Migration & LED
National LED conference
Gill Mkhasibe
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The Mkhasibe Group

- Exposed the spaza shop phenomenon via a major research study in 1988

- This led to a cash van service which reaches 6,000 traders with over 10,000 sales calls, in 5 provinces every month

- Sell-in of product, research on categories, erection & monitoring of p-o-s

- Regular consumer & shopper qualitative trend studies
Most marketers of mass market consumed products are aware of the changes in township shopping patterns over the last few years but, first, a short history lesson............ 😊
Under apartheid, township stores were limited to selling only “The basic needs of the Bantu”
.....with the aim of driving black consumers to white owned stores in the city
In the late 1980's, mostly as a response to unemployment, the first spaza shops sprang up, run secretly from homes like these.
• They were completely illegal & kept under the radar – no branding
• This illegality initially restricted access to wholesalers
• Then manufacturers of major FMCG brands saw wholesale sales increasing & started asking questions
• Finally legalised 1990
Soon there were thousands across the country, but the owners were not really entrepreneurs, more survivalists & they struggled, often due to excessively high prices & demands for profit to be used immediately for urgent family needs.
Then around 2004, these gentlemen began to arrive. They worked initially as street hawkers, then bought existing spazas, opened new ones and, over the last few years, have opened 35 mini wholesalers. The spaza market nationally is now +- 80 – 90% migrant owned, with +- 130 000 stores across the country.
Two years later, the first malls opened in townships, adding another dimension to township shopping patterns.
In addition to the malls, the chains have moved in with stand-alone stores.
Lately, Pick’n Pay have taken over several of the few remaining SA owned general dealers in Soweto, in partnership with the Gauteng government, to try to obtain further market traction in townships.
So, a sea change has occurred in township shopping patterns at all levels

- The turnover through spazas is now said to be +R 50bn p.a.
- Nielsen claims that 20% of all money spent in SA is spent at these informal stores but, more importantly, that this is increasing at 7% p.a, vs 4% for formal chains
• We picked this up from a national study we conducted a year ago on township food consumption, where consumers confirmed that they were buying more from spazas than they had before. This has been backed up from our increasing van sales across our clients’ brands.

• It has been well-documented that the success of these foreign owned spazas is largely due to their keeping their prices down, often to less than a major chain-store price.
• Most migrant township traders are Muslim, from Somalia, Ethiopia, Bangladesh, Pakistan, India.
• In the Jo’burg CBD and surrounding suburbs, there are small numbers of Nigerian, Congolese & Mocambiquan traders. Few SADEC traders above a hawker level, but considerable cross border trade out of SA
• Different views as to where migrants obtain the funds to buy/rent local stores. No SA ID or FICA status, so mostly unbanked, but talk of various Islamic Banks assisting
• Totally different work ethic, due to desperation – “no going back”, but see massive opportunities in SA
What are these migrant traders’ “secrets”

- Most arrived here with nothing, just “home-boy” contacts
- Live frugally while build up capital to expand
- Operate collectively, but by nationality
- Store staff are trained then moved to open new stores
- Open long hours, offering huge convenience
- Occasional credit to trusted customers
- Negotiate better prices with wholesalers
- Keep prices down, often on par with/less than Shoprite, saves on transport costs for customers
- South Africans willing to sell them their stores/build spazas on their premises to rent to them
• They say SA is better than the poverty and/or war zones they come from
• Think South Africans are lazy - say we have every resource but wait for government to give us jobs and grants
• Criminal attacks their biggest challenge
Walk-ins like this getting rarer
• Limiting factors – can’t be banked, own property or vehicles

• Will sell possible stolen stock brought cheaply to the door but, not knowingly, counterfeit products

• Criminal attacks biggest challenges - as they’re unbanked, keep cash on premises. Many come from war zones at home & are armed
Amagents & nyaope boys
“Xenophobic” attacks on traders
Xenophobia?

• Sporadic attacks on these traders began from 2008
• Various triggers – trader robbed & shoots robber, looting during service delivery protests. Are armed, many come from war zones, won’t hesitate to shoot
• “Xenophobic”? in that communities would never have attacked SA owned stores? They have and SA hawkers are often looted during protests in CBD
• In Soweto 2015, many migrant traders were hidden by locals who rent premises to them and/or are their customers. (Customers then complained about SA owned shop prices)
• Not on-going situation, not hated by community, integrated, marry locals, speak local languages
Thank You

Gill & George Mkhasibe

011 615 3557/3574
082 574 3826/082 455 7850
gill@mkhasibe-group.co.za