



# TOWNSHIP ECONOMIES:

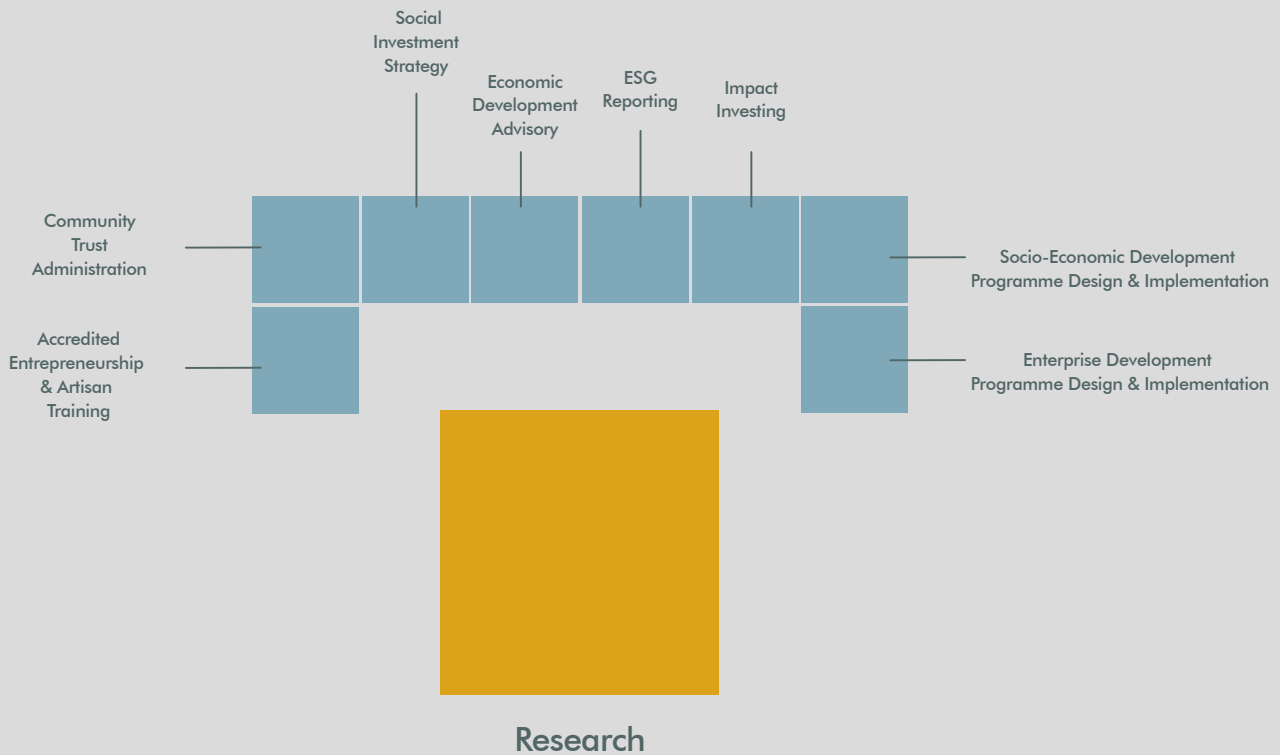
WHAT THE PURCHASING PATTERNS OF TOWNSHIP HOUSEHOLDS TELL US ABOUT THE PROSPECTS FOR SOUTH AFRICAN-OWNED, TOWNSHIP ENTERPRISES

RESEARCH NEWSLETTER  
JUNE 2018



Knowledge Pele exists to develop and grow the economies of township, peri-urban and rural communities. This drive emanates out of our vision for our communities to become self-sustaining hubs, empowered to lead their own futures, intellectually and materially. We do this in our capacity as a business with specific expertise in creating shared value for communities, corporate and institutional social investors.

Our expertise can be broken down into the following services:



At the heart of our proposition lies research. We believe that good development is informed by research that gives voice to the communities we seek to transform.

Knowledge Pele's first newsletter of 2018 seeks to share highlights from our research into the economies of 4 prominent Gauteng townships: Soweto, Tembisa, Alexandra and Vosloorus. In particular, we consider what households do with their money- how much they spend, what they buy, where they buy it from, who they buy it from and the reasons underpinning their purchasing choices. To this end, we surveyed 530 community members and interviewed a further 42 in focus group discussions to establish perceptions of local shops and service providers.

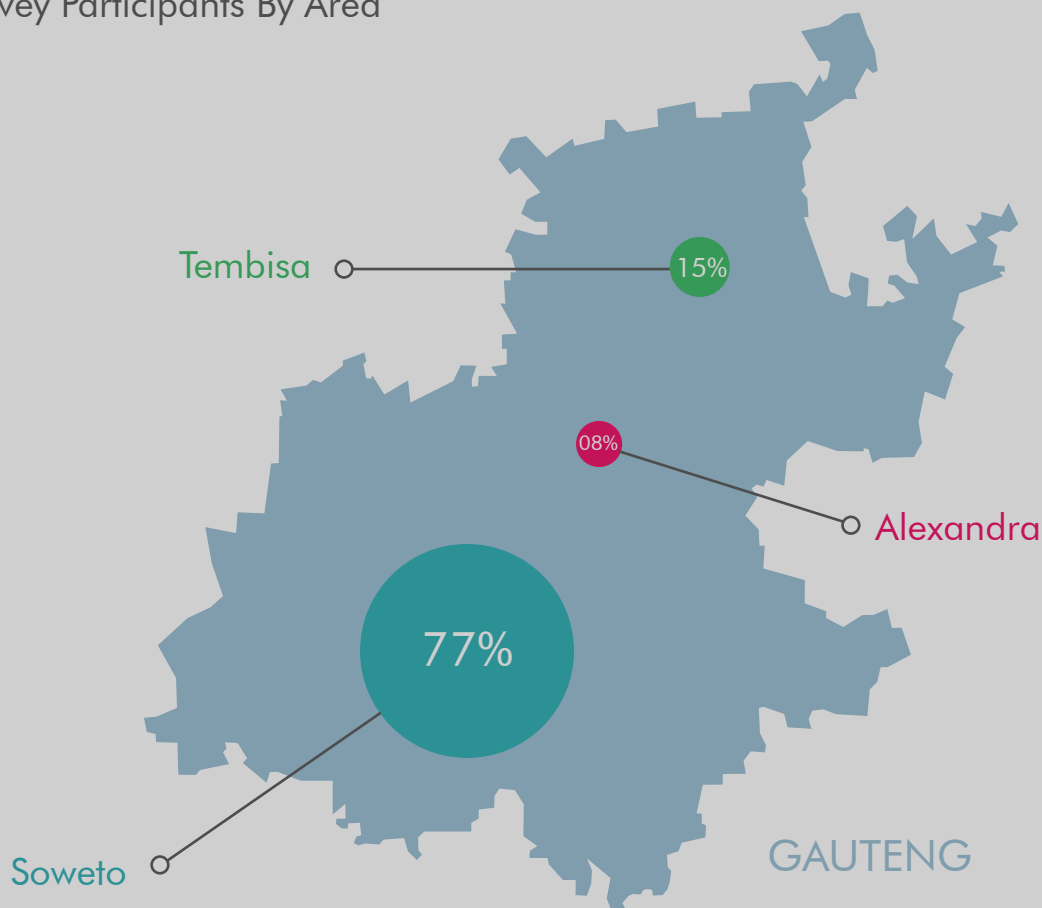
This research seeks to connect specifically with work undertaken by the Gauteng Province to revive township economies. The Province’s work, primarily focused on township entrepreneurs, seeks to improve their capabilities and ultimate viability. Knowledge Pele’s research seeks to compliment this by providing a deeper understanding of the purchasing choices of township households. In so doing, we seek to shed light on the behaviour and preferences of those who lie on the demand side of the township economy spectrum.

This knowledge of the market is particularly powerful for township entrepreneurs.

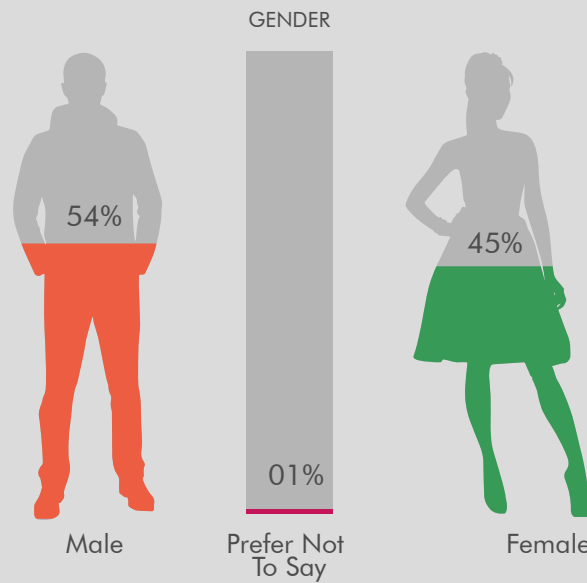
**It Is Also Critical For Policy Makers And Private Social Investors Who Seek To Make Relevant And Impactful Enterprise Development Investments In Township Economies.**

**Survey Participants By Area**

Survey Participants By Area

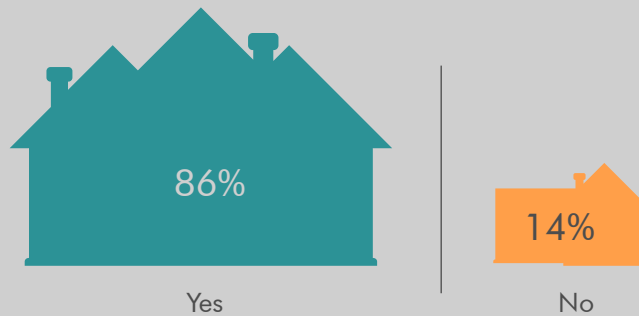


## Demographic Profile Of Survey Participants

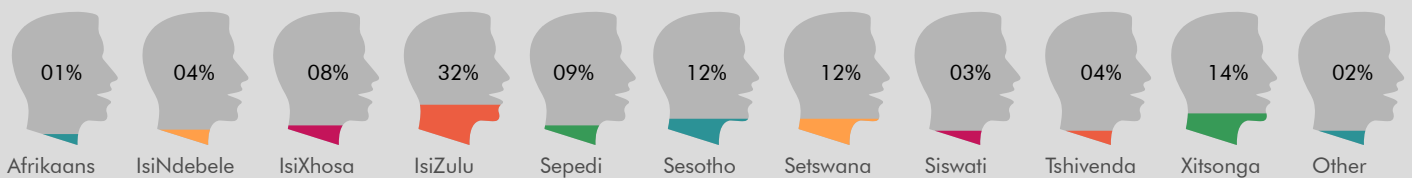


\* The average age of participants was 37.

## Interviewees Who Claimed to Be Head of Household



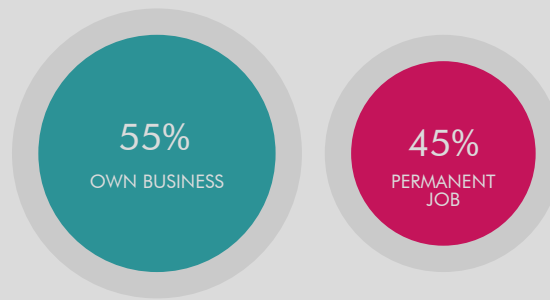
## Home Language



### INSIGHT 01

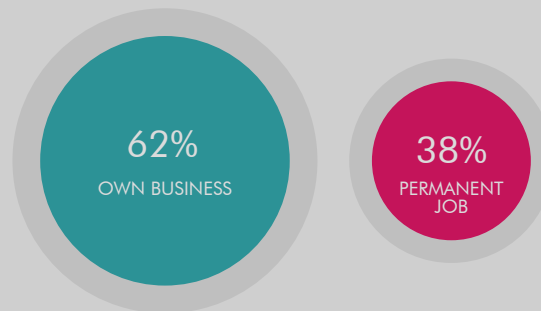
Entrepreneurship Is An Increasingly Attractive Employment Option. Asked what type of occupation people would prefer in an ideal world, the majority of respondents indicated a stronger preference for being self-employed.

## In an Ideal World, What Would You Do?



This trend varies significantly when evaluated through the lens of gender. A much higher percentage of men desires self-employment when compared to women, who are more equally split in terms of their preference.

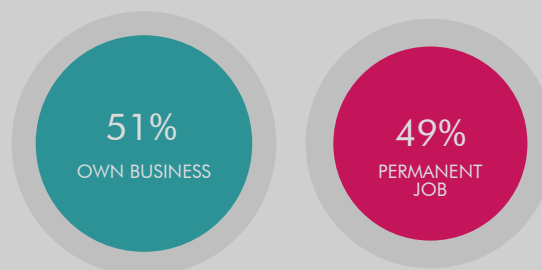
### Male: Own Business vs. Permanent Job



#### **INSIGHT 02: WOMEN APPEAR TO BE MORE RISK AVERSE WITH RESPECT TO ENTREPRENEURSHIP.**

It is therefore imperative to focus investment towards stimulating the impulse within women to believe that they are capable of creating new economic value as entrepreneurs if we desire a more equal society.

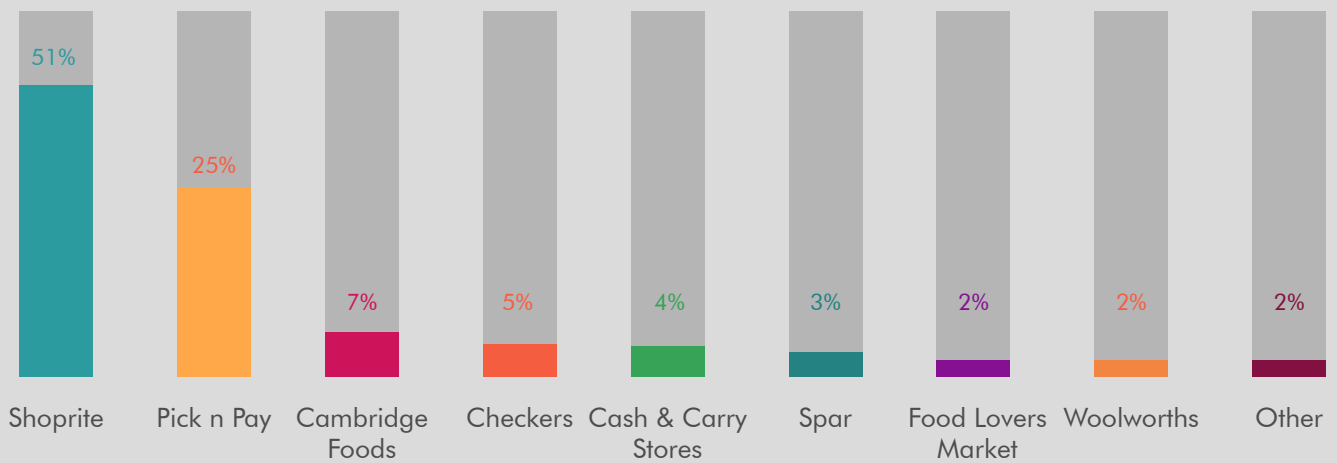
### Female: Own Business vs. Permanent Job



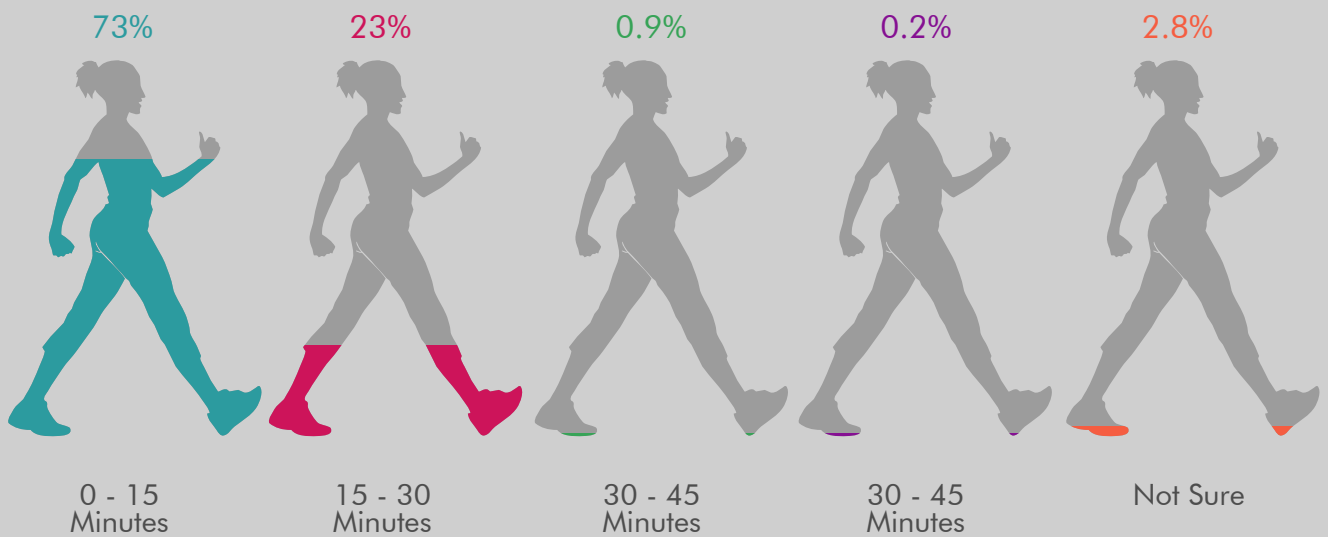
#### **INSIGHT 03: MOST PEOPLE BUY THEIR MONTHLY GROCERIES FROM SHOPRITE AND PICK N PAY AND LIVE WITHIN WALKING DISTANCE OF THESE STORES.**

Townships are differentiated from peri-urban and rural communities by their close proximity to goods and services. However, this closeness can also be read as the speed with which money leaves these communities as the businesses supplying these goods are not locally-owned.

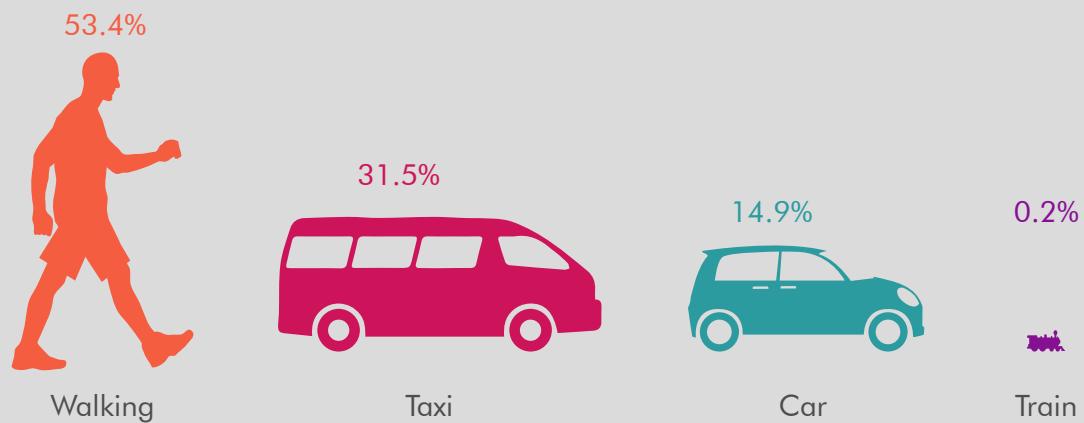
## Where Do Households Buy Monthly Groceries From?



## Distance to Grocery Shop in Minutes



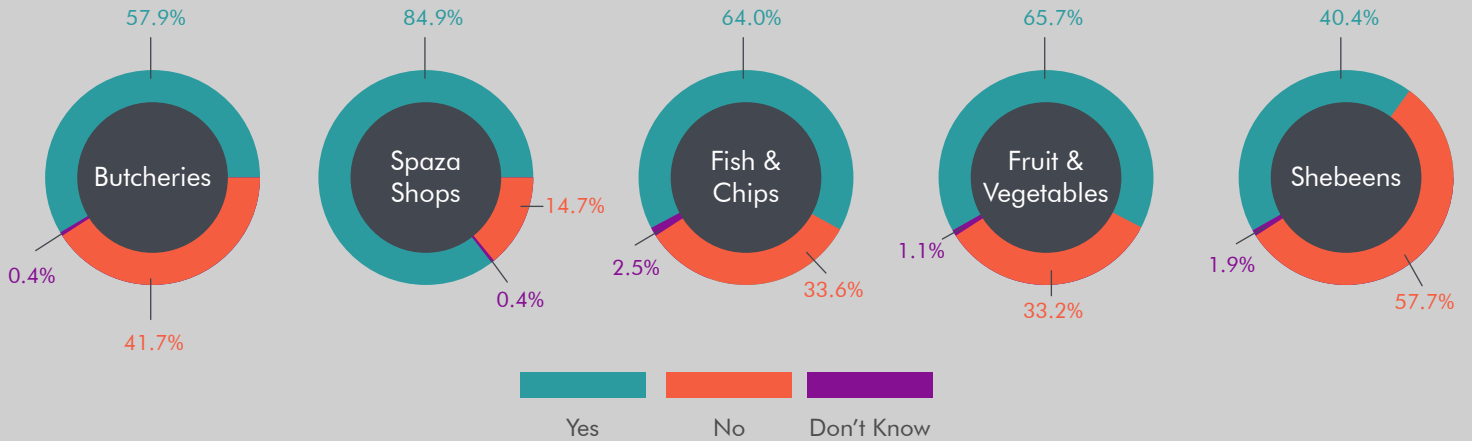
## Source of Transport to the Grocery Shop



**INSIGHT 04:**

Of The Locally-Based Enterprises, Spaza Shops And Fruit And Vegetable Vendors Receive The Most Patronage.

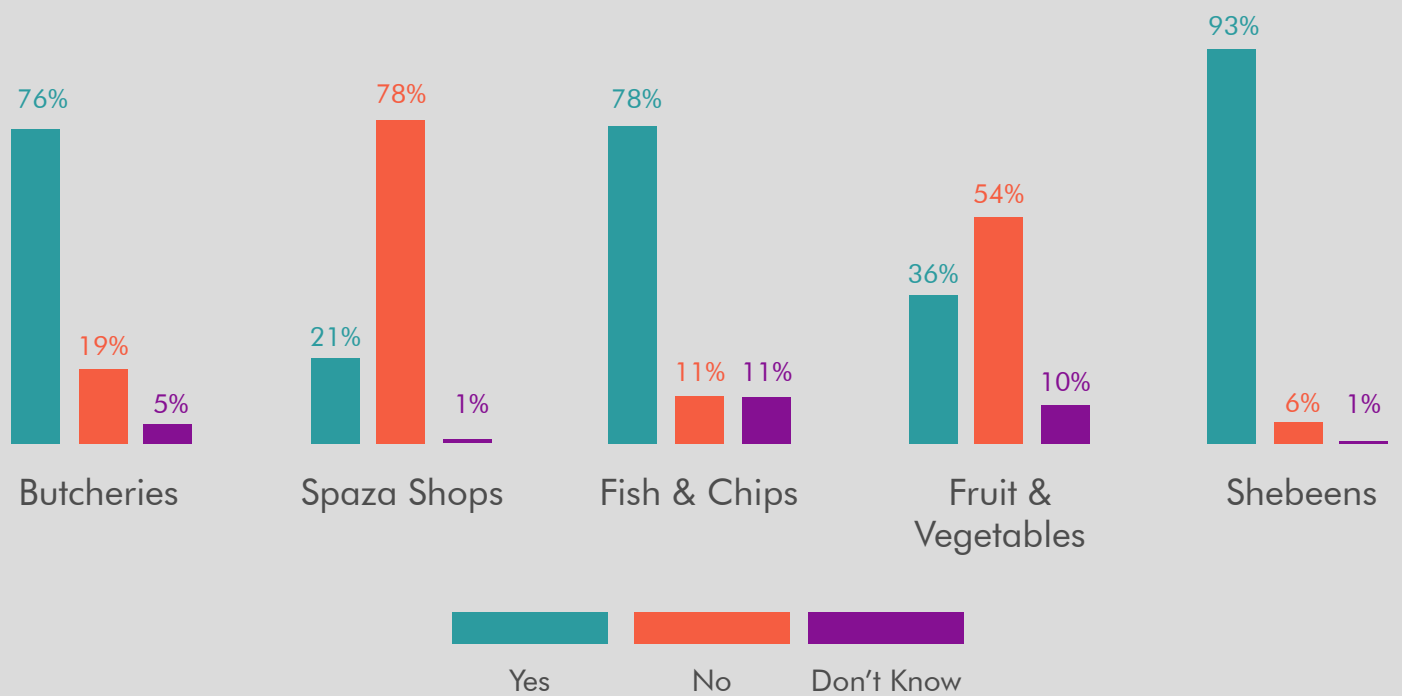
Household Purchases from Locally-Based Shops



**INSIGHT 05:**

Spaza Shops And Fruit And Vegetable Vendors Are Predominantly Owned By Non-South Africans.

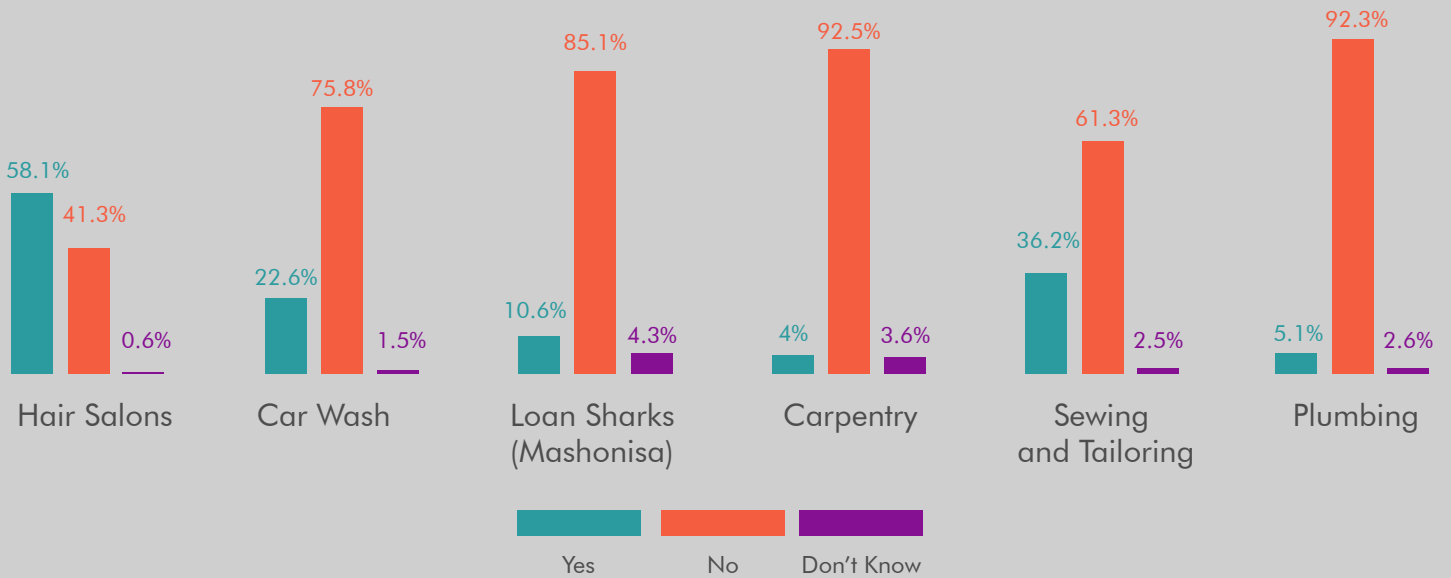
Is the Shop Owned By South Africans?



**INSIGHT 06:**

Households Spend Minimal Amounts on Locally-Based Services.

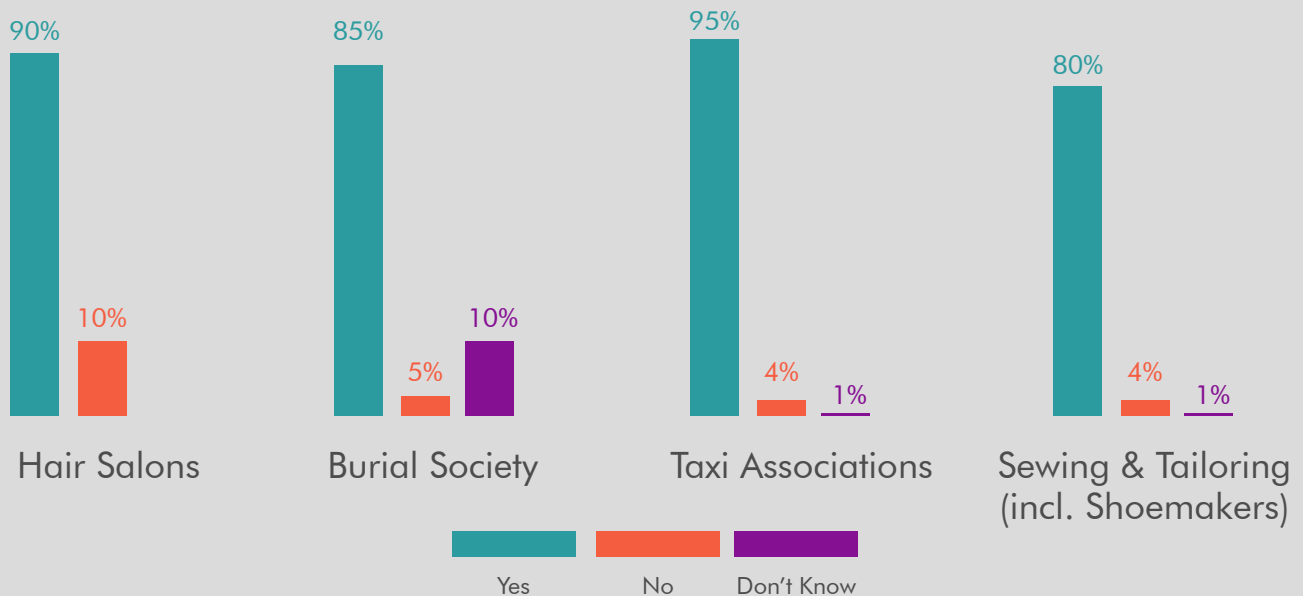
Household Purchases From Locally-Based Service Providers



**INSIGHT 07:**

South Africans Dominate The Services Sector In Township Communities.

Is the Shop Owned By South Africans?





## Perceptions of Retailers and Service Providers

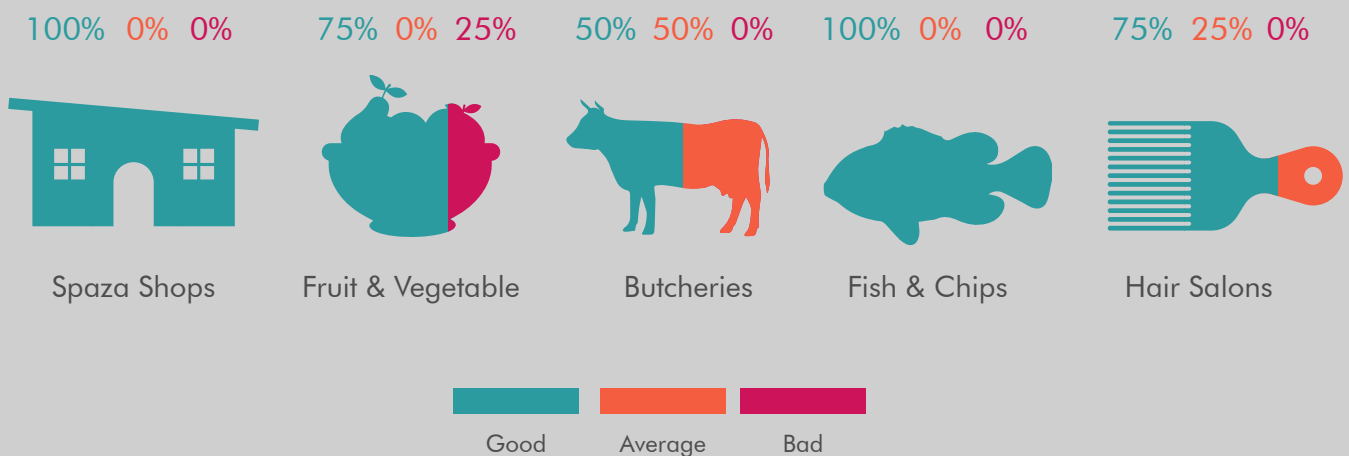
Focus group discussions were conducted with residents of Vosloorus township to understand their perceptions of retailers and service providers. Participants discussed and completed action research tools related to affordability, quality of goods and quality of service.

### INSIGHT 08:

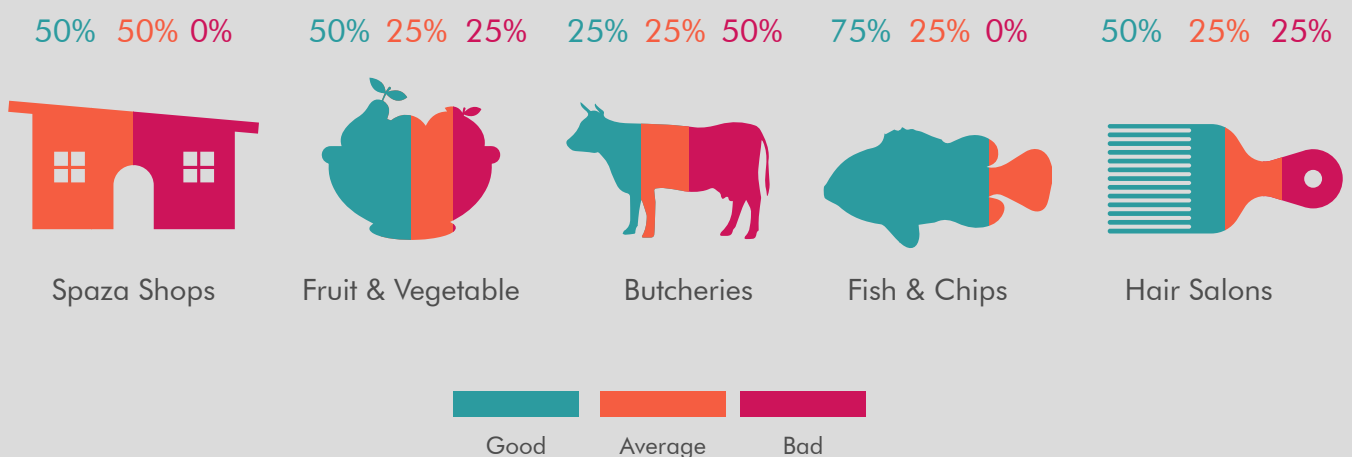
Non-South African Owned Establishments Are Perceived To Be More Affordable Than South African Black Owned Establishments.

The graphs below aggregate the views of the groups in relation to each type of enterprise that goods and services are purchased from.

### Affordability - Non-South African Owned in Township



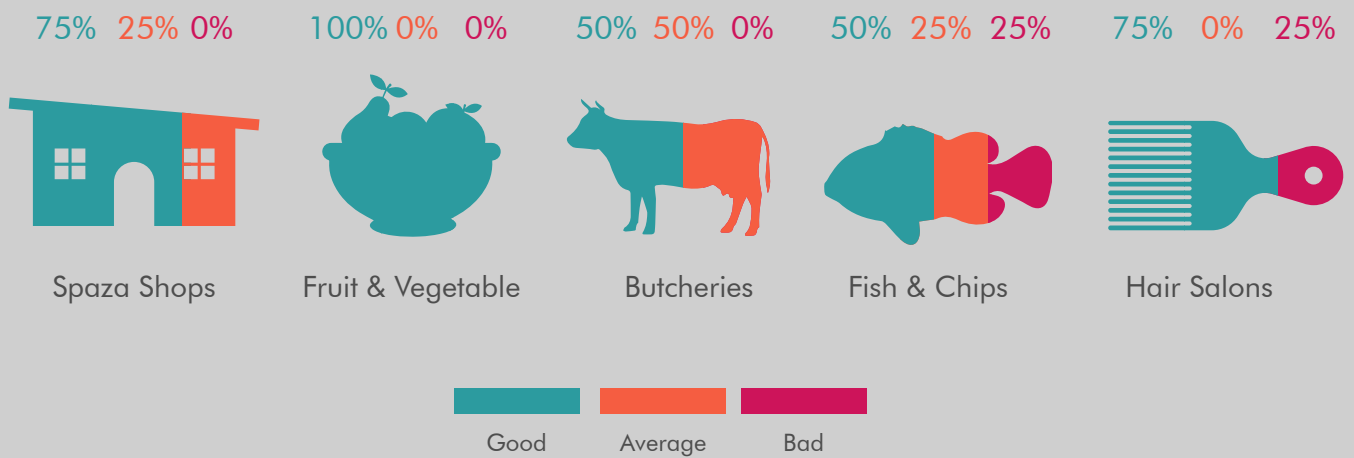
### Affordability - SA Black-Owned in Township



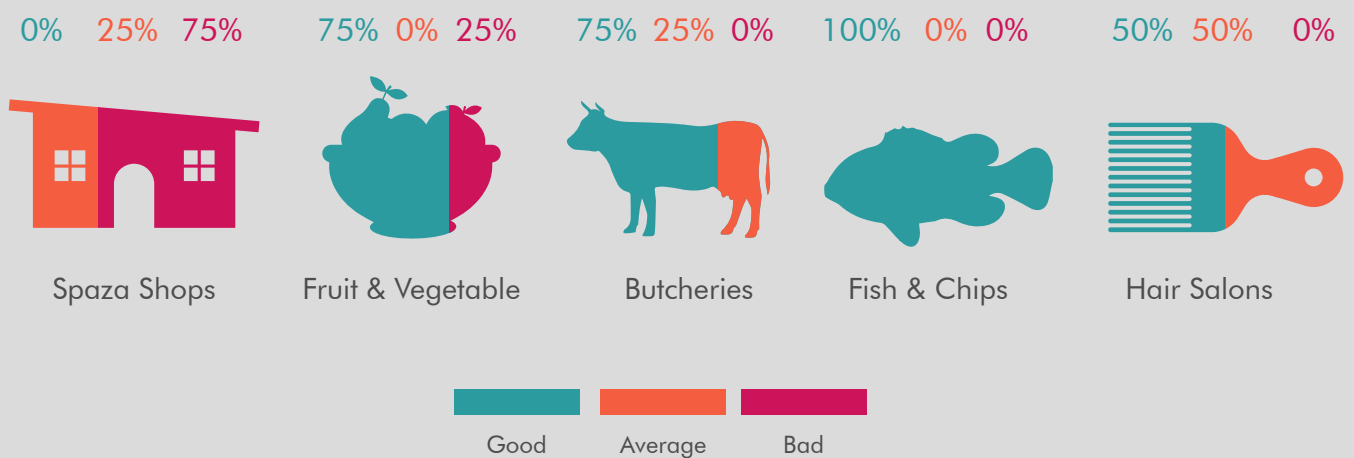
**INSIGHT 09:**

South African-owned spaza shops are considered to be worst service experience in the township. To support the revival of this sector, it is important to include a focus on the softer skills of owners and shop assistants.

Service - Non-South African Owned in Township



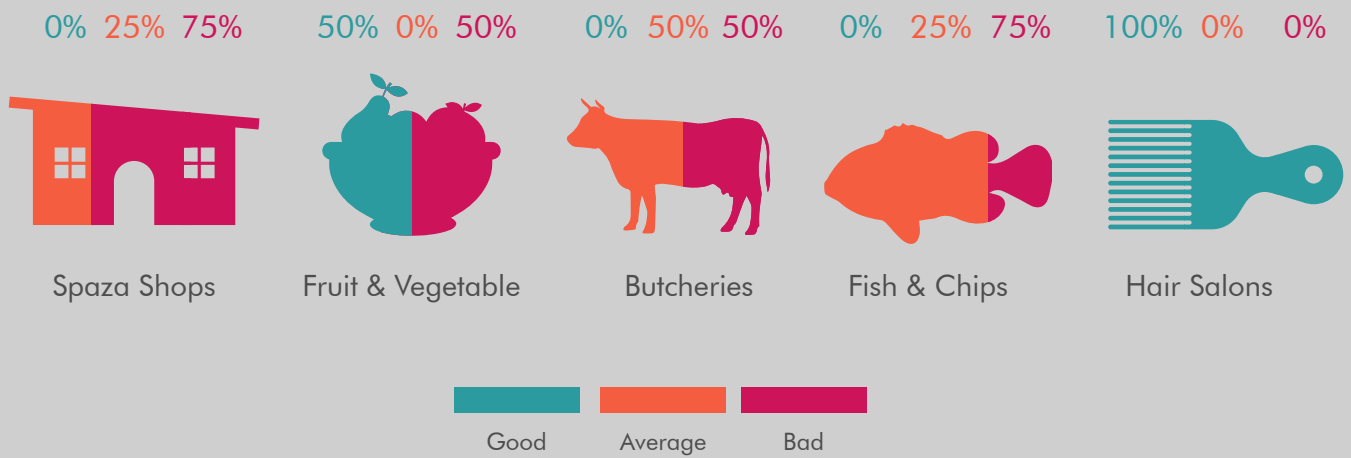
Service - SA Black-Owned in Township



**INSIGHT 10:**

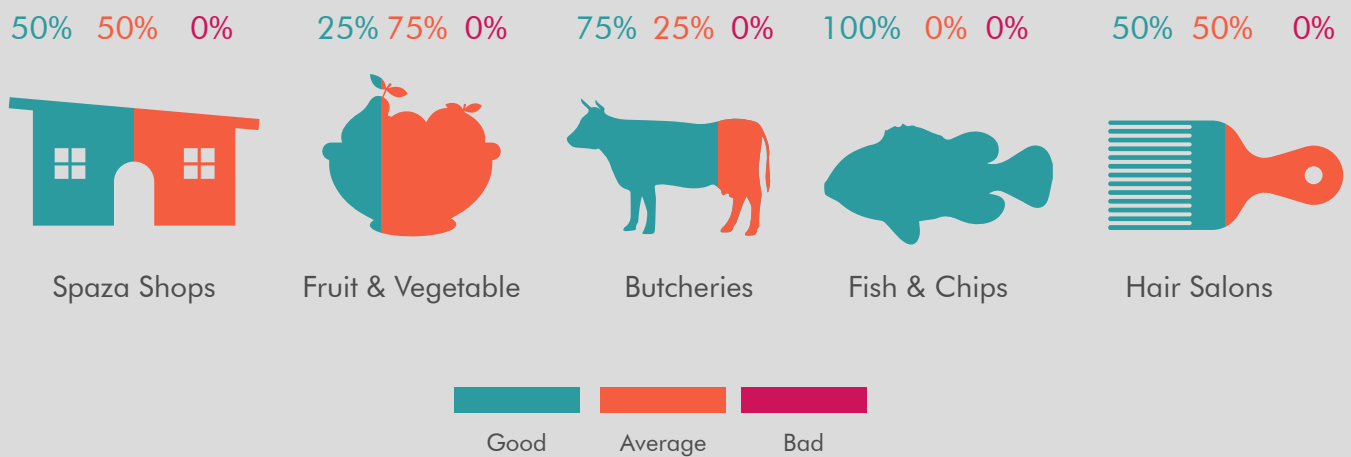
Although foreign-owned enterprises score better on affordability and service quality, South African-owned enterprises score best on the quality of goods and services sold.

Quality of Goods & Service - Non-South African Owned in Township



The SA Black Owned Establishment seems to deliver on the quality of goods.

Quality of Goods & Services - SA Black-Owned in Township



## ADVISORY NOTE

The revival of township economies pivots on the vision we have for townships as urban spaces as well as the specific role we envisage for South African business owners in this context. What this study reveals is that South African township entrepreneurs have 3 choices:

1. **Do Better**
2. **Do Elsewhere**
3. **Do Different**

We advise social investors working in the entrepreneurial and enterprise development sectors to understand their choices in terms of the above themes as they have vastly different investment implications.

### 1. DO BETTER

- Interventions that focus on improving service levels and pricing strategies are critical for the delivery of value to township households. This appears to be a viable strategy for South African enterprises that are in lucrative sectors and have a natural advantage in townships, such as butcheries, fast food outlets (selling local cuisine) and hair salons. To assist under-performing businesses, spaza shops and fruit & vegetable vendors, it is important to focus on value chain enhancements to drive price competitiveness.

### 2. DO ELSEWHERE

- There may be a possibility for some enterprises to move beyond the township, taking their goods and services to neighbouring towns where the market may be willing to pay a higher price. Where this is a likely strategy, two types of interventions are necessary- a market evaluation of the new geography as well as necessary augmentation of the pricing strategy. Based on the data, township cuisine delivered through fast food outlets may have the highest chances of succeeding beyond the township given the level of specialisation and inherently high service levels.

### 3. DO DIFFERENT

- The final option is to pursue completely products, targeted not at end consumers but businesses and organisations. This kind of proposition requires a new type of entrepreneur to be trained, exposed to a new set of opportunities and a different level of professional engagement. Entrepreneurial development programmes are best suited at entrepreneurs that seek to explore this possibility as they will require formal training and support through the ideation process. Businesses of this nature are also suited for venture capital support which embraces the risk inherent with doing something out of the box, takes responsibility for supporting the entrepreneur on that journey, but crucially, believes that high rewards are a likely outcome of this pursuit.



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