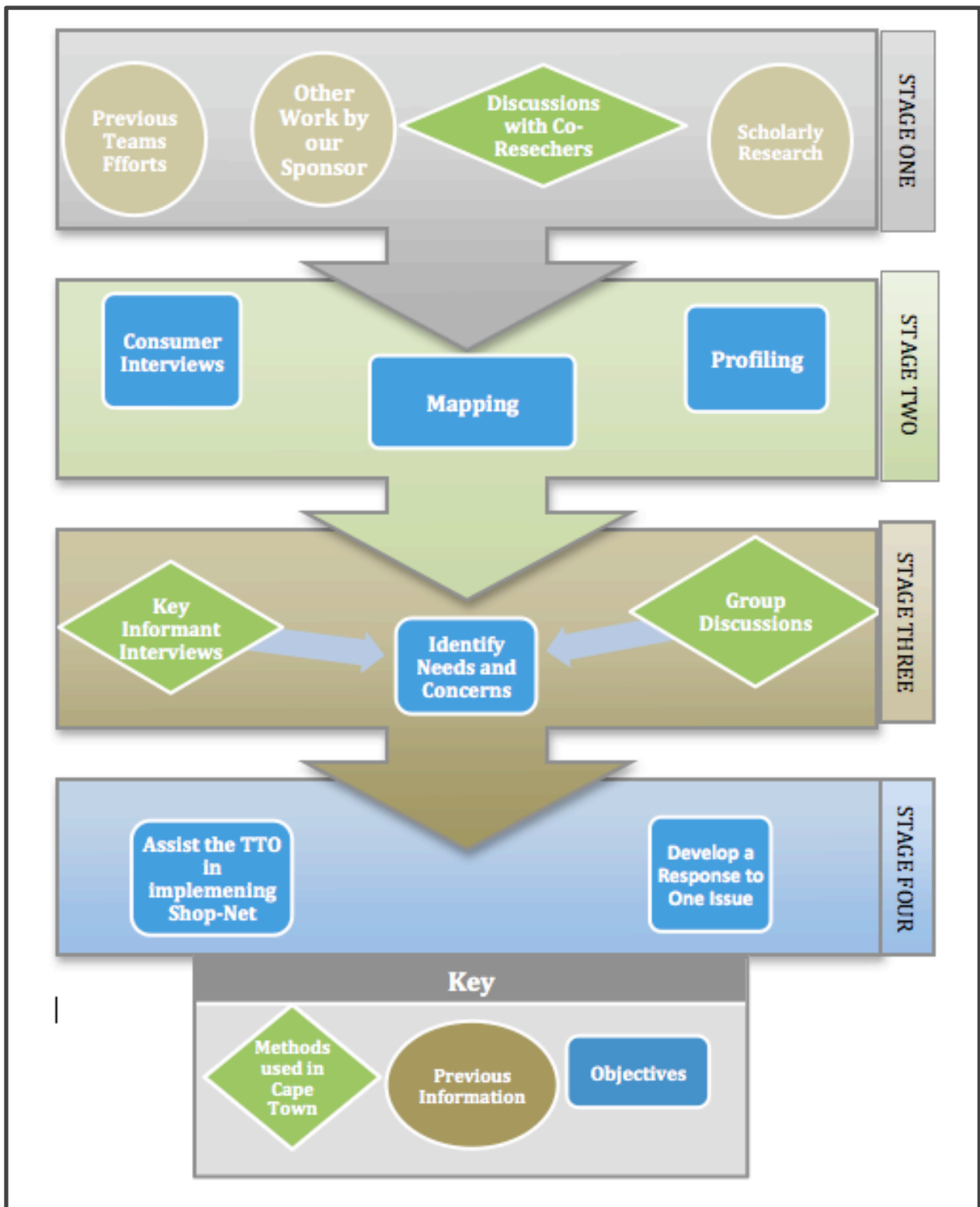


Figure 5 Methodology Graphic

3.1 Map Spaza Shops

One of our first goals upon arriving in Cape Town will be to locate and map the spaza shops in C-section of Monwabisi Park. Based on the amount of time and effort that this takes, we may expand our map to include more sections of Monwabisi Park. We plan to update the map that the 2009 urban planning team developed. Then we will provide this data to our sponsors, and it may also aid future WPI teams working in Monwabisi Park. This exercise will also give us an awareness of the small businesses in the area, and help us to understand all of the different shapes and sizes of spaza shops that exist in Monwabisi Park.

In order to create a map of Monwabisi Park, we will employ our available knowledge from literary review, online geographical tools, and resources available to us when we arrive at Monwabisi Park, such as co-researchers, consumers, and spaza shop owners. The team will begin by analyzing the previous team's map of the area, shown in Figure 6, and determining the ability of the co-researchers to guide us to spaza shops. We will explore any uncharted areas where needed, and then integrate the new and old information to generate a map of Monwabisi Park.

We are considering using several different tools to create our map of spaza shops. While walking around Monwabisi Park we will carry a hard copy of a map generated by the 2009 mapping team, and use writing utensils to mark where spaza shops are. We will then use laptops with relevant software programmes in order to take the data we have gathered and create our own map of spaza shops in the area. Previous groups have utilized ArcGIS, a software programme that offers accurate geographic information to manage and represent mapping data (WPI Urban Planning Team, 2008; ESRI, n.d). The geographic information system tremendously helped their efforts in data presentation, storage, and analysis, so our team plans to use the same software.

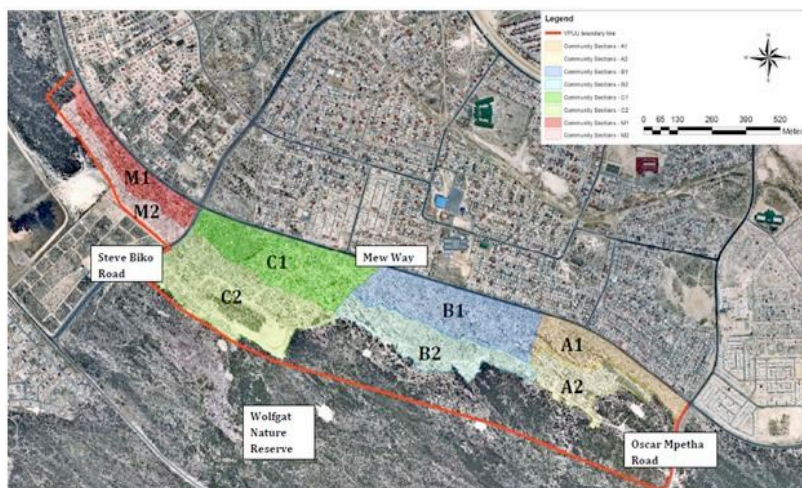


Figure 6 The eight community sections in Monwabisi Park from 2009's Urban Planning Team

The major logistical concern that we face in mapping spaza shops is the extent of the field we are going to explore. From the previous teams reports, it is clear that it is not feasible to examine Monwabisi

Park in its entirety. We will be in Monwabisi Park for about six hours a day, and we can only travel as far as we can walk in the allotted time. Therefore we will start by examining C-section, and branch out from there.

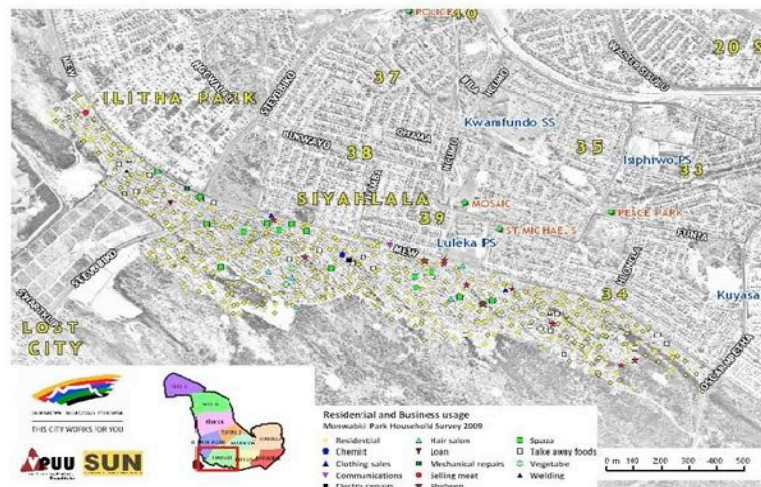


Figure 7 The mapping of businesses in Monwabisi Park from 2009's Urban Planning Team

Besides producing a map of spaza shops in the area, our other goal from this objective is to gain a better understanding of the range of micro-enterprises that exist in Monwabisi Park. Spaza shops come in different sizes, and they can sell many different types of goods. They can also offer a wide variety of unique services in the informal economy, as can be seen in Figure 7, such as metal shaping, shoe repair, and hair-dressing (Ligthelm & van Zyl, 1998). Because spaza shops can vary so greatly in the types of goods and services that they offer, through this objective we will develop our own working definition for what exactly constitutes a spaza shop. We will then use this working definition when considering what micro-enterprises in Monwabisi Park we will continue to study.

3.2 Profiling Spaza Shops

In this objective, we want to compile some of the information obtained through our informal conversations and mapping exercise to create a spaza catalogue to be utilized by visitors of the Indlovu Centre. This catalogue will help visitors to get a sense of the spaza market in Monwabisi Park and identify spaza shops they would like to go see. The catalogue will provide a map of spaza shops in Monwabisi Park. Spaza shops on the map will have a page within the catalogue displaying a picture of the shop along with general information on the owner and what they sell. A template for the type of profile we will develop is shown in Figure 8. The catalogue will be updated annually by either the caretakers of the Indlovu Centre or by a spaza shop owner. This catalogue will be compiled at the end of the project so the profiling can be done throughout our stay in Cape Town.

NAME OF SPAZA SHOP HERE, NAME OF OWNER HERE		
Physical Description of the Shop	Anything of Special Interest -Special items sold -Promotional deals offered -Anything of interest	Line Item Menu Bread.....50 Rand Soda.....10 Rand Etc. etc.
Brief Owner Bio/History of Shop	Customer Testimonials	<div style="border: 1px solid black; height: 150px; margin-top: 10px; position: relative;"> <div style="position: absolute; top: -20px; left: 50%; transform: translateX(-50%);">Picture of the spaza shop here</div> </div>

Figure 8 Proposed layout of shop profile in the spaza catalouge

Working with our co-researchers will help us properly collect information for the spaza catalogue. Before the team begins implementing our approach, we want to have a meeting with all the co-researchers. We would like to present the goals of our project and see how the co-researchers can help us in achieving our objectives. They can address challenges that our team may face in reaching our goals, and offer suggestions. In terms of assisting in our field work, co-researchers will help to smooth out our interactions with consumers and spaza shop owners. They can help us identify appropriate methods of approaching shop owners. They will clear up confusion we may have in communicating with the people and allow us to quickly navigate through Monwabisi Park, identifying shops we could target for profiling.

We hope to be able to profile specific spaza shops in Monwabisi Park for the catalogue. Speaking to our co-researchers will help us determine how many spaza shops we could profile in a seven week time frame. Based on the projections from the 2008 WPI Economy team, there are more than 60 spaza shops in the entire park. We will be profiling the two spaza shops previous WPI teams developed a relationship with last year. Next we will profile shops the co-researchers are familiar with, and buy their own personal goods from. Our goal is to profile five different spaza shops during our time in Monwabisi Park.

We also need to develop a way to initially approach spaza shop owners. We want to make sure we are not pushing our ideas on the shop owners, but explaining that we are there to help them with the things they want to see changed. The purpose of these initial encounters is to develop rapport with shop owners. This could be accomplished by buying something from their shop, asking appropriate questions about their lives, telling them about our own lives and possibly showing them pictures of our families.

Even though we are having informal conversations with spaza shop owners, we would like to write down observations and information we may collect. A team member speaking to a spaza shop owner will have a notebook and keep notes as long as the note taking does not hinder the flow of the conversation. Conversations will be casual and questions will be asked in a non-interrogative manner.

The team will be using photography as an incentive for spaza shop owners to open up to us in conversation. Once we complete our initial conversations, we will ask them for their permission to take a photo of them in front of their spaza shop. We will explain our intention in creating a spaza catalogue and how the photo will be used as part of a profile of their shop. Once we develop the photos, we will laminate each picture and provide it to each person as a gift. We will also show them the page we have created for their shop and seek their approval to use the information we plan to display. These pictures give us a reason to come back to the spaza shop and it creates a connection with that owner.

3.3 Understand Consumer Buying Habits

Through this objective we hope to identify the needs of the consumers in Monwabisi Park by gaining a better understanding of their buying habits. In doing so, we will be able to better understand the relationship between the consumers and the spaza shops, and also how they interact with large retailers located outside of the community. This information will be used to enhance future key informant interviews, surveys, group discussions, and also help assist the TTO to implement Shop-Net in Monwabisi Park.

We will begin gathering this information through discussions with the co-researchers. After that, we will assess the need to talk to more community members. The issues we hope to address in talking to people are:

- How often do consumers shop at spaza shops?
- Which goods are typically bought at spaza shops?
 - Which goods are typically purchased from large retailers
- Reasons behind shopping at spaza shops
 - Why do people patronize spaza shops?
 - Which factors affect this decision?
- Supply and Demand issues
 - How often do shop owners run out of stock?

The team will determine the need to gather additional consumer information based on the consistency of the answers collected, and also which priority issues we choose to address. To gather more information on the needs of the consumers we plan on holding group discussions with general members of the community. The 2008 WPI economy team found group discussions to be one of the most beneficial ways to gather information from community members, and we will make use of these group discussions should we need another method to gather information on consumer needs.

3.4 Identify Needs and Concerns of Shop Owners

This section will identify and prioritize the needs and concerns of the spaza shop owners through five stages. Even though spaza shops face many common challenges, the severity and priority of these challenges can vary by location. In order to determine how best to help the situation in Monwabisi Park, we want to first address the most pressing issues as seen by the spaza shop owners. Ultimately all of the information gathered in this phase will be used to aid the TTO understand what is involved in bringing Shop-Net to Monwabisi Park, and help us to identify which priority issues need to be addressed.

Stage One: Create a Preliminary List of Needs in the Community

The team will begin by creating a preliminary list of needs and concerns as identified through informal conversations and profiling of spaza shop owners. This list will be the most beneficial if it is formatted as a table with similar problems grouped together. It is important to keep track of these sources due to the scattered nature of original data collection. The table will include the type of problem, a more detailed description, and the source that identified this problem (including location and date). Figure 9 shows a sample of the table we will generate. The final output will be useful as a reference when creating key informant interview plans.

Problem	Description of the Problem	Current Solution	Source
Transportation	Takes two hours to obtain goods	informs consumers when goods will be delivered late	Aubrey (Aubrey Cash Store, 2008)

Figure 9 Example of an initial list of problems

Stage Two: Conduct key informant interview

The next step will be to conduct key informant interviews. The goal of these interviews will be to identify the needs and concerns of the shop owners. During these interviews we will also be interested in learning if the key informants have any ideas for solving these problems, what they have done in the past about them, and any suggestions they have for future improvement. We also hope to obtain a detailed

description of business operations, and gain a better understanding of their business skills. Figure 10 shows a timeline of the steps we will take in interviewing informants.

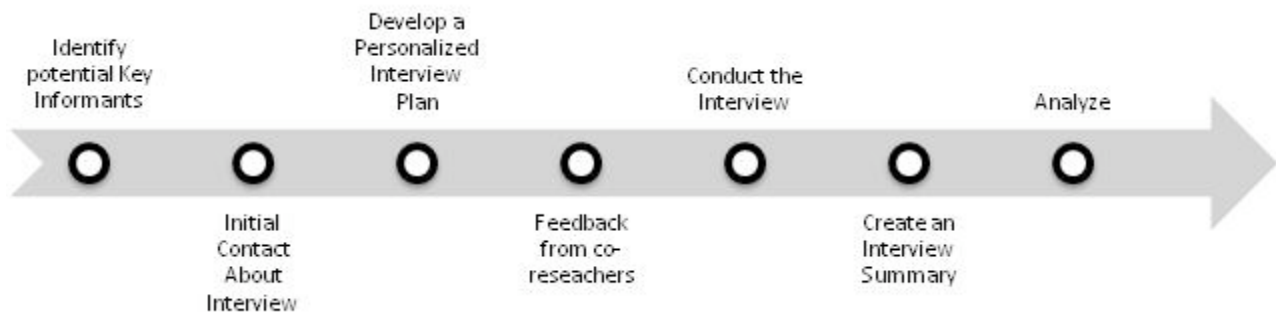


Figure 10 Process to Key Informant Interviews

The team will begin this process by identifying potential key informants. Ideal candidates to interview will be people that we have developed a good relationship with through previous profiling exercise. Further criteria will likely be identified through earlier steps in the methodology. The intended sample size is four diverse shop owners. The information will be more useful if some of the shop owners have large prominent shops, and can be contrasted with key informants who own smaller start up enterprises. It will also be important to choose key informants from different sections of Monwabisi Park.

After these key informants are identified we will contact the shop owners. In doing so, we hope to judge their willingness to cooperate and help us, and convey the content and length of the interview. Lastly, a convenient time and location will be agreed upon, likely in their shops during a time of low business. The team will use this conversation to gauge the level of formality appropriate for the interview and incorporate this into the interview plan.

Next, the team will develop a detailed, personalized interview plan, considering the language barrier and perceived level of appropriate formality. The general timeline of the interview will begin specific to their spaza shop (their operations, business skills, and largest issues), shift to challenges all spaza shops in the community face, and conclude with their opinions on feasible solutions. Some preliminary things we would like to address are as follows:

- Which issues affect all spaza shop owners
- Current methods of addressing problems
 - Effectiveness of the current methods
- More detailed description of business operations
 - Gain an understanding of the depth of their business knowledge
- Opinions on our preliminary ideas of feasible solutions

At this point we will have to make some decisions about how in depth the questions should be, considering what will be beneficial for our research and also what is comfortable for the shop owner to answer. These decisions will be based on information gathered in general profiling and our initial conversation about the interview. Since the original interviews have not taken place yet, we do not know exactly what information we will be looking for. We will identify the key areas that are still unknown and target the interview at resolving those unknowns.

We will want the co-researchers present as each detailed interview plan is developed, to make use of their superior social experience in the situation to ensure no cultural boundaries will be breached and also get their opinion on how we can improve the plan. Additionally, in cases when the shop owners do not speak English, the co-researcher will need to fully comprehend the plan as they will be essentially conducting the interview. If we clearly explain to them what our goals for the interview are and what we're trying to learn, they will be able to save us time and work.

The next step will be to conduct the interviews with the shop owners. One team member will lead the interview, while the rest of the members contribute input as necessary, and take notes. It will be helpful to record the conversations, with permission, because large amounts of information will likely be conveyed over a very short period of time. The notes from the team and the recordings will be essential when constructing an interview summary.

In accordance with Institutional Review Board policies, we will do everything within our power to ensure that all information we gather during these interviews remains confidential whenever possible, and is properly protected. In addition, we will be sure to receive consent from anyone we interview to gather data for this project. Below is a preliminary statement that we will read to spaza shop owners at the beginning of the interview. Due to the language barrier the co-researchers may need to translate the statement. This statement can also be easily adapted for any other people we interview, such as consumers.

We are a group of students from Worcester Polytechnic Institute in the United States. We are conducting interviews of spaza shop owners in Monwabisi Park in order to gather information on the current state of the spaza market. We are working with the VPUU and Triple Trust Organisation to try to strengthen the spaza shops in the area, and we will be using this information to help achieve that goal.

Your participation in this interview is completely voluntary and you may withdraw at any time. You also do not have to answer any questions if you would prefer not to. Please remember that your answers will remain anonymous. No names or identifying information will appear on the questionnaires or in any of the project reports or publications.

Our team is only in Cape Town for several weeks, so your thoughts are very important to us. Your participation in this interview is greatly appreciated.

After conducting each interview, we will convert it in to a summary so that we can then analyze it. During our analysis we will be sure to acknowledge the potentially biased nature of interviews, the size and perceived community impact of this business, and our own personal relationship with the shop owner. From this analysis we will be able to determine if it is necessary to interview additional shop owners. We might find it necessary to conduct multiple interviews with the same shop owners over a period of time.

Stage Three: Hold group discussions

The 2008 WPI economy team found group discussions to be the most effective method of “obtaining specific desired data”. The discussions could prove beneficial to our project because they would allow spaza shop owners to collectively decide which issues they find the most pressing. A group discussion would also allow the team to ask the four to five spaza shop owners about any discrepancies found through interviewing. Due to the shop owner’s busy schedules, it would be difficult to get so many shop owners to take time away from their shops. The team will have to determine the feasibility of holding a group discussion once we get to Monwabisi Park. This decision will be based on the opinions of the co-researchers and information gathered in the key informant interviews.

Stage Four: Surveying

The team will need to determine if further surveying is necessary based on the information collected through key informant interviews, and group discussion. This decision will be based on the range of concerns identified by the different types shop owners. For example, if there is a large variation in the concerns from shop owners in separate sections of the park, or if the larger stores have different needs than the smaller shops. The goal of surveying will be to explore any discrepancies in concerns identified by key informants, and determine the most common concerns.

We will look at examples of other similar surveys when trying to design our own, in order to make the most effective survey we can and avoid any problems that have occurred in the past. The length of the survey should be determined based on the amount of information that is essential to our project, and the amount of time the shop owners would be willing to spend answering the survey. Since a general idea about the needs of the community have been understood from key informant interviews, the discrepancies will be highlighted in the content of the survey. After a preliminary survey is produced, we will get feedback from both our co-researchers and our sponsor at the TTO to ensure all pertinent information has been covered.

Stage Five: Develop a final prioritized list of the needs and concerns of spaza shop owners

This step will consolidate the information collected in the previous stages in order to come up with a final, prioritized list, in an attempt to verify our initial data by quantifying our previous, largely qualitative data. First, the team will rank the importance of each issue in three different ways: the importance as seen by shop owners, as seen by the TTO, and as seen by us. These needs and concerns can then be organized in order of their perceived importance. A second list will be created that categorizes these needs and concerns, and will help to determine any relationships between them. These lists will allow the team to determine which issues take priority based on the needs and concerns of the shop owners. The team is assuming the shop owners will consider practicality when addressing these needs and concerns, but we will also have to find a balance between which needs are the most pressing, and which have the most practical solutions.

3.5 Assist TTO in Bringing Shop-Net to Monwabisi Park

After we have begun to gather information about the spaza market in Monwabisi Park, another one of our objectives is to attempt to bring some of the TTO's existing programmes to the area. As of now, none of the TTO's initiatives, such as Shop-Net or their business training services, have been used in Monwabisi Park. However, since these programmes have shown success in other areas, they could be beneficial to spaza shops there as well. We plan to take several steps in order to achieve this goal, outlined in the timeline shown in Figure 11.

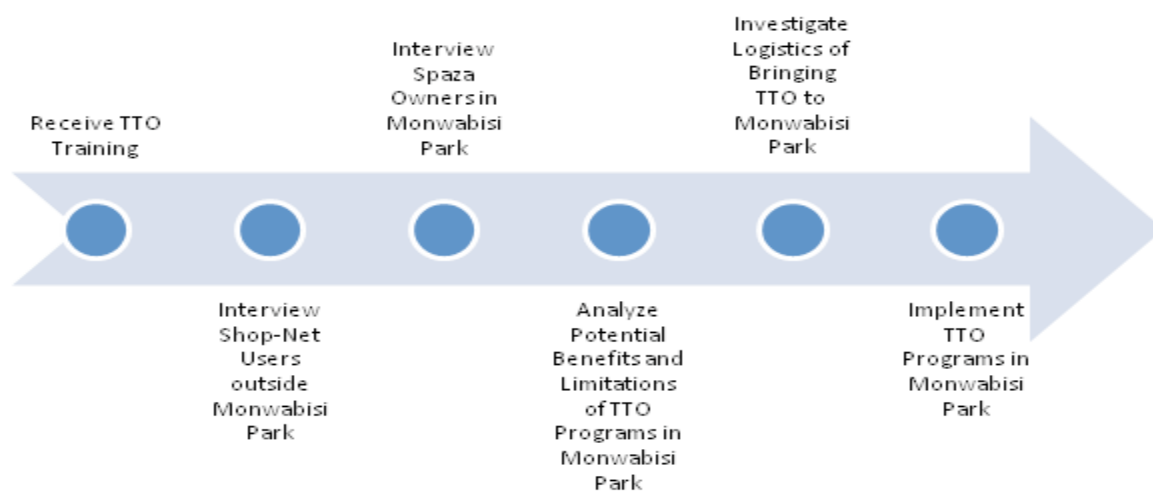


Figure 11 Process for implementing TTO programmes in Monwabisi Park

The first step in achieving this goal would be to receive training from the TTO on their programmes. Although we have done significant background research into our sponsor's methods, our

knowledge is by no means exhaustive. Therefore, it is important that we learn the details and logistics behind the TTO's programmes, to ensure that we do not misrepresent anything to spaza shop owners in our interactions with them. We will coordinate these learning efforts with our sponsor during our stay in Cape Town.

After receiving TTO training, our next move would be to interview spaza shop owners in other parts of Khayelitsha who are already participating in TTO programmes. We would most likely work with the TTO to determine which spaza shops we should contact, how, and when. During these interviews, we would be attempting to elicit answers for several key questions:

- Why are you involved in Shop-Net?
- What benefits are you receiving?
- What complaints do you have, or what weaknesses do you see in the current programme?
- Do you feel it is worth while?
- Would you recommend Shop-Net to spazas in Monwabisi Park?

The next step would be to conduct discussions with spaza shop owners in Monwabisi Park. These discussions may occur during other parts of our methodology discussed earlier, such as while we are profiling individual shops, or afterwards in follow-up or separate interviews. To prepare for these interviews we will speak with TTO recruiters to attempt to gain their experience, insight, and advice on working with spaza shop owners.

In these discussions, we would explain to the shop owners who the TTO is and how their programmes work. We would also share any feedback with them that we have gained from discussions with shop owners outside of Monwabisi Park. During the discussions, we will be attempting to gauge their interest in the TTO's Shop-Net or business training programmes. If the spaza shop owners are not interested in collaborating with the TTO, then there is no point in investigating the issue further. We will ultimately need willing spaza shop cooperation in order to make the TTO programmes in Monwabisi Park a reality.

We may provide a brochure to spaza shop owners that would provide general information about the TTO and their Shop-Net programme. We may customize our own handout for use in Monwabisi Park, or we may use existing TTO recruitment materials. The brochure will be simple and straightforward in that it will clearly outline what benefits spaza shop owners will receive if they participate in Shop-Net. It will also provide clear answers to common questions spaza shop owners may have about the programme.

During our discussions with the shop owners in Monwabisi Park, there are several aspects of the discussion that we will be sure to clarify tactfully and honestly. Major points and issues that we want to make clear to shop owners are:

- Explain we are student researchers working with the TTO.
- Present Shop-Net as a potential helpful resource, do not seem like salesmen.
- Explain that we and the TTO do not make money from them joining Shop-Net.
- Provide them with TTO recruitment materials.
- Potentially put them in contact with spaza owners in other areas who are members of the Shop-Net programme.
- In general, try to build trust with the shop owners.
 - Be honest.
 - Be up front.
 - Leave the decision to become involved with the TTO to them.
 - Be clear that we are offering Shop-Net to them in order to help them, not in order to grow the TTO programme or make money. Growing the TTO programme is only a by-product that is positive because Shop-Net seems to be beneficial to its members.

After determining the levels of interest in TTO programmes, our next step will be to work with the TTO and the VPUU to determine how their existing programmes can best fit with the spaza shops in Monwabisi Park. We want to ensure that these programmes will be beneficial to the people there, based on the expressed needs of the shop owners and our own research. This analysis will be conducted through team meetings and collaboration with our sponsor. Major issues that we will address are:

- What services does the TTO offer that owners are interested in?
- What products do owners sell that Shop-Net can provide?
- What is the current distribution method to spazas in Monwabisi Park? Would they benefit from the Shop-Net distribution network?

Overall, if it seems like the services and benefits that the Shop-Net programme currently offers are not in line with the needs of the shop owners, then we will begin to examine why that is, and how the Shop-Net programme could possibly be modified or extended so that it would be helpful in Monwabisi Park.

Another vital step towards achieving this goal is to determine, from the TTO's side, what logistics will be involved in bringing Shop-Net to Monwabisi Park. Key questions that need to be addressed are:

- Can the TTO distribution network accommodate Monwabisi Park?
- If not, how could it be expanded to do so?
- Can the TTO offer business training to shop owners in Monwabisi Park?
- What other factors must be taken into consideration in order to bring Shop-Net to Monwabisi Park?

In order to answer these questions, we would hold interviews with Donovan Pedro, the regional director of the TTO, and any other TTO personnel who would be knowledgeable on the subject. During these interviews, we will share any information we have gathered on the Monwabisi Park spaza market with them, in order to develop the most effective plan for implementing Shop-Net in Monwabisi Park.

3.6 Priority Issue

One final aspect of our project will be to address one priority issue that will be identified by our sponsor and our team during our stay in Cape Town. This issue has not yet been determined, but there are several possibilities that we have begun to examine, which we will discuss below.

3.6.1 Record Keeping System

One potential issue we may work on is developing a customized record keeping system designed to be used specifically by spaza shops. This was first identified as a potential area of improvement by our sponsor during an initial discussion. At the moment, many spaza shops keep incomplete, poor, or non-existent business records for their stores. If our team could develop a simple, intuitive, and easy to learn record keeping system that could be distributed to spaza shops, it could potentially be very helpful for them. In order to address this goal, we would first identify the need for better records in stores in Monwabisi Park through interviews with shop owners there. Next, with the assistance of our sponsor, background research, and consultations with business experts, we would draft a set of forms that spaza owners could fill out when performing actions like buying stock or taking inventory at the end of a day or week to determine what has sold and what has not. We may try to experimentally work to implement our system with one or two spaza shops, in order to determine how effective or helpful it may be.

3.6.2 Spaza Finance Estimation Proxy

Another potential item we may attempt to improve is the proxy system that the TTO currently employs as a tool for helping to determine the success of a spaza shop. The basic concept behind the proxy system is that since many shop owners do not keep comprehensive business records, it is impossible to ask them about detailed business information. However, it is possible to take one product sold as a proxy for overall business success. For example, by asking how many loaves of bread a shop sells on average, it is possible to estimate how much of other products are also being sold, and the average amount of money the shop is making in a day (Interview with Donovan Pedro, 2010).

Our team may attempt to apply this proxy system in Monwabisi Park, and try to improve it. Through discussions with TTO members who have experience using this method, we will identify any areas for improvement that may exist in the current system. Then we will turn more specifically to Monwabisi Park. Through discussions with shop owners there, we will see what products might serve as good indicators for the area.

3.6.3 Improve the Efficiency of Business Transactions

One more area that we may attempt to investigate further is how the business transactions of spaza shops could be made more efficient through the use of new technologies, such as cell phones to place supply orders or debit and credit card systems to pay for goods, instead of paying in cash. Using these types of systems could be helpful because it would save time, and it would also eliminate an element of human error that is inherent in paper and other physical systems.

To achieve this objective, we would first need to evaluate the feasibility of using these technologies in Monwabisi Park. We would primarily do this through background research in to any previous, similar efforts and through discussions with spaza shop owners. Key questions to answer would be:

- What kinds of technology and credit services do most shop owners already possess?
- How much would it cost to equip them with the given technology if they don't already have it?
- What kind of training would they need to undergo to use the new system?
- Are cashless payment systems readily available in the area?
- Would we be able to implement such a system in our team's available time frame?

After this, we would need to look at how beneficial new systems would be to spaza shops, and see if the benefits would outweigh the costs of implementation. We would also have to consider what types of

systems the primary spaza suppliers use, and see if those systems would be compatible with the technologies we are proposing. Finally, as in the case of bringing Shop-Net to Monwabisi Park, before taking any action we would need to also secure the interest and willing participation of the spaza shop owners in the area.

Developing a record keeping system for spaza shops, strengthening the TTO's proxy system, and making spaza shop transactions more efficient are three potential areas that we may focus on while in Cape Town. Once we arrive, there may be a completely different issue that arises that we will end up working on. Regardless, we will develop this section in more specific detail once we have better defined exactly what issue we will be working on.

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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 or 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 shopkeepers 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. 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., & Miehlabrad, 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 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 6th, 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 22nd to December 18th.*
- 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.