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Understanding the Internal Dynamics and Organisation of Spaza Shop Operators: A case study of how social networks enable entrepreneurialism amongst Somali but not South African traders in Delft South, Cape Town

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ABSTRACT

By Rory Liedeman

This thesis presents a study of spaza shop businesses in the Delft South township, Cape Town, South Africa. The major goal is to establish whether the advent of foreign run spaza businesses is due to a particular ‘entrepreneurial’ business model underwritten by relatively strong social networks. The study focuses primarily on South African and Somali owned spaza shops as previous research indicates that these are the two major groups of spaza operators in the area. The thesis centres on three core research questions: 1) is there a shift in spaza ownership from South African to Somali shopkeepers in Delft? 2) What are the different spaza business models in operation? 3) What is the significance of social networks or relationships to the success of these business models?

The core findings confirm that a major shift has occurred in market share between South African and foreign owned spazas in Delft, with ownership now favouring Somali businessmen, even within the last year. The research shows that this change in ownership is a direct result of the emergence and use of a new, and more sophisticated, ‘entrepreneurial’ business model employed by foreign spaza operators, compared to the more ‘survivalist’ model used by South Africans. This business model is primarily based upon being price competitive and is made possible through collective procurement and distribution. However, an important factor in this success lies in the differential social networks that South African and Somali spaza owners can access to support their business practices in Delft South.

Using an anthropologically influenced in-depth ethnographic case study approach, the research operationalises the concept of ‘business models’ by exploring the establishment process (ownership, labour and employment), capital investment, stock procurement, business operation and mobile distribution to spaza shops. The study demonstrates how the socially richer and clan-based social networks of Somali shopkeepers enable a more entrepreneurial business model, whereas South Africans rely on a network limited to the immediate family and approach the spaza business as a supplementary livelihoods strategy. In addition to deepening

our understanding of competing business models and the social networks that underwrite them, this research also provides new insights into the significance of spatiality to the spaza economy through the concepts of ‘strongholds’ and ‘neighbourhood economies’; previously unseen forms of spaza related business, principally around the mobile distribution of spaza stock to retailers in Delft South; and the instrumental use of both formality and informality by foreign business people.



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Abbreviations and Acronyms

BAN	Bangladeshi
FIME	Formalising Informal Micro-Enterprises Project
CLSD	Closed
CO	In the South African case this means co-owner but refers to the idea of a ‘family run’ business.
GPS	Global Positioning System – a device used during the research to document where interviews occurred and to produce maps.
ILO	International Labour Organisation
ND	No date
O	Owner
SA	South African
P	Partner
SLF	Sustainable Livelihoods Foundation
SOM	Somali

Definitions

Container	A used shipping container. These structures have been utilised in the informal sector as business premises for a wide range of micro-enterprises including spaza shops.
Distributor	An individual that conducts shop to shop sales of spaza products, most utilise delivery vehicles with ‘high top’ canopies.
Huise-winkel	In this study a huise-winkel (Afrikaans) or house shop is understood to be a small opportunistic type business

usually established by South Africans to supplement household income. The business commonly operates on a part time basis, is almost always conducted from within a room in the home, and usually only sells a few select items: ice-lollies / cooldrinks / sweets.

Informal business

In this study, informal businesses are defined as micro and small enterprises that exists in the informal sector and as such are not considered (under South African law) to be formally registered. Informal businesses are usually small in size and are mostly run from peoples' homes or located on public streets and municipal land. See definition of micro-enterprise

Social Capital

As understood by Nan Lin (1999) to be 'assets' in social networks and 'captured from embedded resources' available to people through relationships in social networks.

Social Network

A social structure made up of a set of actors (such as individuals or organisations) and the ties between these actors. It includes interaction that occurs within and between individuals, family, organisations, and society in general.

Spaza Entrepreneurs

Individuals that make a livelihood from doing spaza work, usually the shop or partner in the business. Also referred to in this paper as spaza operators or township spaza entrepreneurs.

Spaza Shop

A small to medium sized general retailer selling daily goods and necessities usually in a township or informal settlement context. Spaza shops usually operate informally, in other words without licences.

Spaza Shebeen

A spaza shop that also sells liquor. Mostly South African

run, these enterprises usually sell liquor without a license and alcohol is usually consumed off the property (though this is not always the case).

Survivalist

In this study, a survivalist business refers to a micro-enterprise, run by a sole proprietor, which provides a minimum livelihood for the entrepreneur, but generates insufficient income to allow for investment into the business.

Township

A term for urban areas that were set aside during the period of Apartheid for non-white population groups. In the Western Cape, the term is synonymous with black South African planned settlements and includes recently established low cost housing.



Introduction – Spaza Context

For decades spaza shops have played an important role within South African townships, especially amongst economically marginalised communities (Bear, 2005). Defined here as a small to medium sized general retailer, spaza shops sell daily goods and necessities such as bread, milk, sugar, maize, cold-rinks and cigarettes in a township or informal settlement context and usually operate informally, in other words without licences. Spaza owners, also referred to as township spaza operators, have used spaza businesses as both a means to survive, and in many cases, as a way of exercising entrepreneurial spirit (Ligthelm, 2005). Delft South is no different. Established in the mid 1990's, it was one of the first mixed race settlements in South Africa (Ac to give ref). The area is located on the Cape Flats in the Western Cape and is a working class suburb with high unemployment. The area is situated a considerable distance from the nearest shopping mall. Spaza shops therefore fulfil a very important need in supplying residents with basic groceries and other daily necessities; their customer base are the masses of lower-income individuals who are continuously looking to purchase products at a low retail cost.

The spaza market in South Africa is generally under researched. The most recent investigation into the actual size of the South African spaza market occurred in 2002 (Ligthelm, 2005). It estimated that spaza shops account for about 2.7% of total retail trade in the country, which equates to approximately R8 billion. More recently, however, unconfirmed reports have suggested that there are more than 100,000 spaza enterprises in South Africa with a collective turnover of R7 billion (Spaza News, 2011). The nature of the spaza market in Delft South has reportedly changed in the past few years. South African owned businesses, in particular, seem to be unable to compete against businesses run by foreign entrepreneurs. Writing about spaza shops and entrepreneurs' in Delft South and Eindhoven, Charman, Petersen and Piper (2012:1) talk about the '*changing face*' of the spaza market and highlight what appears to be a new and extremely competitive nature of spaza owners (operators):

...In recent years, the spaza market has become a site of fierce competition between South African spaza shop keepers and foreign entrepreneurs who have entered this market. There is anecdotal evidence and studies which confirm that these foreign shop keepers are beginning to dominate the spaza market.

A key finding in their research centres around the debate that foreign entrepreneurs have been able to wrestle a large share of the spaza market away from South African, forcing less competitive (mostly South African) spazas out of business. By operating in more collective ways, these immigrants are able to offer cheaper prices and hence come to dominate the sector (ibid).¹ The research reported that 50% of the spaza businesses in Delft were owned by foreigners of which the vast majority were Somali run. Notably, this change has met with some resistance, at least from South African shopkeepers who resent the competition and its impact on their livelihoods, if not the wider public who appear to appreciate the lower prices (ibid). A major concluding point of the research was that Delft South and Eindhoven were unlikely to see new (poorer) South African entrants in this fiercely competitive spaza market. Hence, the opportunity for South Africans as ‘survivalist micro entrepreneurs ‘has passed and along with it the chance to make a livelihood from doing spaza work’ (ibid).

These developments raise important issues about the livelihoods of South African citizens living and working in townships and other poor areas. Considering the enormity of the spaza market, the alleged shift in the nature of spaza practice from traditional small-scale local ‘survivalism’ to large-scale ‘entrepreneurialism’ (Charman et al 2012) would most likely result in significant change in the informal economic environment, with potentially wider social consequences too. In an article posted by the Cape Times, the same authors claim, using the way Walmart operates as an analogy, that the main reason why foreigners have been so successful in spaza business is because they too employ a business model that ‘used price discounting to drive their opponents out of business’ (October, 13, 2011)

In this way, the authors’ state, larger more resourceful foreign owned spaza businesses are able to dominate smaller less sophisticated (mostly South African) spaza shops (ibid). Vanya Gastrow, in a published response to this view, accused the researchers of reinforcing racial and ethnic stereotypes of foreigners as ‘aliens’ and ‘illegitimate encroachers’ adding that ‘such views have fuelled mob attacks as far back as the 1949 riots against Indians in Durban, not to mention the 2008 riots...and...attacks against foreign shopkeepers (Cape Times, October 18, 2011). For Gastrow, foreigners are the victims because they are simply ‘engaging in competitive practices aimed at providing better services at lower prices’.

¹ During December 2010 and May 2011 Charman et al and the Sustainable Livelihoods Foundation (SLF) conducted a business census in Delft South and Eindhoven. The foundation has since published a number of papers using this and other research in 2012.

The debate is intense. Against Gastrow's claims that South African resistance is about 'a small group who wish to claim exclusive rights to local markets...because they are local' (October 18, 2011), other media reports suggest that South Africans are not merely 'disgruntled', but are suffering in dire situations (Western Cape News, online report, May 2012). Many feel alone, are struggling and express a sense of being bullied out of livelihood opportunities that in the past had helped them and their families to survive. Contrary to Gastrow's claims, it is not common for South Africans to find employment in Somali spaza shops or to be invited on board as a business partner. These sentiments may help explain why the economic competition between South African and foreign shop-keepers has been cited as one of the main reasons behind xenophobic attacks in Cape Town (Bseiso 2006, Ndenze 2006a, b). Whatever the truth, it is clear from the above exchange, that the nature of spaza business practice has wider implications that extend from the economic into the social and political realms too. Understanding the nature of the spaza market may thus help shed light on wider dynamics in many poor areas in South Africa.

To date, research on the South African spaza market has made limited inroads into understanding the socio-economic and political context in which spaza shops operate. An important knowledge gap therefore exists. Through current research more and more emphasis is now being placed on understanding the informal economy in South Africa and its significance to the spaza market (Ligthelm, 2008). However, the actual size of South Africa's spaza market has not yet been fully determined due to its informal nature. In the past, studies conducted on spaza shops have mainly focused on key issues such as the economics of businesses, including the size, role and characteristics of the spaza trade, while others have also reported on social-ills such as crime, violence and attacks on spaza entrepreneurs' (Charman and Piper 2012, Landau 2008). Little attempt has been made, however, to deepen our understanding of the internal and organisational processes through which both South African and foreign spaza operators establish themselves, that is, to ask questions about how South Africans establish their business or how foreigners have been able to so easily enter the market and why certain groups of owners appear to have spazas that are more robust and more sophisticated than others.

A journey into the world of the spaza therefore takes the researcher into relatively uncharted waters and will, in part, require the ability to identify, document and compare the (often unwritten) rules of doing spaza business in one of the most competitive spaza markets in the Western Cape. The research seeks to contribute to a progressive understanding of the

internal networks and organisation of spaza operators who have chosen to make their livelihoods through doing spaza businesses. The following question therefore becomes an important one to ask: what is the significance and nature of social networks that underpin livelihoods strategies in the Delft South spaza trade? The research also hopes to cast light on the larger theoretical arguments that currently exist around the nature of the informal economy by identifying the linkages that exist between the formal and informal worlds through business networks.

The study is based on an ethnographic investigation into how spaza shop owners conduct their business and accumulate relative wealth / success in poorer communities like Delft South. The research examines whether or not it is the particular way in which Somali spaza operators organise themselves that makes their way of doing spaza business more effective than competing businesses. Simultaneously, through in-depth analysis of specific businesses within the case site, the research seeks to understand the role that internal, social and other kinds of networks play in this process.



Chapter 1: Literature Review

According to Bear (2005) the term 'spaza' is taken from the isiZulu language and literally means 'hidden'. The term emerged during the Apartheid era when opportunities for black entrepreneurs were extremely scarce and limited (Charman, 2012). In much past and present South African literature, spaza shops are considered to be small-scale businesses commonly situated in the informal economy. Spaza markets usually develop in poor areas such as informal settlements and townships where access to basic food and other daily necessities via formal shops and shopping malls are limited. The demand for the supply of basic goods and services in these poorer communities has therefore resulted in the proliferation of spaza shops all over the country (Spaza News, 2011; Charman et al. 2012 and Cape Times, October, 13, 2011).

This chapter surveys key debates in the literature which focus on 1) spaza change, 2) the informal nature of the spaza market, 3) the nature of informality and 4) the link between informality and social networks. These debates help to create a framework within in which to explore research aims and questions which centre on the experience of business change, business dynamism and the state of informality in the spaza sector.

1.1 Spaza Change

In a recent publication about spaza shops and entrepreneurs' in Delft South and Eindhoven, Charman *et al.* (2012) raise an important issue about the struggle between South African spaza operators and foreign shop owners over the percentage of market share in the Delft South spaza trade. The authors raise a crucial point of concern around the issue of 'market dominance'. In their paper, they suggest that the influx of foreign national traders into the Delft South spaza market since 2005 has meant that the spaza trade has become increasingly easier for foreigners to enter into and, on the contrary, more difficult for South Africans to maintain the relative success enjoyed in the past. They write:

...There is anecdotal evidence and studies which confirm that these foreign shop keepers are beginning to dominate the spaza market (2012:1).

...Since about 2005, a growing class of micro-entrepreneur retailer has emerged into a major economic player within spaza markets (2012:2).

The authors further suggest that the door of opportunity in the spaza market is now closed to poorer South Africans, many of who were able to create livelihood opportunities from spaza

related activities from home, primarily due to the new price competitive nature of the spaza trade (2012:15)

The study by Charman *et al.* (2012) provides an important baseline for this research as it presents primary data collected in the area. During their fieldwork period, the authors reported that of the 179 spaza businesses found, 50% were owned by foreigners of which 89% were Somalis. An important conclusion of their work is that a major force driving the change is the contrasting business behaviour, approaches and entrepreneurship in Somali operated spaza shops, contrasting the small-scale ‘survivalist’ type business models (mostly adopted by South Africans). This thesis will explore whether these ownership trends have continued and the claim that different business models help explain the relative success of each group.

1.2. The Informal Nature of the Spaza Market

Ligthelm, a pioneer in the study of spaza shops in South Africa, described the essence of the informal economy as ‘embracing unreported income from the production of goods and services, whether legal or illegal, from monetary or barter transactions – hence all economic activities that would be taxable if reported to the fiscal authorities’ (2005:200). During his investigation into the overall size of South Africa’s spaza shop trade, Ligthelm reported that about 2.7% of total retail trade in the country occurs in the informal economy in spaza shops. He wrote:

...The importance of this market segment is highlighted by the fact that the turnover of spaza retailers is larger than the combined turnover of the branded ‘superettes’ that include Kwikspar, 8 Till Late, Seven Eleven, Friendly Grocer, Foodies, OK Foods, Score... [Constituting] just more than 20 per cent of the combined turnover of hypermarkets and supermarkets, including Shoprite/Checkers, Pick’n Pay, Spar, Clicks and Woolworths Food Stores (2005: 213).

Ligthelm adds that the ‘informal township retailer’ or *spaza operator* represents both a means of economic survival, and in many cases, a way of exercising entrepreneurial spirit. Eight years after this paper was written some of Ligthelm’s key observations about the spaza trade in South Africa still appear to be valid today. Within the overall aims of the study, this thesis will also attempt to confirm these observations by answering the following questions:

The spaza trade is therefore attractive for unemployed people and ‘may be regarded as a more permanent option for those unable to find work in the formal economy’ (2005:205). Drawing on recent research conducted by Statistics South Africa (2010 - labour force survey), Charman et al (2012:4) also describe the informal economy as ‘the existence and activities of informal businesses (and their employees) outside the legal and institutional regulatory framework. The concept refers to enterprises and workers that are unregistered and unincorporated’. For scholars writing about the informal economy, merely defining informality is a constant challenge (Portes & Castells 1989). It is widely accepted though, that the nature of the informal economy is one that varies according to type of activity, regulatory requirements, size and legal status. Kanbur (2009 and 20012), for example, defines informality in terms of the relation of regulation to business. This is useful in the case of spaza shops as most operate as unregistered business and do not adhere, in the strict sense, to municipal rules for conducting business in residential areas.

In their paper titled ‘*Spaza Shops in Delft: the changing face of township entrepreneurship*’ Charman et al (2012) emphasize that the current state of knowledge on informal business and employment in South Africa requires more research and is an area for greater knowledge development. Like many other scholars in this field they raise the critical point that existing theoretical frameworks and literature fails to adequately explain the internal dynamics of micro-enterprises in the informal economy. This is particularly true for the current state of knowledge on the spaza market in South Africa. The authors seem to view the informal economy as an economic space that many people have made a conscious choice to be in:

...It is not necessarily correct to see the informal economy as sphere of marginalisation. Studies have found that there is a rationale (on the basis of an implicit cost-benefit analysis) for micro-entrepreneurs and informal workers to position themselves in the informal economy (see Becker 2004; Charman & Petersen 2010; Devey et al. 2006; Petersen & Charman 2008).

This is in stark contrast to modernist writers which sees the informal economy, and those in it, as being separate and trapped outside the formal economy merely surviving on the fringes of mainstream society. Advocates of this view tend to argue that people, in general, do not make conscious choices to work informally, but exist there because the formal system cannot accommodate them. It is therefore important for the purpose of this paper to briefly present the core principles and views of four major theoretical approaches to the informal economy.

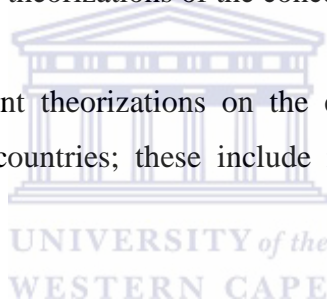
1.3 The Nature of Informality

Portes et al, (1989) define formal economy as an economic zone that is legally sanctioned, regulated through state intervention, and marked by regular work. In contrast, the informal economy is defined as irregular work, outside legal sanction, without state regulation of any sort. From an economic perspective, the idea of the 'formal sector' has been in existence since the advent of the industrial revolution. The concept of informal economy, however, was only introduced in 1973 by Keith Hart, a British Anthropologist working in Ghana at the time. The 'informal sector', he described, was that part of the urban labour force which worked and created livelihoods outside of the formal labour market. Since then scholars have subjected the concept to highly heterogeneous phenomena, measurement methods and different definitional terminologies (Sindsingre 2006). The concept of informal sector since its inception becomes elusive because of different paradigms, disciplines, interests, and moments in history, that had mutated the meanings (Habib-Mintz 2009). This therefore explains the existence of different theorizations of the concept.

Scholars have developed different theorizations on the existence of informality in Latin America and other developing countries; these include modernization, dependency, neo-liberalism, and structuralism.

1.3.1 Modernization Theory

In a book titled *The Stages of Economic Growth: A Non-Communist Manifesto in the aftermath of World War II*, Rostow (1960) suggests the modernization approach to national development. In his view the underdevelopment of the Third World is a 'social problem' that exists internally and is primarily a consequence of backward socio-economic systems of individual countries (Walton 1981). His solution going forward was for these counties to acquire: 'modern' values geared toward achievement, 'modern' legal institutions and political systems, and 'modern' capitalist economies. 'Modern' was therefore associated with western values, institutions, and market economies. Essentially, the problem of underdevelopment and informality was not one of capitalist exploitation and extraction, as argued by neo-Marxist, dependency and other theorists, but was rather that these countries had not yet been sufficiently integrated into the modern world or global economy and emphasised that it was merely a matter of time (through foreign aid and development programs such as USAID, the Peace Corps, etc.) before these countries would 'take-off and 'catch-up' with the developed and 'modern' West.



Advocates of the modernization approach saw the informal sector as a leftover of traditional, pre-capitalist modes of production or as subsistence strategies primarily utilised by isolated rural peoples. Those who operated in the informal are believed to be trapped outside the modern economy because they supposedly lacked the proper education, skills and so on. At the time this excess/surplus labour/reserve army was frequently described as located on the 'margins' of formal society, being an 'abnormally swollen', 'over distended tertiary sector' consisting of 'bazaar types' (Moser, 1978). Modernists believed that this urban surplus labour would eventually disappear, to eventually be absorbed, with the rise of industrialization. Capitalists would manipulate the reserve army confronting workers in the formal sector with the replacement by cheaper labour in the informal labour market.

However, a major weakness of modernization theory was that the informal sector was not considered to be dynamic and lacked capacity for progress and economic growth, nor was it characterized as a reservoir of entrepreneurial training and talent. It was merely seen as a problem to be solved and not a development strategy to be harnessed and promoted. Ironically, rather than observing the absorption and manipulation of the reserve army into the formal sector, much evidence around the world suggests that the informal economy persists despite the predictions that formal sector would eventually incorporate the reserve army.

1.3.2 Dependency Theory

Keith Hart's pioneering work among informal businesses in Ghana (1973), together with studies conducted by the International Labour Organization (ILO 1972) on informality in Kenya, helped to crystallize the process of unregulated economic activity into the term 'informal sector'. With extensive and comprehensive studies carried out on informal economic activities in Ghana, Hart refuted Modernization theory arguing that the informal economy is simply a 'different way of doing things' and should not be viewed as a strategy to manipulate the reserve army in achieving economic progress. His contribution to the understanding of informality had such a wide and original impact because he focused on the complex and dynamic nature of income generating activities of unregulated enterprises in the informal sector. Effectively, Hart found that informal activities were not just a mere extension of traditional subsistence strategies, he also realised that individuals who created and sustained livelihoods from these unregulated activities were not necessarily or universally condemned to poverty and marginality (Hart, 1973, Portes et al, 1981)

However, other scholars working within the Dependency tradition have often made the mistake of characterizing informal workers as universally poor and emphasized the sector's supposed marginal position vis-à-vis the modern capitalist sector (Schauffler 1993). The Dependency approach saw the goal of informal business as merely survival and not for profit maximization. Informal enterprises were often described as taking advantage of their informality and the ability to avoid formal and legal systems through, for example, the avoidance of taxes and other regulations, or the exploitation of niche areas usually overlooked by larger and less flexible firms. The problem of Dependency theory was that it saw the informal labour arrangement as taking place largely outside of the exploitative formal relations of production. Thus, the informal sector was viewed largely with suspicion as a mere substitution of the rural subsistence sector into the urban environment.

1.3.3 Neo-Liberalism

Neo-Liberalism is an ideology based on economic liberalism. The ideology favours economic policies that decrease the role of the state and maximize that of the private business sector (Bromley 1990, Harvey 2005).

In criticising the role of the state in shaping informality, Hernando De Soto (1989), asserts that the informal sector is a response to excessive or over regulation on behalf of 'the state'. He believes that the informal sector is comprised of courageous and gutsy individuals who choose to operate informally in order to avoid the costs, time and effort of formal regulation and registration. In De Soto's view, these individuals or micro-entrepreneurs would continue to produce informally so long as government procedures remain awkward, costly, bureaucratic (filled with red-tapism), and there is a lack of property rights and difficulties with accessibility to productive resources such as finance, land and technology. In De Soto's view, government rules and regulations are major obstacles' which repress and suffocate growth of private enterprises.

However, Meagher et al (1998) and other scholars have argued against the neo-liberal ideology explaining that the drive for privatization and commercialization of public enterprises in Nigeria and other African countries resulted in huge layoffs of workers without a clear prospect of boosting economic growth and creating alternative, viable jobs. With the prospects for finding work in the formal labour market declining, retrenched workers have turned to all sorts of informal activities and relationships in order to survive and make ends

meet. Thus, rather than the informal sector playing its previous supplementary role in the provision of employment and welfare, it is now a primary medium for sustaining the livelihoods of many of who had been retrenched from their jobs or whose income is not sufficient to support basic needs. This scenario has led to the questioning of Neo- Liberalist ideology on informal economy. It is evident that the state and the urban-based large-scale formal sector cannot generate enough jobs for the present and future job seekers.

Weiss (1987) argues that the necessary conditions for the development of informality are not only provided by the features of an industry or economic sector, but also by specific socio-economic features of a society. Such features as a dispersion of small-scale operators, a marginalized labour source (usually women, youth or vulnerable ethnic communities) and a viable system of social networks – all seen as being vital ingredients to the development of an active informal sector.

1.3.4 Structuralism

Structuralists insist that informality is not simply the result of excess labour supply, or over-regulation. Instead, the central element of the structuralist approach is its insistence that informality is essentially an alternate form of labour utilization (and often exploitation) by capital. In other words, as Maloney (2004) so precisely pointed out that ‘informal labour relations’ (like informal workers) are not ‘just there’ by some accident or flaw in capitalist development. Instead, these ‘relations’ (and workers) are actively “informalised” by capital under the logic of peripheral capitalist accumulation. Rakowski (1994) argued in a similar vein stating that the ‘novelty’ of the informal sector is largely illusory. Informality, he suggests, is not new. It was common practice during the late 19th century for labour relations to be characterized by miserable or non-existent protections and benefits for workers. Informality only came into existence as a distinct category (in the production process) after ‘the formal’ (relatively protected worker at the time) was created through years of struggle by labour unions. What is a ‘new’ and growing phenomenon, however, is the active recreation and intensified use of informal labour by capitalist firms located within the formal market.

Structuralists have made two main contributions to the informal economy discourse: First, the informal economy’s function according to Castells et al, (1989) is to support capitalist structure, which is supported by globalization, to maintain market competitiveness as producers strive to reduce production costs, especially wages. For example, he stated that

research on Guatemala shows how several US clothing companies provide local contractors with cloth, design patterns and occasionally with loans, but with no social security. These informal contractors use the manual labour of Indian women who sew for wages, which are significantly below the market price. Similar case studies on different industrial sectors reveal that subcontracted informal activities are concealed in official formal sector documents.

A second major contribution by the structuralists, Roberts (1991), Centeno et al, (2003) is a multiplicity of reasons why the informal economy is growing and crucial for development. The informal economy retains a higher number of workers than the formal, there is a large market of cheaply produced goods and services, Capitalists also employ informal labour to reduce costs when compared to employing formal labour. With the development of globalization in developing countries, outsourcing in the informal economy creates dynamic sources for informal producers to take advantage of growing demand of their labour (e.g., in the garments, footwear, carpentry and toy industries).

For some experts on the informal economy the debate is not simply about people existing on the periphery and being unable to access formal work (Maloney, 2004). Rather, the debate moves beyond this point and suggests that, by playing an active role in the informal economy, some people choose to be there for a host of different reasons. Maloney, drawing on his informal economy work in Argentina, Brazil and Mexico suggests that:

...we should think of the informal sector as the unregulated, developing country analogue of the voluntary entrepreneurial small firm sector found in advanced countries, rather than a residual comprised of disadvantaged, workers rationed out of good jobs (2004:1159).

In instances where people choose to generate livelihoods in the informal economy, often the decision takes into account benefits other than monetary earnings. In these cases, the benefits seem to outweigh the costs. Neoliberal writers, on the other hand, view informality from the perspective of state control. Neoliberal thinking advocates the total transfer of control of the economy from public to the private sector with the belief that it will produce a more efficient government and improve the economic health of the nation. Having said this, however, the possibility also exists that many business people who operate in the informal economy, such as spaza operators, have decided to do so with no intention of ever

formalising their activities or conforming to rules and regulations such as registering the business, opening bank accounts, paying tax and so on.

In the context of the spaza market in general, De Sotos's views of state repression and the suffocation of private and small enterprise raises an important issue as there are certainly many small business owners for whom the government could present a real problem; these businessmen and woman view the state as an obstacle to circumvent rather than a support base with whom to engage. In sum, the Modernization and Dependency approach to informality focuses on the inability of capital to absorb labour and provide it with protections. The Neo-Liberal approach sees informality as an antagonistic struggle between entrepreneurs and the state, while the Structuralist approach sees informality as the result of the complex and on-going class struggle between capital and labour, where capital has successfully evaded state regulations by actively creating and taking strategic advantage of a 'new' type of labour: the unprotected informal worker.

1.4 Informality and Social Networks

Castells et al (1989) contend that the way in which the informal sector is incorporated into the restructuring or formalization process will vary according to the historical circumstances in which informal activity has emerged in a given country, as well as to its location within the global economy. In this context, Portes et al (1986) identified four general features of the informal economy in Africa. These include (a) the differentiation of African informal sector labour; (b) informal social networks; (c) linkages with the formal sector; and (d) the role of the state in informal economy. As already noted above, of particular relevance to this research are informal social networks or more accurately social networks in the informal economy.

In the informal sector studies, there has been a recent surge of interest in social networks and their role in shaping the business environment. Scholars have highlighted the importance of indigenous ethnic or religious networks in providing a context of cohesion, shared norms, and an economic infrastructure capable of co-ordinating international trading operations outside the formal economic system (Sadouni nd). Van Heerden (2011), writing about street traders in the Cape Town central business district, questions theories around a separate informal economy and illustrates, through detailed survey investigation, the links between other formal businesses in the area and informal street traders in the research sample. Van Heerden

also emphasises foreigner and Somali dominance in street trading and alludes to the significance of business and social networks in the ability to create, generate and sustain livelihoods:

Somalians are the dominant group, with 21.74% of foreign traders being Somali nationals (2011:68)...The role that a social network plays is most noticeable in the diverse ways in which South Africans and foreigners conduct their business. Foreigners tend to pull together [with family, clan members and friends] by pooling their money and buying in bulk, thus reducing the cost of the goods purchased, which in turn translates into a comparative advantage over market competitors. South Africans do not make use of their social networks (2011:104).

In the context of state crisis, neo-liberal literature has focused on the potential of social networks to replace the awkward and inefficient regulatory framework of the formal economy. Informal networks, as they exist in various forms, such as informal associations, grassroots organizations and communal networks are presented as independent of the state and able to respond more effectively and democratically as state institutions to the economic and social needs of the greater population (World Bank, 1989).

Meagher (2006) explains that social networks provide the trust, flexibility, and reciprocal relationships, thus providing conditions to regulate state behaviour in the place of, or better than, the state. Most literature refers to these resources supplied by social networks, as *social capital* (Nan Lin, 1999) and also considers it to be a *social asset* (stock of social, psychological, physical and emotional assets) that contributes to a flow of benefit to individuals, or to a community through (resources embedded in) its social networks (Fukuyama 2001, Putnam 2000).

The informal activities in developing countries are products of social, cultural, economic, and historical forces comprising what Ellickson (1991) calls 'order without law' (cited in Meagher 2005). Maloney (2004) also emphasises the importance of family and social networks when it comes to doing business (especially in the informal economy), suggesting that, as Charman et al (2012:5) put it 'doing business through social networks and family makes sense'. Maloney (2004:1168) identified the value of social relationships in micro-enterprises in Latin America, where the use of familial and other social networks allows the 'micro entrepreneur to enforce implicit contracts and insure against risks'. He further notes that that 'participating in the formal institutions of civil society is needlessly expensive',

awkward and difficult. The concept of the 'social network' becomes a useful tool to understand why, in the research context, certain spaza operators have a comparative advantage over others in the same spaza market. Network analysis and research on social networks helps us to ask, what aspects of social capital do some possess that others do not.

In this regard, Charman et al (2012) questioned whether or not the entry of foreign entrepreneurs into the spaza market in Delft South has affected the business prospects of existing spaza shops. The research ultimately concluded that the main reason why the spaza market is now closed for many, including poorer South Africans, is because foreign spaza operators, Somalis in particular, have a comparative advantage over the locals in that they operate in larger and more sophisticated procurement networks. These business networks, they argue, are crucial to the operators' ability to purchase goods at discounted rates which then allows them to sell at cheaper prices. As this research will show, certain operators also benefit directly from large distribution networks that deliver purchased goods to the shop door thus increasing their advantage. The question this thesis will explore is whether and how these business networks overlay social networks. Hence the importance of exploring the literature on Somali business networks in particular.

In diasporic communities, business networks are often embedded in relationships of ethnic solidarity, kinship and notions of brotherhood (Sadouni, ND, accessed online 2012). This is powerfully apparent in the case of the Somali community's role in the spaza market. In an undated essay titled, *Somalis in Johannesburg: Muslim Transformations in the City*, Samadia Sadouni writes about the experiences of Somali nationals and the particular modes of incorporation into Mayfair, an area located close to Johannesburg's Central Business District (CBD). The paper was based on ethnographic research conducted on the religious lives of Somali refugees in four urban spaces, that is, London, Kuala Lumpur, Durban and Mayfair in Johannesburg (also referred to as Little Mogadishu). Amongst other things, the paper focuses on transnational networks, the Somali diaspora and the formation of Somali solidarity in the township of Mayfair. The author suggests that an inclusive Somali identity and sense of belonging (primarily based on one being Somali or part of a Somali clan) has emerged for two main reasons, she writes: 'the Somali diaspora as a political order and in the absence of a state in Somalia helps to define the identities of its members and plays a central role in their daily lives' (Sadouni, ND: 5).

Sadouni explains how Somali business networks and the building of religious places such as a Somali mosque and a network of madrasas demonstrate a process of community building in Mayfair. Somali refugees, says the author 'have made Johannesburg their own place' and Muslim solidarity has played a key role in its construction. A crucial point made by Sadouni is that this 'construction of a more pan-Somali identity has become beneficial' in securing both socio-religious protection and a sense of security (Sadouni, ND: 7). In the author's view, this religious solidarity and the networks it encompasses are seen to be the main obstacles to rising xenophobic attitudes in Johannesburg, and has also played a key role in helping many Somali nationals secure livelihoods in the city. Highlighting a similar point, Giulia Ferrato (ND, accessed online 2012), explores the lives of Somali refugee communities living in Cape Town. According to Ferrato, Somali networks have shown the tendency to adapt themselves where ever a refugee protection system had been introduced, as has been the case in South Africa. Over the last few years, the Somali population in South Africa increased significantly in number and new Somali associations were formed alongside pre-existing ones (Abdi Wali Abdurrahman, field diary, 2012). This was also due to the fact that Somali business activities developed across the country's urban centres. Certain areas like Delft and Bellville in Cape Town or Mayfair in Johannesburg were soon recognized as 'Little Mogadishus'.

Further, South Africa now appears to be an important transnational hub between Somali diasporic locations across continents. In support of this view, Jinnah (2010), in a paper focusing on migratory experiences and lives of Somalis living in South Africa, advocates that an often hidden, but crucial factor, influencing migration patterns are the existence of large 'transnational social networks' spanning across and communicating between entire nations. These networks play a fundamental role in diaspora and ultimately help decide where people choose to settle. A deeper understanding of this process may also help one further understand the reasons why. Thus writing on the case of Britain, Nielsen (2004), suggests that 'social networks are an important influence in migrants decision-making', and because the multitude of 'transnational social networks in Britain', this place plays a fundamental role in the Somali migration process occurring between Denmark and the United Kingdom. Referring to Somali social networks in Britain, the author added that 'these networks are responsible for disseminating information about the [soon to be host] country' to Somalis living in Denmark. In this way social networks help to create a sense of belief about certain aspects of the country such as employment, crime and even business opportunities. This account from Britain resonates with the Somali migration narratives documented during in-depth

interviewing in Delft South and plays a key role in understanding why people choose to settle in certain areas in the first place.

Writing about the informal sector in South Africa, Segatti (2011) holds that uncontrolled and unplanned growth of the small retail sector has the potential to generate conflict, not only between government officials and current traders, but especially between longer-term (mostly informal) traders living in the townships and informal settlements, and ‘newcomers’, most of whom are immigrants. The problem here, Segatti appears to be saying, is that there is confusion and lack of knowledge around ‘the respective parties rights’ to trade and do spaza business and ‘in the absence of official regulation and control, new sorts of informal control methods tend to arise, along with pricing controls and protection rackets’ (Segatti, 2011: 5) In the past, efforts to incorporate these informal businesses into a regulated framework has had little impact with limited success.

Segatti’s research draws on recent research conducted by the Knowledge Link Services (2009) on behalf of the City of Cape Town. The study focused on foreign-owned spaza shops in Khayelitsha and revealed that there were major differences in structure, size and business methods of foreign nationals and their South African counterparts. The report found that foreign spaza shops owners had three advantages:

- 1) First, they had a wider range of products and better services at lower prices,
- 2) Second, foreign spaza shop owners were able to obtain substantial discounts from suppliers as they purchased collectively (a key argument in current spaza literature).
- 3) Third, they conducted bulk buying through social networking and also accessed finance through these networks,

According to Segatti the comparative advantage of Somali and certain other groups of foreign shop owners lies on long histories of trade culture in their communities of origin. Somali traders benefit from networks of business contacts that can help them access specific goods, prices and capital (social capital). They often have existing retail experience that allows them to identify market niches, especially in South African townships and informal settlements where the retail market is often underdeveloped and not very well backed by government resources (Segatti, 2011).

Along with other past and present research (Charman et al. 2012; Ligthelm 2005; Oldfield 2012), the literature has successfully identified the significant role social networks play in establishing informal businesses in South Africa. With regards to the spaza trade in particular, some (Charman et al. 2012) have raised a debate around the significance of ‘collective stock procurement’ and, building on their view, this research suggests that the inability of South Africans to reproduce this process, often due to issues of ‘mistrust’, is perhaps a major reason why South African spaza shops have struggled to compete over the past few years. Indeed, the general perception is that South Africans do not cooperate well in groups to run businesses. Hence, a key task of this thesis is to explore whether these general perceptions are true, at least in the case under study, and to unpack exactly what networks, with what social capital are drawn upon in the business models of various groups. In addition, the thesis will explore exactly *how* these networks operate as well.

In what follows I will argue that my findings (Chapter 3) confirm that a major shift has occurred in market share between South African and foreign owned spazas in Delft South, with ownership now favouring Somali businessmen, even within the last year. The research shows that this change in ownership is a direct result of the emergence and use of a new, and more sophisticated, ‘entrepreneurial’ business model employed by foreign spaza operators, compared to the more ‘survivalist’ model used by South Africans. This business model is primarily based upon being price competitive and is made possible through collective procurement and distribution – amongst other factors not as commonly observed. Furthermore, an important explanatory condition for this relative success lies in the differential social networks that South African and Somali spaza owners can access to support their business practices in Delft South.

Using an anthropologically influenced in-depth ethnographic case study approach, the research operationalises the concept of ‘business models’ by exploring the establishment process presented in Chapter 4, capital investment and business operation in Chapters 5 and 6 respectively, while Chapter 7 focuses primarily on presenting data on procurement processes and supply chains of both South African and Somali owned spaza business. The study ultimately demonstrates how the socially richer and clan-based social networks of Somali shopkeepers enable a more entrepreneurial business model, whereas South Africans rely on a network limited to the immediate family and approach the spaza business as a supplementary livelihoods strategy. In addition to deepening our understanding of competing business models and the social networks that underwrite them, this research also provides new insights on

previously unseen forms of spaza related business, principally around the mobile distribution of spaza stock to retailers in Delft South (Chapter 8). Chapter 9 provides synthesis and discussion around key debates and findings. It also highlights the significance of spatiality to the spaza economy through the concepts of ‘strongholds’ and ‘neighbourhood economies’ and raises the issue of the instrumental use of both formality and informality by foreign business people in the spaza trade.



Chapter 2: Methodology

The research plan was to undertake in-depth field research among a sample of spaza shops in Delft South. The idea was to select a group of South African and foreign shops operating within a single neighbourhood and interview the business owners. Delft South was selected as the primary research site for two main reasons. Firstly, together with the Sustainable Livelihoods Foundation (SLF), a Not for Profit Organisation currently pioneering research into South Africa's informal economy, the researcher has had prior experience of interviewing small businesses in the Delft area (See Informality section - *Formalising Informal Micro-Enterprises* (FIME) project www.livelihoods.org.za).

Secondly, the area is well known for having a high degree of penetration of foreign shop keepers into the local spaza market. In the past there has also been a history of tensions between immigrants and South African residents, some of whom own spaza businesses in the area (Charman and Piper, 2012). For South Africans living in Delft South, running a spaza shop has been a way of life and a core livelihood strategy for many years.

This section is divided into four parts and discusses the following issues: research goals and questions, research approach and techniques, site selection and sampling, research methods and instruments.

2.1 Major research goals and questions

The research investigates how spaza shop owners conduct their business, seeking to understand the difference between business models applied by South Africans and foreigners (Somalis in particular). The aim is to thereby examine whether or not it is the particular way in which certain spaza operators organise themselves that makes their way of doing spaza business more effective. The research seeks to answer three key questions:

- I. Is there a shift in spaza ownership from South African to Somali?
- II. What are the different spaza business models?
- III. What is the significance of internal, social and other kinds of networks / relationships to the business model?

In investigating these questions, the research examines different business practices between foreign and South African shop-keepers, with a particular focus on the numerically dominant Somali business owners in the area.

2.2 Major research approach and techniques

Why use an ethnographic and participant observation approach?

By definition, ethnography is the systematic description of ‘a single contemporary culture often through ethnographic fieldwork’ (Barfield, 1997:157). It has a double meaning in anthropology, that is, ethnography as a *product* (ethnographic writings, essays books written by anthropologists), and ethnography as *process* (the fieldwork process conducted by anthropological researchers also referred to as participant observation). The final product ultimately depends on the process but not in a simple $A = B$ relationship. When constructing ethnographies, anthropologists do more than merely write up the notes they record in field diaries as part of the fieldwork process. If ethnographies can be seen as the testing grounds for anthropological theory, ethnographies and the ethnographic process from which they derive are also shaped and moulded by theory (Barnard and Spencer 2002).

Ethnography should be considered as one point of an anthropological triangle; the other two points are comparison and contextualisation. Together the three points of this triangle define the operational system used by the researcher to acquire and use ethnographic data. The value of the ethnographic method is its contribution towards *detailed and thick descriptions* of human life and culture (Neuman, 1997). Such descriptions are absent in our knowledge of the spaza sector. It made sense to employ an ethnographic type approach that would elicit detailed data on the participants, their businesses and the varying socio-economic and political contexts they may have experienced. While doing ethnographic fieldwork the researcher attempts to understand the bigger context and record ‘descriptive’ information to enhance the context and enable comparison. Using an ethnographic approach is not only about trying probe at a deeper level in attempts to understand participant responses and experiences, but usually requires that the researcher experience the everyday environment and observe life through immersing oneself in the life being observed, and preferably over a lengthy period of time. In the case of foreign spaza owners in this research, the process involved a high degree of concentration and constant enquiry into issues such as, reasons for leaving birth place, journeys into strange lands, business challenges and other personal experiences. Using an ethnographic type approach permitted an understanding of personal and business history through a series of questions, observations and engagements.

Due to the inductive nature of the research process, the researcher had to cater for a degree of flexibility, which at times, required that research methods be adapted to major findings elicited. This was particularly the case during the first phase of the fieldwork process.

The use of 'simple observation' and 'participant observation'

'*Simple Observation*' or non-participant observation is a research technique used by social scientists and researchers to record activities and events as they unfold in the daily life of a given community (Bless, Higson-Smith and Kagee, 2006). Information is collected by observing the social behaviour of people interacting in a social setting. During the research, observing (and sometimes listening to) customers outside spaza shops, or the neighbours who rented spaza shops to foreigners, or the drivers of delivery vans supplying products was an important method used to record additional data through observation. Observations, however, are usually made from the perspective of an 'outsider' or 'stranger' and the technique involves little or no conversation. Thus a major challenge of this method was to confirm and triangulate, at a later stage, what was seen and sometimes heard. The technique was rather useful though, as there were many instances where confirmation and triangulation was possible through mere observation itself, for example, much of the information collected during in-depth interviewing around delivery schedules, the kinds of products delivered or the nationality of distributors was confirmed by sitting in the car and observing particular spaza shops at particular times. These insights along with other nuances add extra weight to the research findings and were documented by the researcher in a field diary.

'*Participant Observation*', on the other hand, requires the exact opposite as increased immersion into the research site and surrounding community is what is called for. It is a social research method pioneered by Bronislaw Malinowski, who through his work amongst the indigenous peoples of Australia and North West-Melanesia in the early twentieth century, set the standard for doing fieldwork. By participant observation Malinowski actually meant that, in order to understand 'a people', their culture and their context, one has to experience it for oneself. He advocated that one literally had to 'go native' to really appreciate and understand other cultures (Malinowski, 1922). Ideally, participant observation requires long-term residence (at least one year) among the population being studied. This is not always possible or indeed necessary where research builds upon an established foundation of knowledge. Short and intensive periods of field research can elicit valuable data.

As with ‘simple observation’ the main goal of utilising the participant observation method was twofold, firstly, to document additional information and nuances that were not obvious or accessible in the in-depth interviews, and secondly, to confirm and triangulate what participants were saying in the accounts they had given of their business experiences. This meant regularly oscillating between a ‘simple observation’ style and a more participatory style by engaging in informal conversations with various individuals who would frequent the various shops. These informants included delivery agents and distributors who supply spaza shops with various kinds of products, as well as customers, neighbouring residents and others hanging out in the street.

Reasons for using a Somali interpreter

Two weeks before fieldwork commenced individual meetings were held with some of the spaza owners to introduce the research, explain its major aims, and acquire participation from businesses owners. At this point it became clear that interviews with South African business owners could be conducted in either English and or Afrikaans, as the majority of people we approached were proficient enough in both these languages. However, due to the overwhelming presence of Somali run spaza shops in Delft South, it was decided that a research assistant was required to assist with interpretation and provide research advice. From a foreign national perspective, including a Somali national in the research not only increased the legitimacy of the research but also helped lay to rest speculation and uncertainty about why the work was being done. All interviews with Somali spaza owners were conducted with the assistance of Mr Abdi Wali Abdurrahman.

Mr Abdurrahman is a Somali national who has been living in South Africa for many years and currently works as an independent author and human rights activist based in Bellville, Cape Town. Mr Abdurrahman was briefly appointed as the assistant director of the Department of Home Affairs in Somalia, a position he filled between May and August 2001 before coming to South Africa. He has strong ties with the present Somali Community Board in South Africa. Mr Abdurrahman played a crucial role throughout the research explaining *how* foreign spaza operators, Somali nationals in particular, went about setting up various kinds of businesses in South Africa. An account of Mr Abdurrahman’s first spaza business experience in Wellington (Western Cape) can be found in the appendix. His understanding of Somali run spaza shops and Somali run business partnerships proved to be invaluable to the research process. Mr Abdurrahman is considered to be an important role model in the wider

Western Cape Somali community. He advised that it would be wise to make appointments with spaza owners to not only ensure their commitment to the process, but to also allow participants to accommodate the interviews and other research related activities into their daily business routines. An appointment list was subsequently made which recorded details of those who agreed to commit to the research as well as the negotiated interview times and dates.

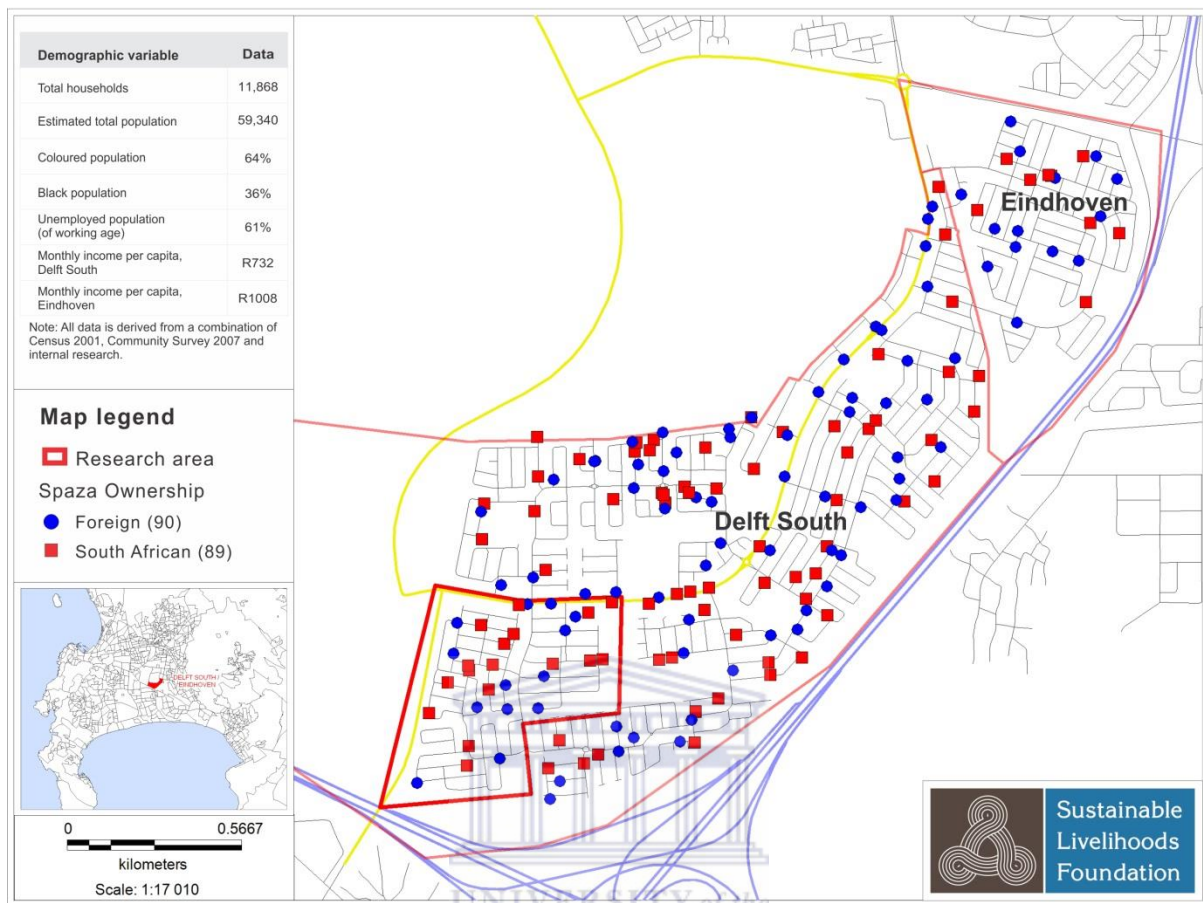
2.3 Site Selection and Sampling

Sample and the selection process

A motor vehicle was used to move between various spaza businesses, though much time was spent on the street talking to business owners and others in the street. The primary tool used during the sample selection process was a map produced by SLF during the business survey phase of the FIME project conducted in Delft South and Eindhoven (December 2010 and May 2011). This map illustrates the spatial distribution of all spaza shops in the greater Delft South / Eindhoven area and distinguishes between foreign and South African owned spaza businesses (See map 1 below). Delft South and Eindhoven is based on survey and GPS data collected by SLF the December 2010 and May 2011. It also includes demographical data for the entire area which was available at the time of research; some of this data may have been amended since then.

During our prior meetings business owners confirmed that certain parts of the area (in map 1), such as those located near Symphony Way and the N2 Highway, were considered safer areas to work in than others. Thus the focal point of the research now became residential areas located in the southernmost part of Delft South. According to this map and business owners, this area was densely populated by spaza businesses and also displayed a diversity of spaza ownership, that is, there seemed to be a fair mix of both foreign and South African run businesses. During informal conversations with a few Somali informant we were informed that Somali business owners in this particular area would most likely respond positively to the research project.

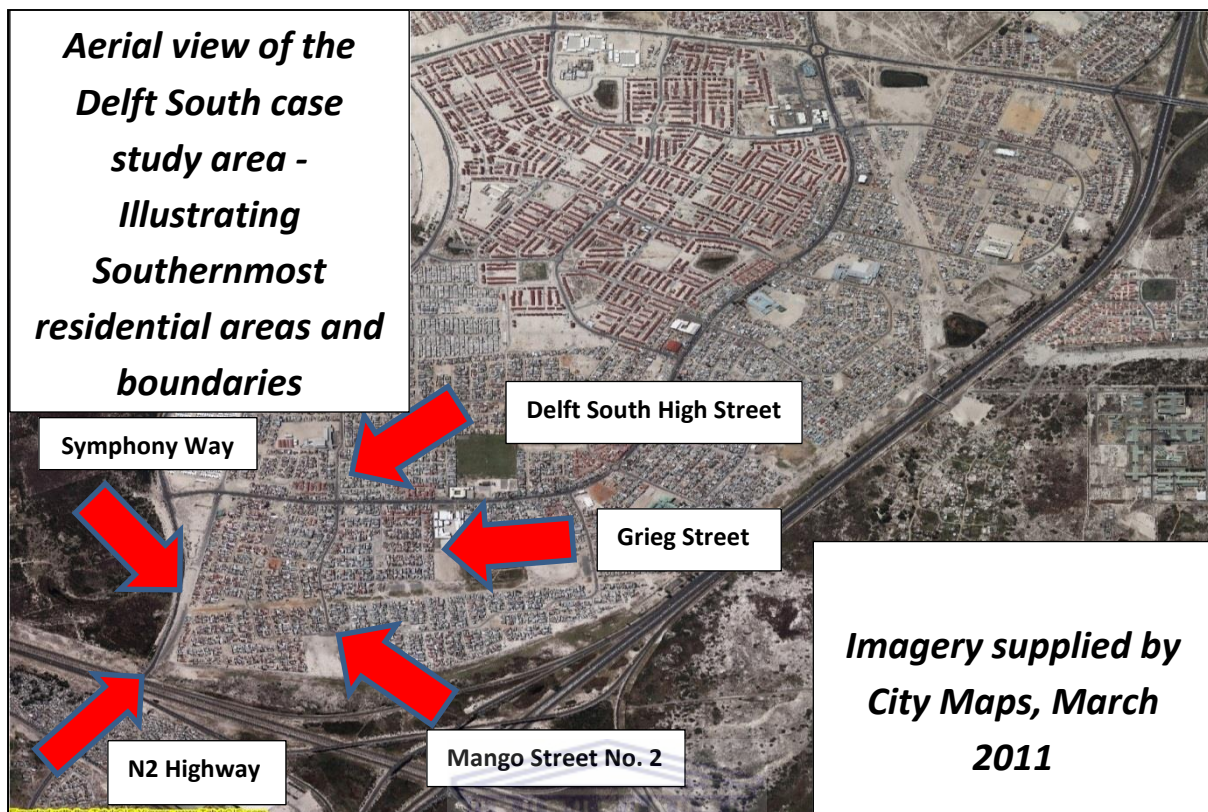
Spaza shops showing the relative distribution of foreign vs South African owned spaza shops: Delft South and Eindhoven, May 2011



Map 1: Showing the relative distribution of foreign vs. South African owned spaza shops in the entire Delft South / Eindhoven area. Sustainable Livelihoods Foundation: Formalising Informal Micro-Enterprises, Delft South & Eindhoven.

Before fieldwork began seven Somali, two South African and 1 Bangladeshi spaza owner had been approached and all indicated their willingness to participate in the research. The research was therefore confined to a non-random pre-selected portion of the larger residential area located in the southernmost part of Delft South, but it also included a small part of the Delft South high street.

In the research this site is referred to as the case study area and is bordered by Symphony way, Delft South High Street (stopping at Masibambisane High School), Grieg Street, which flanks Masibambisane High School, and the lower end of Mango Street No. 2, near the N2 Highway (See research area in map 1 above).



Map 2: These residential areas became the focus of investigation and the main case study site, note the N2 below. Sustainable Livelihoods Foundation: Formalising Informal Micro-Enterprises, Delft South & Eindhoven.

The initial plan was to secure a case study sample of 12 spaza operators. The main aim at this stage was to encourage six foreigners and six South Africans to agree to an in-depth interviewing process (Map 2 above is an aerial image of Delft South indicating the general research area).

The Case Study Area

The researcher experienced two major methodological challenges, the first occurred about half way through the first phase of fieldwork. The problem was that it was becoming more and more difficult to locate South African owned spaza businesses that were still operational. Those that still displayed signs or billboards on their house or garages seemed to be permanently closed. By this stage in-depth interviews with foreign operators were going well and four of the eight had already been completed, however, finding South African shops to interview was not an easy task. Despite numerous attempts made to contact them, many South African business owners were untraceable and not available for interviewing during the research period. Neighbours reported that many were out to find new employment.

Thus the case study area is divided into two areas; an initial area (A1) in which all eight foreign in-depth interviews occurred during phase one (only 1 South African interview was

possible in A1) and a larger area (A2) where the search for South African participants continued and in which a small spaza ownership survey was ultimately conducted during phase two of the fieldwork (See map 3 below).

Delft South Case Study Site: Showing Area 1 and Area 2



Map 3: A mini-survey of all spaza business was conducted in both Area 1 and Area 2.

The findings for each area are presented individually in Chapter 3 after which a short summary will highlight the major concluding point. According to data collected during the FIME project (SLF 2011 and 2012), researchers documented a total of 30 spaza businesses in the case study area of which 17 (or 57%) belonged to South Africans and 13 (or 43%) were owned and run by foreigners.

Eliciting data on Somali employee salaries proved to be the second major methodological challenge. From the outset, my Somali interpreter advised that questioning spaza operators on how much they paid shop employees or asking employees to disclose incomes earned could negatively impact the research, unless however, proper reasons were given to justify the investigation of such a sensitive issue. After much debate we realised that the problem was less about the topic or question being asked as much as it was about how one went about

asking it. An agreement was reached whereby we would first approach spaza employers, enquiring if they felt their employees earned a 'fair wage' and then what that might be, allowing the participant to respond accordingly. Spaza operators responded to this line of enquiry in a positive way. However, the initial responses required confirmation by employees and or other partners in the business that were not part of the in-depth interviewing process, a similar process with these individuals therefore unfolded. When approaching employees we enquired as to whether or not they felt they were earning a 'fair wage' allowing also the opportunity to volunteer additional information about their incomes. Employees responded positively explaining how much they earned and also spoke of the amount of days worked in the week for a month's salary.

2.4 Research Methods and Instruments

Data Collection and in-depth interviewing process

Field research was undertaken with spaza shop owners in *two phases*; the first phase began in April 2012 with *in-depth* interviews being conducted with seven Somali and one Bangladeshi spaza owner. Here I refer to and draw from my own understanding and experience in conducting in-depth interviews. It is a questioning process that places the interviewee in a position of absolute comfort and trust. The researcher attempts to understand the bigger context and record rich and detailed information, s/he does not only try to understand participant responses but also engages at a deeper level, it involves a high degree of concentration and constant probing into issues such as, in the case of foreign spaza owners in this research, reasons for leaving birth place, journeys into strange lands, business challenges and other personal experiences. It is a sincere attempt to understand the history of an individual through a series of detailed questioning. However, it is important to note that other researchers have also found that informants, in an insecure migrant or refugee setting, are often reluctant to divulge information about their livelihoods and will adopt various ways of avoiding the research process. Hartnack (2009), writing about the various challenges of doing ethnographic research, highlights the tendency of 'supposedly vulnerable informants' (farm workers in Zimbabwe) to 'use weapons of the weak, such as withholding the truth or feigning ignorance, either to protect themselves from the researcher, or to manipulate him/her in some way'. The author adds that the risk of falling to prey to this is heightened when the researcher has not made the effort to establish a sincere, reciprocal and trusting relationship with the informant.

Interviews took place *in situ* in respective spaza shops during normal business hours i.e. between 08:00am and 17:00pm. A survey type questionnaire was developed and utilised as both a *primary data* collection tool and a *guiding* tool for less formal conversations that arose during the interview process. The research tool was designed in such a manner that allowed for the recording of both quantitative data, such as participants demographic information, but also allowed for the documenting of more qualitative type data, such as narratives about how spaza businesses were established. Some key questions asked during the interview process:

- 1) Where are the shops in the research site and who are the shop owners?
- 2) What do foreigners have to say about their journeys into South Africa?
- 3) What were the first business opportunities for both foreign and South Africans?
- 4) Why establish business in Delft and how did individuals come to own or become a partner in the business in the area?
- 5) What are the core businesses practices?
- 6) What are the key social relations that sustain the business practices?
- 7) What are the main roles in the business? What is the relationship between owner/partner and employee? (Note the kind of social networks involved)
- 8) What are the criteria for employing staff and for entering into a business partnership? (Understanding how spaza business partnerships work is key)
- 9) What are the features of a successful spaza business and its operations in Delft South?

The average interview time was 150 minutes as the process needed to cater for interruptions such as product deliveries and customer purchases. The aim was to document 12 in-depth case studies (a maximum of six South African and six foreign interviews). A typical interview began with the recording of the shops location, name and short description of its activities using a Global Positioning System (GPS) device. With the respondents permission, the co-ordinates (or waypoint) of the spaza shop and interview site was captured and a photograph of the business was linked to this locality. This allowed for a street level perspective of the business. The GPS device was also used to document additional information of relevance to the research and all waypoints were assigned to their respective interviews.

Documenting ownership change through Mini-Survey

Upon commencing field research, it became clear that there were not as many South African spaza shops in operation as initially thought. South Africans in the area still had shop signs on their homes yet the businesses seemed to be permanently closed. After quickly surveying a few streets by car and confirming the status of some of these businesses with neighbours or people, a decision was taken to conduct a mini-survey in the area, with the aim to better understand the general ownership of spazas in case study sample, as well as the market share held by South African business owners. Through this method, the research sought to identify additional South African participants in the case study sample, as only two business owners were secured for interviewing at that stage. In-depth interviews with South African owners continued but there was no longer a need to interview new Somali or other foreign operators, as the quota of six foreign case studies had already been filled. In total I conducted 8 full in-depth interviews with foreigners and only 5 with South African spaza owners. The ownership survey and second phase in-depth interviews were conducted simultaneously. Using the same SLF map this process involved driving around to each of the spaza shops originally waypointed and documented (in 2010 and 2011) on the map and briefly enquiring about the current status of the business. This information was not only asked of shop keepers but was also elicited from and confirmed by neighbours, people passing by, delivery van drivers and from customers who frequented the shops. The aim of the ownership survey was to understand firstly, whether the spaza business was still open, secondly, to confirm the nationality of the current business owner, and thirdly, if ownership change occurred, to note when this had happened. In addition to collecting this data, all spaza shops that were permanently closed were also documented along with the plotting of new waypoints for all new visible spaza shops in the case study area. Additional notes were made on the physical map to compliment GPS data on spaza shop ownership and change. An updated map illustrating the major changes and current ownership of spaza businesses is presented and discussed in the findings section.

Mapping process using Global Positioning System device

A Global Positioning System was used to document the location of all spaza shops examined in the research. The co-ordinates (or waypoint) were only captured once the participant had agreed to the process, that is, after being made fully aware of the project, its aims and why the shop location was being recorded. A Garmin Oregon 550 GPS device was used in this process. In addition, the Oregon 550 is a navigational system involving satellites and computers that can determine the latitude and longitude of a receiver on earth and present a

photo link to the survey point producing a waypoint number, which in turn is attached to respective spaza businesses that have been interviewed. The main reason for documenting the localities of various spaza shops was to illustrate the changes in spaza ownership that occurred in Delft South. Waypoints from the GPS device were downloaded and used to produce an updated map on spaza shop distribution. In addition, individual waypoint numbers proved to be useful during the data capture process as it allows the researcher to recall and associate specific interview experiences and important data that otherwise may have been lost in the research process.

Note taking, Field Diary and Dictaphone use

Recording participants voices ‘verbatim’ also played a key role the research process as it allowed for confirmation, triangulation and cross checking to occur outside of the fieldwork context . Oral histories of foreign and South African spaza owners were documented through an in-depth interview process that took between two and three hours to complete. During this process both qualitative and quantitative data was collected in two different ways, firstly, through detailed note taking in a fieldwork diary, secondly, using a dictaphone to capture participants stories (where allowed).

Data Processing and Analysis

Upon the completion of the in-depth interview and survey mapping process, both quantitative and qualitative data was then captured, categorised and coded. Excel spread sheets were the main format in which various kinds of demographic and other quantitative data was captured and prepared for the data analysis phase. Most qualitative data, such as narratives on business history or how foreigner journeys, was first captured and coded in Microsoft Word, and then inserted into an Excel spread sheet for data analysis. All data from the fieldwork diary, from observations and from dictaphone recordings were also captured in Excel. A comprehensive Excel data base was created and included additional field notes captured in Microsoft word. In an attempt to honour participant anonymity and confidentiality the findings presented in various sections of this thesis have been allocated specific *data codes*. During the data capturing process each in-depth interview was allocated with a code and is therefore directly linked to a survey waypoint, interview data and business image, this was also captured and linked to participant responses in the Excel data base. The code consists of basic demographic information in the following order: *participant age, gender, nationality, business age in years* and *relation to business*. For example, when referring to a spaza

business where the *co-owner / partner* is a *22 year old Somali male* who has been running the business for *2 years*, the code appears as follows **22mSom02P**.



Chapter 3: The Rapid Rise of Somali Ownership

In this chapter I present data showing the change of spaza ownership experienced in the case study site between May 2011 and June 2012. The shift from South African to Somali ownership is clearly and dramatically evident, even in the period of a year. The chapter is split into three: section one and two describes the profile of the case study area, as well as the structure of businesses within that locality, while section three uses various visual tools to illustrate the change in business ownership that has occurred in the spaza sector.

3.1 Delft South – Profile and Spaza Dynamics

Delft South is a working class suburb of Cape Town established in the mid-1990s. It was established as a social housing project which has since expanded into a much larger settlement of about 12000 households and has estimated population of about 50,000 people (Seekings, et al. 2010). The area features a mosaic of different groups; including nationalities from the horn of Africa, West and Central Africa, as well as India and other parts of Asia. The majority of the population is South African and is comprised of ‘coloured’ and black (predominantly isiXhosa speaking) peoples. Beyond ethnicity, diversification is observed through a multitude of both religious and belief systems. Christianity and Islam tend to be the dominant religions in the area though a strong presence of other more traditional and cultural belief systems also exists.

The Delft South high street, located between Hindle Road and Symphony Way, is a 2.9 kilometre strip of road that divides the township into two major residential zones, one located to the North and the other to the South near the N2 (the latter incorporates the suburb of Eindhoven). The general state of infrastructure in Delft South is poor. Municipal parks, for example, appear to be poorly planned and are located close in proximity to busy roads. Aesthetically speaking, the parks are not pleasing to the eye as vegetation and trees are absent with the ground generally covered by gravel and sand, as opposed to grass. These areas are not very well maintained with rubbish usually strewn all over. Anecdotal reports suggest that they are meeting places for local drug dealers and thugs and that copper standpipes have been removed for fear of vandalism, theft and water wastage. The area also has a number of open fields located within its residential zones that serve as improvised sports fields for youth soccer games, as well as dumpsites used by local. It was not unusual, during the research, to observe animals such as horses, goats and chickens rummaging through dirt scattered on open fields.

In general, the Delft South and Eindhoven area is a hive of formal and informal business activity. During December 2010 and May 2011 Charman et al (2012) conducted a thorough business survey of micro-enterprises in the area. Using bicycles and Global Positioning System (GPS) devices, the researchers traversed the high street and residential areas recording all visible businesses, registered and unregistered, but also included many that were not so easily identifiable (such as unlicensed liquor traders). They recorded 818 micro-enterprises in total. Notably the City of Cape Town estimates just 124 registered businesses in Delft South. The research documented the top five micro-enterprises as follows: spaza shops 179, house shops 124, unlicensed liquor traders/shebeens 83, personal services / hair salons / barbers 73 and mechanical / electrical services 58.

The high street or 'main road' hosts a variety of businesses ranging from car wash services to food retailers, spaza shops, hair salons, taverns, restaurants, game-shops and much more. There are no shopping malls in Delft. Local taxi associations and private taxis, the latter referred to as 'amapelas' in isiXhosa or 'cockroaches', are kept busy transporting residents to and from the nearest shopping mall in Belhar or other discount stores in places like Bellville. The researchers identified a total of 818 micro-enterprises in the entire Delft South / Eindhoven area. One of their key findings (2012:13) was 'the remarkable scale of the informal economy in Delft South / Eindhoven, and especially the comparative size of the spaza market...' having documented 650 or so additional businesses than the City of Cape Town officially recognises.

Thus, due to the lack of 'cheaper' formal shops, and the demand for basic groceries and other daily necessities, spaza shops have come to satisfy an important business service. Delft South is a prime example of a township where 'spaza shops' are also considered to be a key livelihood strategy for a low employment population. This is particularly true for many South Africans living in the area who have struggled to find (or sustain) employment in other formal sectors. Charman et al (2012) found that, of the 818 micro-enterprises identified during their research, 179 (or 22%) were spaza shops. Only 21 (or 12%) of the spaza businesses identified in this research were situated along the Delft South high street, while the rest appeared to be relatively evenly distributed across the larger residential area (See map 1 above). This finding suggests that the demand for goods and services occurs at a 'neighbourhood level', as residents want access to shops that are in walking distance of their

homes. In addition to this, the research found that of the 179 spaza businesses, 90 (or 50%) were owned by foreigners of which 80 (or 89%) were Somali run (ibid).

3.2 Structure of spaza shops in the sample

Spaza shops are general retailers of household goods which basic necessities including bread, milk, sugar, maize meal, cold-drinks, cigarettes, soap and toiletries and baby food. There is, however, a notable distinction between a spaza shop and a 'house shop'. Also referred to by Afrikaans speaking residents as a 'huis winkel', a house shop differs from a spaza shop in its size and scale of operation (usually investing more time and money into the business than house shop owners). The research did not focus on investigating these businesses, but does include one example in the case study where a South African considered her business to be larger than a 'huis winkel' but smaller than a spaza. The fact that she stocked most of the aforementioned basic necessities justified her inclusion in the sample even though she frequently referred to herself as 'huis winkel' owner.

Spaza structures within the research sample, like many others in Delft South, mainly took the form of shipping containers or brick and mortar buildings, such as single rooms and garages, attached to houses or located somewhere on the property but separate to the main house. In the case of foreign spaza operators, most have chosen to rent one room or a garage which is completely separated from residential homes. Some have purchased shipping containers which they transport and place at their own cost (See figure 1 in Appendix 1). In addition, there are instances where entire houses have been occupied by Somali nationals at a cost that is higher than usual. Details of rental agreements with South Africans are to be presented and discussed in later findings chapters. In some cases residential properties had shipping containers that were previously utilised for business purposes. These containers are merely purchased from previous business owners and rent is then paid to the home / property owner. In the sample, the South African spaza owners tend to operate from single room extensions in their homes. These rooms are fully integrated within the main house and some even act as entrances (See figure 2 in Appendix). South Africans with less capital also operated out of tin shacks (See figure 3 in Appendix).

None of the spaza shops in the sample allowed customers to enter the store. The preferred method of all spaza operators is to do business through a gap or window, the serving area is relatively well fortified with burglar bars (as seen in the figures above) and in some cases,

bullet proof glass (See figure 4 in Appendix). Most spaza shops in the Delft South area stand out and are self-evident through their highly visible branding. Some shops have been marked with popular cell phone and cooldrink company logos which have been painted in the respective brand colours. This is particularly true for spaza businesses owned by Somali operators, though some South Africans have also employed local artists to customize and beautify their shops (See figure 2 and 5 in Appendix). Formal billboards that have been sponsored by popular cooldrink companies are common amongst both foreign and South African owned businesses and typically advertise their respective branding and the spaza shops name.

3.3 Change in Delft South

As outlined in the methodology section, map 1 (above) illustrates the spatial distribution of 179 spaza shops in the entire Delft South / Eindhoven area in May 2011. This survey distinguishes between (90) foreign and (89) South African owned spaza businesses (SLF FIME Project in Charman et al. 2012). Map 4 (below) magnifies the southern part of this map and provides a closer look of spaza businesses in the case study area. It shows that of the 30 spaza businesses in the case study area in May 2011, 17 (or 57%) belonged to South Africans while 13 (or 43%) were owned and run by foreign nationals. Of the 13 foreign run spazas 11 (or 84%) were owned by Somali nationals while two (6%) were run by a Congolese and Bangladeshi spaza operator respectively. The Congolese is not shown on the map as it was not waypointed with the GPS device)

Spaza shops showing the relative distribution of foreign vs South African ownership Delft South and Eindhoven, May 2011



Map 4: Illustrating the breakdown of spaza business in the case study site in May 2011.

A1 is bordered by the Delft South Main road, Mango street no. 2, Symphony way and an open field between Nielsen road and Morley Street. As illustrated on this map, A1 consisted of a total of 16 spaza businesses during the period December 2010 and May 2011 (FIME Project in Charman et al. 2012). It appeared to be a good place to start the first phase of fieldwork as it had a mix of both foreign and South African businesses. According to the map the area had a higher density of South African spaza shops, but there were also enough foreign owned businesses to pursue and include in the case study sample of 12. A1 therefore comprised of the following in May 2011: 10 (63%) South African owned businesses; 5 (31%) Somali owned businesses; and 1 (6%) Bangladeshi owned business.

The fieldwork conducted for this thesis revealed that the spaza market in Delft South has changed considerably over a period of 13 months when this research was conducted. During in-depth interviews with foreign spaza operators in the A1 area the researcher noticed a decrease in the total number of spaza businesses from the initial 16 on the SLF map to nine. Foreign owned businesses accounted for eight (or 89%) of the nine businesses while a single South African business located on the high street was all that remained of the South African businesses that previously existed in the study area. In addition, of the eight foreign run spazas businesses in A1, seven (or 78%) now belonged to Somali businessmen. The

remaining foreign spaza was still owned by the same Bangladeshi operator. The research therefore documented not only a decrease in the overall number of spaza businesses in the A1 area, but also a significant shift in market share and ownership of foreign businesses, most notably, through a greater presence of Somali run spaza shops. A decrease in the total number of spaza businesses, from 16 to nine, together with an increase of Somali owned shops to seven, indicates a market share increase of 47% for Somali operators in the A1 area. Changes in the spaza market in the A1 area include the permanent closure of 12 South African spaza businesses, though no foreign spaza shops were reported to have closed in that area. On the other hand, Somali spaza businesses increased from five to seven. Four of these remained in the same locality as when documented by SLF. One of the four changed shop name and upgraded its structure from a container to a building. One existing Somali business moved to a different location within the locality which used to be a South African run spaza shebeen. Of the two new Somali businesses in A1, one was a former South African spaza where the entire house was now being rented out to Somali nationals while the other was based in a newly erected brick building.

Due to the apparent lack of South African businesses in A1, the researcher extended the interview process with South Africans into two other adjacent residential areas. One of the major research aims was to understand if this shift in spaza ownership (from South African to Somali) was also occurring in other immediate areas close to the A1 site. These residential areas constitute area A2, thus expanding the initial research area to the South and East. The enlarged research area (A2) is bordered by Mango Street no.2, the Delft South high street stopping at Masibambisane High School, Grieg street flanking Masibambisane High School, Lehar street near an open field, with Ives street and the lower end of Mango street no. 2 being the Southernmost boundaries located near the N2. SLF documented a total of 14 spaza businesses in A2 area, comprising the following (FIME Project in Charman et al. 2012): 7 (50%) South Africans owned businesses; 6 (43%) Somali owned businesses; and 1 (7%) Congolese owned business.

The A2 area originally had a higher presence of foreign owned businesses than A1, with foreign nationals enjoying 50% of the market share. The researcher undertook a survey of the current status and ownership of businesses with the goal to confirm whether or not the balance in spaza ownership had remained the same and also to document all changes. The survey data is based on shop-to-shop observations as well as anecdotal evidence collected

through informal conversations with neighbours, people passing by in the street, delivery van drivers and from customers who support the spaza shops in the case study area.

The survey data revealed that, unlike A1, the total number of spaza businesses in the A2 remained the same. However, as in A1, a major change in terms of business ownership and market share had taken place. Of the 14 spaza shops that currently trade in the A2 area, foreign spaza operators now account for 10 (or 71%) of the total number of businesses while South African ownership has dwindled to only 4 (or 28%). In addition, of the 10 foreign owned spazas, one business still belongs to the same Congolese national while the other nine (or 90%) are run by various Somali operators.

The survey data therefore shows a major shift in market share in the A2 area where South African owned spaza businesses have decreased by 22% with Somali operators gaining this share of the spaza market. The identified business changes in the A2 area include the permanent closures of four South African spaza businesses; one of these spaza operators now struggles to make a livelihood from selling a few bottles of beer illegally as she has not been issued a liquor license (32fSA100-CLSD). Somali spaza shops, however, increased by three. Of the three new businesses, two were based in shipping containers while the other was a located at a former shebeen spaza previously run by a South African out of his garage. No foreign owned spazas we reported to have closed down. Two new South African spaza businesses had opened. One was a relatively large home based spaza and the other was a smaller spaza operating from a shack in the front of her family home (and sometimes from within the house). The owner of the larger spaza has various income streams, including a spaza shebeen business in Khayelitsha and taxi business with a private tender to service four primary schools in the surrounding area. This spaza operator is also suspected to be trading in illicit liquor sales from his shop in Delft South, as suggested by the presence of approximately 40 crates of beer stored in a room next to the spaza shop area (See figure 6 in Appendix). The owner of the smaller spaza established the business precisely because two of the four South African spaza businesses that closed in the A2 area were located in her street. She said residents were complaining about having to walk far to access daily goods such as bread and milk and therefore saw this as an opportunity to establish a shop. One of the four South African spaza businesses that closed decided to specialise in arcade games (See figure 7 in Appendix), something that foreign spaza operators do not allow at their for fear that it will attract loiters and local thugs to the shop. The participant no longer contemplates going back into the spaza business.

It was interesting to note during the research that, of the five remaining South African spaza businesses in the A2 area, four were suspected to be trading illicitly (or at least confirmed that they used to trade) in beer. Three of the four said that, due to the competitive nature of foreign spaza operators who have come to dominate the market in Delft South, 'it merely makes sense to for South African spazas to also sell beers and other things (like takeaway food) that foreign spazas do not (or cannot) sell' (Field notes, 36mSA0.250). All three business owners applied for a 'off consumption' liquor license with the Western Cape Liquor Board in the last two years, but none had been approved. In Delft South, liquor is one product most foreign spazas do not seem to be selling (See figure 6 and 8) due to the religious beliefs of many Muslim operators.²

When combining the two major areas of the case study site the overall spaza landscape in Delft South is still dotted with spaza shop businesses. However, over the past 13 months, opportunities for South Africans to utilize spaza business, as a key livelihood strategy, have further declined as foreign competition in the trade has intensified. Over the last 13 months the spaza market in this particular part of Delft South has undergone significant change in terms who now owns spaza businesses. A year ago there was a relative balance in terms of (spaza) market share between South African and foreign run businesses, that is, of the 30 spaza businesses 17 (or 57%) belonged to South Africans living in the area and the remaining 13 (or 43%) to foreign nationals. The researcher found a dramatic drop in South African owned businesses from 57% to 22%. South Africans now only own 5 of the 23 spazas in the case study area. Conversely, foreign businesses have now come to dominate the spaza market, as they now account for 18 (or 78%) of the 23 spaza businesses documented during this research. This equates to a market share gain of 31% for foreign spaza operators. It is interesting to note that at the helm of this ever changing and fluid spaza market is the numerically dominant Somali spaza operator, whose business appears to be more sophisticated and certainly more robust than his/her South African counterpart. As the data suggests Somali nationals now own 17 (or 94%) of the 18 foreign run businesses in the case study area. Maps 5, 6 and 7 below present an updated view of the current spaza ownership in the case study area.

² I return to this issue and point to a link between the liquor trade and the survival of South African spazas at a later stage in the discussion section of this paper.

Existing and new South African and foreign spaza shops at June 2012



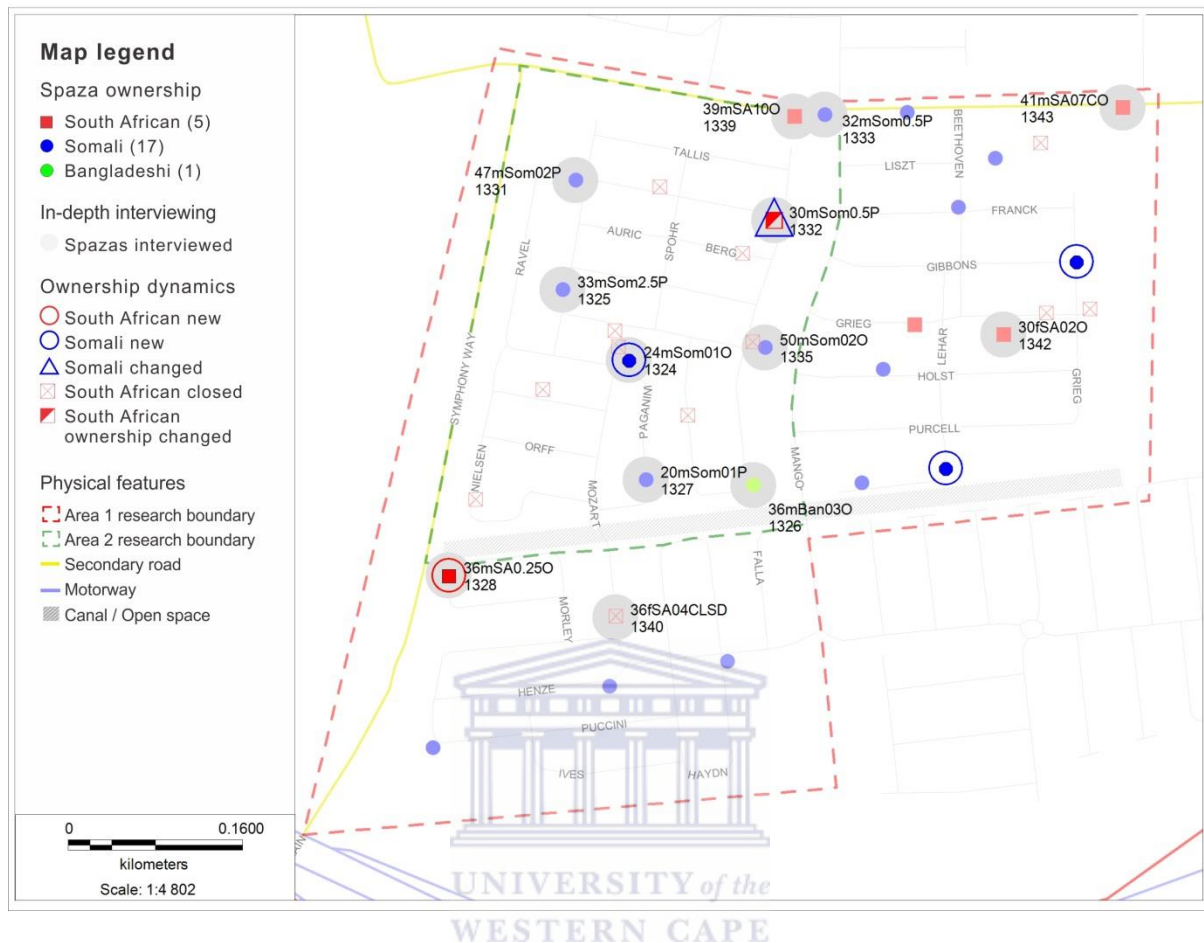
Map 5: Somali spaza businesses have clearly dominated the market

South African spaza shop closures during May 2011 and June 2012



Map 6: A number of longstanding South African businesses have closed and no longer operate. Some have turned to selling liquor; some have opened games shops, some women who ran spaza shops found work are employed as domestic workers while others are still unemployed.

Existing and new South African and foreign spaza shops at June 2012



Map 7: Current distribution of spaza shops.

As a business the spaza shop remains, in the words of Charman et al (2012) ‘ubiquitous among city townships’ like Delft South. Their research highlights an ever growing presence and dominance of one spaza type over another which is transforming the character of this state of ubiquity. The results from my case study supports this argument and has further illustrated that foreign ownership in the spaza market continues to grow even when the total number of businesses in an area has dropped. It is a change which may present serious economic and social consequences for many South African residents doing spaza business as a means to make a livelihood in Delft.

Chapter 4: Establishing Spaza Business

This chapter presents data related to the specific business models being employed by spaza operators in Delft South and the role of social networks in establishing spaza businesses. During the in-depth interviewing process participants were asked to explain how they first started out in business. The chapter has four sections: the first examines ethnographic data and describes who operates spaza businesses in the study sample; the second section presents narratives which articulate the reasons why various spaza operators chose to establish businesses in Delft South; section three explores how both South African and foreign spaza owners established their businesses in the case study area, while section four focuses on the issues of labour and employment. The argument is advanced that the motivations of South African and Somali shopkeepers to open their business differ widely, as do the patterns of ownership, access to labour and employment available to both groups through different social networks.

4.1 Spaza Shopkeepers: Who are they?

Table 1 and 2 below presents the profile of respective spaza operators and their businesses. There were five South African case studies. The length of residency amongst the South African respondents varies between four years (the shortest) and fifteen years (the longest) with the youngest participant aged 30 and the oldest aged 41. Two participants reported that the spaza business was co-owned with their respective spouses, while the three men described themselves as being the exclusive owners of the spaza shops. These men noted, however, that the business was being conducted for the benefit of the family and thus there was an expectation within the family to support the business for the common good. In describing themselves as co-owner, the respondents were referring to a family member, usually the husband and or wife, who had an equal stake in the business due to the marriage, but who had not necessarily invested any money in it and was therefore not in charge. Once again, the business relationship was centred on the nuclear family structure.

Three of the South African spaza operators had extended the house to accommodate the business while another used to operate out of an adjacent garage, before she closed the business and turned it into an arcade and game shop. The fifth participant owned a smaller house shop or 'huise winkel' type business and operated from either within the living quarters of the main house or out of a shack located in the front garden. This was the only South

African participant that did not consider her business to be a fully developed spaza shop, but rather a house shop on its way to becoming a spaza business.

All eight foreign spaza operators in the research sample were men, of whom seven were Somali nationals all of whom reported coming from various rural villages located in the southern part of Somalia. The Somali operators age ranged from 20 years to older than 60. The latter participant reported that he could not remember his exact age but knew he was born in the late 1950's. The Bangladeshi operator was 36 years old. The Somali participants reported that there are between four and five major 'noble clans' in Somalia, namely, and in no specific order: 1) the Hawiye; 2) the Darood; 3) the Dir; 4) the Rahanweyn and 5) the Isaaq.³ Apart from one individual, they all reported having an affiliation to the 'the Hawiye' clan. However, three of these participants came from the Abgal, a larger sub clan of the Hawiye. The Abgal is one of two important sub divisions of the Hawiye and are mainly located in the central and southern parts of Somalia. The various Hawiye clans from these regions played a leading role in ousting the former President Siad Barre from power and in the process they conquered and dominated large parts of southern Somalia (Gundel, 2009). The clan is still a dominant force in Mogadishu.

Only one Somali operator reported being from a smaller minority sub-clan, the Issa, which he said was affiliated, to both the Dir and the Isaaq noble clans. Despite its connections to these larger noble clans, the Issa were considered to be a minority by members of the Hawiye and its Abgal sub clan. The Issa live mainly in Somaliland located in the North-Western part of the country although the group has also been found residing with other Dir sub clans in South-Central Somalia (Gundel, 2009). The importance of clan and kinship ties is a central theme of the research and is discussed in more detail in following chapters which deal with other parts of the business models and as well as social networks. This respondent is important as he confirms that what matters are clan networks rather than nationality networks. Thus the resource is less about being Somali, but within that, of a clan.

Six of the seven Somali participants reported having been granted refugee status in South Africa due to the conflict in Somalia and were in possession of Section 24 permits which were valid for two years from date of issue. One Somali operator expressed concern about his current status. Participant 32mSom0.5P had been in the country since 2007, but was only in

³ Somali operators spoke of controversy over the nobility and legitimacy of the 4th and 5th clans. See report on a lecture by Joakim Gundel, COI Workshop Vienna, 15 May 2009 (Revised Edition) published December 2009.

possession of a Section 22 document meaning that his status has not yet been determined by the South African government. As it stands, he is still considered to be an asylum seeker with a permit that needs to be renewed every six months, this he says ‘...has been the case for the last five years since I have first been living in this country...so now sometimes I just go home every six months to make getting new documentation easier’ (field notes, 32mSom0.5P).

According to South African immigration law, foreign nationals who possess both Section 24 and Section 22 permits are afforded the right to live, work and study in South Africa as long as the documentation is legitimate and valid (Government Gazette, Immigration Act 2002). The Somali operators have spent an average of 3.5 years living in South Africa; two reported being in the country for two years, another two have been here for 3 years; one for 4 years while the remaining two reported arriving at least 5 years ago. The Bangladeshi operator was granted a two year work permit which he has regularly renewed over the past nine years since first arriving in 2003. He is intent on making South Africa his home and plans apply for permanent residence, as he has now met certain immigration requirements, but emphasised that this ‘...would depend on how things go in South Africa, you know with the antagonism towards foreign owned businesses [in the spaza market]...my sister lives in England so I may relocate there if things go bad here’ (field notes, 36mBan03O).

When asked about their intentions to stay in South Africa Somali operators responded with the following mixed sentiments. Some hoped to return ‘home’, some spoke about moving to other countries and some desired to continue their businesses in South African without the current obstacles of their immigration status:

...I do not intend applying [for permanent residency] as I want to return to Somalia or Kenya by the end of 2012...I intend start a similar clothing business to my in Kenya or back home [in Somalia], I came to South Africa because I knew it was a good place to learn how to do business on my own...I want to prove my father that I can make something out of nothing as I have done...I don’t need this money I am making in this country doing spaza but making the money is sign of success...it is an extra bonus to be able to take some money with me as evidence of this achievement and use it to start something new (field notes, 20mSom01P).

Four of the seven Somali operators expressed interest in applying for permanent residency in South Africa, however, none have been able to do this with the main reasons being that the application process was complicated, lengthy or because the Home Affairs Department was

no longer accepting applications. Two of the four were explicit in saying that their main reasons for wanting permanent South African status was because they had ‘established a good [spaza] businesses that we want to develop even more’ (field notes, 24mSom01O).

Three of the participants said that they would not apply for permanent residency even if they were presented with the opportunity. One felt that he was better off back in Somalia because the majority of South Africans, he observed, were treating Somalis as badly as they were being treated by perpetrators of the war back home. Another felt that he had achieved his primary goal of coming to South Africa which was to learn how to do business, he was now set on proving this to his father by eventually selling his share of the business and setting up a clothing factory either in Somalia or in Kenya, where his father has been running successful businesses for many years. The third more related to issues of uncertainty and isolation in the spaza business, as the main owner of the business (the uncle) had returned to Somalia to attend to family matters and it now seemed unlikely that he was coming back. This participant and his young employee, both from the Issa minority group, emphasised that much of the problems they experienced with ‘progressing’ in the spaza business was due to the lack of access to, and thus support from, kin or clansmen. They were unable to benefit from the business network of the Hawiye and Abgal clans which dominated the spaza market in this neighbourhood:

... we are desperate....but the [spaza] business was good in the beginning as we were one of three new Somali shops in the area, then the one [spaza] down the road closed for a while because it was sold and the new owners took their own time to establish and business got better for us...but then the previous owner came back...he is a Somali boss who has about three shops in Delft and maybe one outside of Delft...he rebought the shop down the road...we have been struggling since because now there are two Somali shops that are established near us and we cannot compete...this is why my uncle the boss of this shop left for Somalia, because there is a [Somali] shop now on every corner and we are unable to make progress...we are not in a situation where we can get assistance from relatives or other clan members as there are none that we know of here...the majority of Somalis in Bellville and in Delft are Hawiye or its sub-clan Abgal, but we are Issa a minority group...I think most in South Africa are from these bigger [Hawiye and Abgal] clans but we are not and the other Somalis in the area know this about us (field notes, 30mSom0.5P).

All the foreign spaza operators in the sample have, at some point, been involved in partnerships where spaza shops were either procured and or established with the help of one or more foreign business partners. The concept of a Somali business partnership is fundamentally different to the South African notion of business that organised and operated predominantly along 'familial and blood ties' - another major theme of this research and a topic discussed at length further on in the paper.

Of the eight foreign spaza operators, five Somali businessmen reported being partners in a business relationship with other Somali nationals of which four received an equal share (or 50%) of the spaza business, while another, who had recently been promoted by his uncle, had 15% partnership in the business. Another Somali operator was in a partnership with two other Somali partners and reported that each partner held an equal third (or 33.3 %) of the business. The two remaining foreign spaza operators, one Somali and the other Bangladeshi, were the only participants who owned 100% of the businesses, though both had previously been involved in spaza shop partnerships in Delft South with their respective countrymen. The Bangladeshi reported being involved in four individual spaza shop partnerships since first entering the spaza industry in 2008, with three of these partnerships occurring in Delft over a period of four years. The details of the Bangladeshi's experiences in the spaza trade are presented in Chapter four which focuses on investment in spaza business. The Somali operator explained that his first business opportunity in South Africa came in the form of a spaza shop partnership with two other businessmen where he owned one third (or 33.3 %) of the container shop.

Most foreign spaza operators choose to rent one room or garage which is completely separated from residential homes or to purchase shipping containers in which they conduct their business. Three foreign spaza shops conducted activities from within a building which either had no direct access into the main house it was attached to or was completely separated from it. Another three Somali run businesses were being conducted from within shipping containers located on South African owned residential properties to whom rent was paid. In one case, the Somali business utilised the entire house as premises for business and accommodation. The respondent, complained about the high rent that needed to be paid to the South African home owner who resided outside of Delft. The last case, the spaza shop was closely connected to the business and where house inhabitants had direct access to the shop. In this instance the Somali operator had recently married the South African home owner (in 2011), on whose property the spaza shop was located.

Lease agreements between Somalis spaza operators and South African home owners commonly ranged between two and three years where rents are typically R1500 per month with an additional R600 being spent on water and electricity combined. One participant reported paying a total R1000 per month, of which R200 was spent on electricity for the shop. Another reported paying up to R5000 per month and R750 for water and electricity for a large (and very popular) spaza shop he owned outside of the case study site, in Hanover Park (field notes, 47mSom02P). Rental agreements were always detailed through a binding legal document. In the words of one respondent: ‘...Somali spaza owners will not have written agreements with other Somali [business] partners...but they will always have a written [lease] agreement with [South African] home owner(s) which has been witnessed [notarised] by a [South African] lawyer [usually said to have his office in Bellville Cape Town] (field notes, 47mSom02P). The Bangladeshi participant, however, signed a five year lease agreement and is currently paying R3000 per month, with an annual increase in rent of R500; there are also sub clauses in his agreement relating to the terms and conditions that the parties agreed to if the spaza was to be sold. The researcher was not able to verify the nature of these agreements as neither the spaza operators nor respective home owners were willing to reveal the actual lease agreement.

4.2 Why spazas in Delft South?

In this part of the chapter, we examine the narratives collected during the fieldwork to explain why South Africans and foreigner nationals decided to embark on spaza business. Most of the data presented here was recorded verbatim and thus represents some of the voices of individual participants. First I present individual South African stories and highlight key reasons why participants chose that particular area to set up business. The process is then duplicated for foreign spaza operators and I proceed to present the reasons why they too found themselves setting up spaza business in that particular area.

4.2.1 South African spaza histories

The five South African spaza businesses, apart from one case, have been business longer than most of the foreign shops. The newest business was established three months ago while the oldest was in its eleventh year. According to operators with long established businesses, starting a shop that sold daily necessities seemed to be the right thing to do at the time. Several of the participants viewed spaza shops as an easy and relatively cheap business to start when they first moved into Delft. These were businesses that could be started without external assistance. Establishing a small spaza was something that could be done in the

absence of employment until other opportunities came along, or was considered to be something that could be done to supplement existing (but limited) income. The entry barriers seem low. Respondents felt that spaza business was relatively easy to do and requires little start-up finance.

... we needed to create an income stream for the family to survive on...so we started very small with little money...we bought fruit and veg selling on the pavement outside...in the meantime until something more stable happened for someone in the family...the business suddenly grew and began to make money...then we began investing in it little by little from that point onwards (field notes, 39mSA10O).

... I saw a gap in the market as no Somali shops were in walking distance of houses around me and I heard people were complaining that they had to walk far to get daily necessities (field notes, 36mSA0.25O).

... At the time when we first came here I was struggling to find regular work ...but it did not take long for us to realise that it was possible to make a good business selling essential groceries and other things from home...we started small testing the business at first then within six to eight months we knew it could work especially considering that our house was located on a busy main road (field notes, 41mSA07CO).

...We were in great debt and so my husband decided to start this business to bring in extra income, we started this business when we first came to live her...with very little money taken from my husbands end of year bonus...it also gave me something to do because I had three kids and do not have an education, it was difficult for me to get a nice job...but then one day I realised that this shop was actually making money...and so we decided to slowly start spend more money on it [i.e. investing in the spaza] (field notes, 32fSA03CO-CLSD).

... I started two years ago because my husband went to prison and has been there for the last three years, it was the easiest and quickest way to make some money as I was unemployed with only a child grant to support my two kids...I was forced to move into this family home three years ago to save on living costs... This was my first attempt at doing my own business (field notes, 30fSA02O).

It is interesting to note that in three cases the operators expressed surprise at how quickly their business had grown, highlighting that it had exceeded all expectations. Their businesses

quickly gained momentum and began to grow in an almost organic fashion. Soon these businesses started to yield relief for their owners in the form of financial gain (profits), though in some cases this relief was short lived, as competition from foreign owned spazas in the area was reported to have impacted on the business since 2006/7:

...we were the only spaza on this stretch of the main road... before Somalis arrived the business was very good and had a huge customer base, hardly had time to sit still. The next shop would have been behind us in the residential area about 300 metres away and Tinkies spaza [100 meters away], the other South African shop still going this side, he came after me but is still far enough away that it never affected our business and we have not created problems for each other by undercutting, we operate fair and co-exist. Things were going so good... I made a permanent space for the business so that it could grow better and stronger by having more variety of good products because I wanted to stock what the people wanted. For about four years up until sometime in 2007 things were going really well, I had slowly been investing in the business, even though there was by that time a new Somali shop close by between me and Tinkies down the road, I could still make good business as my shop was established and had a large/good loyal customer base. It is in the last 3 years that the business has taken a nose-dive because by that stage in 2009 the Somalis and other foreigners like Pakistanis, Bangladeshis were buying shops up left right and centre and were beginning to take over the spaza market. Making money in the last 3 years has been a very difficult task. Before we used to make a minimum of R2000 profit p week but now we are down to just about R500 in a good week (field notes, 41mSA07CO)

These narratives show that the main reasons why South African participants reported starting a spaza shop was to obtain income for household survival. Some started due to a lack of income as result of unemployment in the family. Some said it was due to a lack of and inability to access the social welfare system through various grants. One female lost the household breadwinner as he was still incarcerated. One couple had serious problems with managing their debt. A lack of education was explicitly mentioned by the two female participants as being a major reason why they could not find employment. Two male respondents mentioned their inability to find work, but one added that his work was irregular at the time when they first moved into Delft, as that was the nature of the construction industry he was employed in. Unemployment for these individuals meant no (or too little)

money was coming in for the family to sustain itself. For all these individuals, starting the spaza was primarily a means to generate extra to meet daily needs and for household survival, it was not an entrepreneurial attempt to start business.

However, one of the South African operators (participant 36mSA0.250) stood apart in his reasons for starting the spaza business. He had an established taxi business before starting the spaza shop. In addition, he had previously acquired a tender to transport local youth to and from four schools in Bellville South and the surrounding area. He also mentioned operating a spaza shebeen business in Khayelitsha that he had started two years back. This individual was able to invest considerably more money into the spaza shop than the other South Africans, whilst his financial position meant he had personal transport and funds with which to employ shop assistants.

4.2.2 Foreigner spaza histories

In the case of foreign spaza operator respondents, in-depth interviews of their journeys into South Africa have been recorded for seven of the eight foreign business owners. This material helps to contextualise how some of the individuals eventually made their way into Cape Town and to Delft South. Detailed sections of the narratives of these journeys can be found in the Appendix. These narratives highlight a number of key issues from a foreign national, and in particular, Somali point of view. Through these journeys one comes to learn about the reasons for leaving home, experiences of human trafficking and brokerage into South Africa, and the challenges experienced at border posts including issues of bribery and police corruption. The narratives also speak of important knowledge acquired while travelling, the countries that are popular routes, the length of travel and cost of the journey, usually paid in US dollars. While interesting, these issues go beyond the scope of this thesis. Of greater significance to this research, however, are the lessons and experiences of individuals upon entering South Africa and how they learnt about specific areas to do spaza trade sometimes even before arriving at that destination. The narratives of Somali journeys into South Africa highlights the need for future ethnographic and or other research on this topic as it is an area which is poorly understood.

Extracts of the participants narratives of establishing spaza businesses are cited below. These are presented as evidence explaining why Somalis chose to do spaza work and also their reasons for choosing to do so in Delft South (and the greater Delft area). The newest Somali owners reported establishing the business approximately five months before the research,

while the longest Somali business had been around since early mid-2009 and was also able to recall stories and experiences of xenophobic related looting, which occurred in the period prior to the 2010 Soccer World Cup. The Bangladeshi operator, however, had been working as a spaza owner in various parts of greater Delft (such as Voorbrug and Eindhoven) for the past five years and was now experiencing his third attempt at building a successful spaza business in Delft South.

Prior to arriving in South Africa, five of the seven Somali spaza operators were involved in business. Some were self-employed, working in the transport (taxi) business. One owned a clothes shop. Others worked on family farms. Of the two remaining participants who chose to discuss this issue, a young Somali operator articulated that he was of a school going age when he lived in both Somalia and Kenya and only began earning a wage when he started learning to do spaza business in South Africa. The Bangladeshi reported being employed in a clothing factory, which he equated to a sweat shop, where he earned very little money, worked long hours under less than satisfactory work conditions. According to the research interpreter, an important factor in the establishment of Somali businesses in Delft was the role of established social networks, comprising friends, clansmen and close relatives. These individuals provided a source of funding, identified market opportunities, provided employment and allowed the newcomer to enter business on partnership terms. The following extracts explain why Somalis chose to enter the spaza trade:

... When I first arrived in South Africa my close uncle was the first person to assist me in getting into the business. He is a good businessman and owns three of his own shops...one is located in Delft and the other two in Paarl...I began working in his shop in the Delft main road in February 2010 and I did this for six months while I earning R2500 per month...I earned good money straight from the beginning even though I did not have much experience because firstly my uncles business was strong and secondly because we were close and he knew I had potential and was motivated in the spaza business...(field notes, 20mSom01P).

...The shop was bought two years ago by my uncle from the South African owner who packed up, my uncle saw an opportunity to start a business in Delft, when I came to South Africa I found this out and came straight here...the man allowed my uncle to use the entire house, that time he [uncle] paid R20000 for the shop and its contents...but was charged a high rent on this place (field notes, 30mSom0.5P).

...I have only been in Delft for the past 5 months and this business was my first business opportunity since arriving here [in South Africa] in 2007...for half of the time I have been unemployed and was not really earning any money, the other half I spent working in my brothers friends shop as an assistant earning R800 per month in the beginning and then R2000 per month as I got more experienced in the business...it is the fastest way to earn a wage for us especially if you find the right areas to sell ...I did this for about two years before being in a position to go into spaza business for myself here in Delft...I owned a successful clothing shop in the village back home (field notes, 32Som0.5P).

Like their South African counterparts, a number of Somalis reported that doing spaza work was the easiest and quickest way for foreigners to make 'decent livelihoods' in South Africa. A similar point was also made by South African spaza owners who had owned businesses since 2007 or before, in other words before the onset of competition with foreign run businesses. These individuals, along with their Somali counterparts, emphasised that nobody monitored whether or not spaza shops were actually being registered and that this made it a relatively easy business to establish. One simply needed a space to do the business in and enough money to stock a wide variety of products.

There are also particular reasons explaining why those who chose to enter the spaza trade have decided to do this in Delft South. The following extracts explain this case:

... I came to know about Delft because most of the Somali businessmen that I knew stayed in Bellville, but had businesses down the road in Delft...many who are my close friends from Somalia or clansmen do a lot of business between Bellville and Delft... Now these areas and places like Delft are considered by our people to be one of the Somali strongholds for doing business and for living in (field notes, 24mSom01O).

... I soon discovered while living in Bellville that the best way for Somalis to make a livelihood in South Africa quickly is to do the spaza business. I chose Delft because it was close to our other safe area in Bellville...for the cash and carries and because there are so many of my fellow clansmen doing spaza business there [in Delft] (field notes, 33mSom2.5P).

...I helped run the family business back home... I was lucky...a close friend from Somalia, who was living with me in Mfuleni that time, told me about the opportunity to rent or buy spaza business in Delft and in Hanover Park...things were getting bad in Mfuleni...with xenophobia increasing so we decided to run away from that place...so I started in Delft by renting this shop I now have in Delft South (field notes, 47mSom02P).

Two Somali participants reported that they had a relative (an uncle) who owned a spaza business there who could assist them to find employment and run a business. Similarly, another two respondents said they knew of Somali nationals doing spaza business in Delft whom were close friends and or clansmen. The geographical position of Delft and social composition were seen to be relatively favourable, especially to the Somalis. One said he was fleeing an area where xenophobic related attacks was affecting the spaza business adding that a close friend advised him about spaza opportunities in both Delft and Hanover Park. Another reported that Delft had presented him with his first spaza business opportunity since entering the country five years ago through a spaza container partnership he currently shares with another Somali clan member. Delft was also close to Bellville, a 'Somali stronghold' (field notes, 24Som01O). Delft was close to cash and carries and other important suppliers in Bellville.

The Bangladeshi participant explained his reasons for establishing a spaza business in Delft as the pursuit of a new opportunity. He told how the South African from whom he had purchased his first spaza shop (located outside of Delft) accused him of wanting to take over her home once she had realised that the spaza business had picked up. At about this time a lifelong friend (and former spaza business partner) had relocated to Delft in 2006/07 and informed him of business opportunities there. He thought that there was little spaza competition in the area and those that existed [referring to South African spazas] did not seem to be 'well run' (field notes, 36mBan03O).

Unlike South Africans, however, who reported starting spaza business in Delft South mainly due to the lack of income, unemployment, the inability to access the social welfare system and because of debt; foreigner responses in the narratives suggest that a strong influencing factor in their decisions to make Delft South a place of (spaza) business is the ability one has to access relatives, close friends, and clansmen who already run established spaza business.

In this way many foreigners, from the outset, are launched into enterprises with much larger business practices.

The proximity of Delft to Bellville was said to be significant. One participant was explicit in reporting that Delft's locality was significant when making the decision to establish a spaza business because of its closeness to Bellville, an urban centre informally referred to by South Africans and Somalis alike, as Little Mogadishu. According to the research interpreter, Mr Abdi Wali Abdurrahman, the Bellville, Elsies River, Parow and Delft areas are key localities between which Somali nationals constantly oscillate (field notes - informal conversations with Abdi, 25 April 2012). In Cape Town, Bellville is especially important, as one participant emphasised how it is 'considered by our people to be one of the Somali strongholds for doing business and for living in' (field notes, 24mSom01O). The area is also a well-known economic hub and point of access to 'cheap' (economy) branded clothing, shoes and bags, as well as household grocery items and both legal and contraband tobacco products (Observations and informal conversations with Abdi, 25 April 2012). These items are purchased on a daily basis and in large quantities by many different kinds of traders and consumers of different nationalities, but in Bellville, they are most commonly purchased by large numbers of Somali spaza owners from different areas of the Cape metro-region. On any given day, the head count of Somali nationals doing business in and out of Somali owned Cash and Carries, or on the street with Somali and other foreign national traders, or in Chinese and South African owned wholesale stores, is most likely to outnumber any other area in the Western Cape; an observation which Somali participants themselves agreed with. One only needs to spend a full day observing the market and surrounding areas near the Bellville train station, the Bus terminus and Voortrekker Road to understand how true this is. I found that the best time to do this is either at the end of the Month, on a Friday when wholesalers and cash and carries run specials, or early in the week throughout the rest of the month (Monday to Wednesday between 08:00am and 18:00pm) when Somali operators tend to fully stock their spaza shops for the weekend.

The third and fourth sections in this chapter (3.3 and 3.4) focus on presenting data on two of the five major spaza business classifications or categories; namely, spaza Ownership and Labour. Together they explain how spaza operators went about establishing and running their spaza businesses and identify key business elements of South African and Somali spaza shops, as it relates to spaza business partnerships, labour recruitment and employment issues. The data suggests that two distinct business models have been employed when establishing

spaza shops in Delft South. The first appears ‘survivalist’ in its approach and has mainly been adopted by South African spaza operators, while the second is more competitive and ‘entrepreneurial’ in nature. The latter is predominantly utilised by foreign nationals. The analysis of these contrasting business models continues in following chapters (4 to 7) presenting data on the four remaining categories of spaza business; namely: Capital Investment, Stock Procurement, Business operation/Internal Dynamics and finally Distribution (in the form of mobile networks). Tables 3 to 13 (see appendix) present key findings in terms of all five business categories; It is envisioned that these data tables, along with supporting ethnographic field data and participant narratives, will help create a better understanding of how respective spaza operators established themselves while simultaneously providing insight into the way in which spaza business itself is being run.

4.3 How do spaza owners establish their businesses?

In order to better understand how spaza shops are established one must consider how spaza owners themselves classify business ownership, as well as who the shop labourers are and also the criteria used for employing staff in spaza shops.

4.3.1 South African ‘family business spaza’

For South Africans, a major challenge and fear was extending trust of one’s business outside family boundaries. As stated below, there was neither a need nor a want for this kind of arrangement:

...the spaza was always a family business, it was my money that went in...thus no outsiders [especially foreign business owners] only me and my wife as equals co-owners, as she works and gets only spending money (field notes, 41mSA07CO).

...no partnership with others [especially Somalis], the spaza was always a family run business for reasons relating to trust (32fSA03CO-CLSD).

...this business is for the family, only family will get involved...it’s about trust (30fSA02O).

...I do not need a partner as I have enough of my own money as capital to start the business from the taxi business and the spaza shebeen in Khayelitsha...but I am doing this for my family...I am building this up for my son, this is his business (36mSA0.25O).

When asked who owned the business, South Africans responded in one of two ways. Thus three said they were the ‘sole owner’ of the business, as it was their idea to start the business, and that they had to arrange the capital to start the spaza. The remaining two operators said both spouses had an equal right to the business, even though only one invested some money into the business in the beginning. The respective spouses were still considered to be ‘equal owners’ of the business, because s/he gave of their time willingly to help the business grow, without the business having to incur additional labour costs for shop assistants or cashiers. All five participants were explicit in emphasising that, despite who owned the business, the spaza was being done for the greater good of all in the family/household, to either bring in an income or as a supplement to low income already being earned. None of the participants had ever engaged in spaza business partnerships with ‘others’ or ‘outsiders’, that is, referring to foreign national businessmen.

As a family business, the South African participants were referring to a relationship between immediate family members, usually one’s spouse, but possibly also immediate kin, such as a son or daughter. These individuals were considered to have an equal stake in the business; they had the right to deliberate on all spaza related issues, because of direct blood ties or through their marriage. Spouses and offspring did not necessarily have to invest money to own an equal stake in the spaza business. By comparison, those South Africans who described themselves as sole owners, did so because they alone had put the money into the business (and in most cases continued to so) in order for it to grow, this meant that they had the right ‘to be in charge’. The fact that some family members living in the household willingly assisted in spaza business, without guarantee of any sort of remuneration, may have resulted in an equal share in the family business, but did not necessarily transfer into an equal say in the business and how it operated. In this way some businesses can be described as being rather patriarchal in nature. In addition, the data suggests that being part of a South African spaza co-ownership does not necessarily result in individuals enjoying regular sharing of business profits. Of the two participants who reported being in a co-ownership one said he merely drew a small amount of money to cover household costs, allowing his wife to take some spending money on the odd occasion. The other participant said she did not receive personal remuneration for running the business, as any additional money was to be spent communally in the home on groceries, clothing, school fees and managing debt.

4.3.2 Somali 'partnerships'

Of the seven Somali operators only one described himself as being the sole owner or 'the boss' of his 'own' business, the other six participants described themselves as being 'partners' with other Somali businessmen. These partnerships were based on verbal contracts and agreements. No lawyers were used. Five of the six who said they were in a partnership with a single partner reported either starting (a new spaza), purchasing or renting existing spaza business from a South African or other foreign nationals. These dual partnerships were the most common type of ownership found in the sample where each partner owned 50% of the business, although in one case the ownership split was said to be 15% to 85%. The interpreter felt that this case would most likely result in the current partner (who owns 15%) eventually assuming ownership over the entire shop, as he was the only rightful family member living in South Africa that could lay claim to the business (the partners belonged to the minority Issa clan). Only one Somali operator had entered into a business partnership with two other Somali men who along with his partners owned 33.3% of the spaza shop. Participant 47mSom02P also reported that he belonged to a spaza partnership in Hanover Park with three Somali partners (one male and two female).

It is interesting to note that at some point in their spaza experiences, both the Somali and Bangladeshi spaza operators who described themselves as sole owners, were also involved in partnerships where spaza shops that either procured stock, or were established, in partnership with others. The partners were from the same countries as the spaza operators themselves. In both cases, the current businesses they were running, at the time of research, had either been bought or rented with profits made during the sale of previous businesses ventures. This means that all the foreign national participants have experienced at least one spaza business partnership in the time they have been doing spaza work in South Africa. The Bangladeshi spaza operator had been in four separate spaza ventures with fellow countrymen, of which three took place in the greater Delft area.

The model of Somali spaza business partnership differs from the South African concept of a family business in a number of ways. Access to partnership in the former is not automatic, but rests on three criteria: one) commitment, or the ability 'to show ambition' to do spaza business, two) investment, or being able to prove ones worth mainly through supplying cash for business and three) profit sharing, or the right to lay claim to an equal share in the business and receive tangible profits for initial investment made.

Commitment - One participant said the following about being in a spaza business partnership: ‘...in a [Somali spaza] partnership, you have to show commitment and ambition for the business by doing things’ (field notes, 33mSom2.5P). Partners, he said, have to prove their ‘ambition’ through various kinds of actions, for example, if one has no money to buy into a partnership, or perhaps you do not know anyone who was willing to borrow the required sum needed to enter into the agreement, one can offer non-remunerated labour as a way to secure an opportunity in a partnership. This was the case when participant 20mSom01P was learning about spaza business whilst working in a close friends shop:

...my friend told me that I could come on board without paying anything so long as my labour came at no cost, I would use the money I had saved up to live off in the meantime...I agreed to not get paid...we built up a good business relationship and once things were going well...I decided sacrifice and invest the little I had...so I took of that money I had saved from before and slowly began to pay my partner for my share of the business...as I had to buy my share and not just get it with unpaid labour...I paid him R25 000 in eight instalments.

This operator reported that he later took on two new partners in the business. One he considered to be a senior partner as this individual owned a vehicle and was able to assist with the transport of stock, while the other was described as being a junior partner and worked for less or little pay. It is difficult to say whether or not the above scenario is a common strategy used by other Somali nationals in their efforts to break into Delft’s spaza market, as this was the only Somali participant in the sample who openly admitted that his unpaid labour, to a close friend, played a major role in his ability to get involved in spaza business in a short spaza of time. The participant later emphasised: ...doing things this way played a big role in my spaza shop experiences...and gave me an opportunity to climb the [spaza] business ladder very quickly (field notes, 20mSom01P).

The strategy of unpaid labour is perhaps a way for younger, less experienced and financially distressed individuals to get involved in spaza partnerships, especially when one considers that five of the seven Somali reported having no money when they first arrived in South. In the same participant’s story, it is clear that the entry ticket to partnership is a financial contribution, especially when one wants to claim the right to a fair share of the business.

Investment – Partnerships are rooted in investment, either cash or in-kind. Investment requires contributing value to the spaza partnership in an effort to claim a percentage share of

the business, in such a way that others, in the partnership and the wider Somali business community, regard as being rightful and fair. As seen in table 6, foreign spaza operators invest large amounts of money in establishing spaza business partnerships. These investments are almost always in the form of cash payments and are in some cases, a quick and efficient way to double (and even triple) money. For one participant (24mSom01O) the spaza business partnership provided a crucial opportunity for him, as a new spaza investor still learning the business, not only to prove his worth in the partnership, but also to build on existing capital resources and thus increase his cash flow situation. A better cash flow situation, he said, increased his reputation amongst others in the Somali business community and his capacity to invest in multiple business partnerships. Eventually he reached a level where he was able to purchase a spaza shop entirely on his own within six months of first entering a partnership. This story is articulated in the two narratives that follow:

...with assistance from my sister...I just added another R2000 which I saved from working in my cousins shop in Eerste River...and raised the R10 000 I needed and was able to go into this spaza container partnership in the part they call Suburban here in Delft during April 2011. The two Somali partners, my distant cousins also each invested the same value through purchasing a [shipping] container and paid for its transport [to Suburban]...all to the value of about R20000...my R10 000 contribution was used to purchase our first stock...

The shop keeper (24mSom01O) and his partners decided to sell the spaza containers about six months later due to the violence they were experiencing in that part of Delft:

...Suburban is one of the most violent areas in the entire Delft...we were lucky that nobody in our shop got killed but I was severely beaten up one night while trying to get water from a tap outside the shop...they ambushed me in the dark...so we decided to sell the spaza to Ethiopians for R60 000..we got R35 000 for products, fridge and other equipment and another R25 000 for the container and the fact that the business was getting very good local support and was popular...each of the [three] partners received R20 000..but we [each partner] also got R4000 profit for each month...so for six months we saved R4000 each from sharing profits...after this I had about R44 000 cash and I took R20 000 of this and found this business that I currently own alone.

The narrative above raises the third major difference between South African family businesses and Somali spaza partnerships, namely, the existence of profit sharing in the

business. In the above narrative, the spaza operator was able to increase his original investment by 340% within a six month period. Unlike South African family businesses, most Somali operators in partnerships reported almost always receiving an equal share when the spaza business made profit. Besides this individual, who now owns his own shop and no longer has to share profits for that particular spaza business, an additional four Somali operators admitted to receiving money through a monthly profit sharing process.

Profit Sharing – These four study participants reported receiving the following amounts:

- R5000 each per month for two partners if the shop is stocked and the sales are good; the third individual was a junior partner and, for the time being, had to remain on a fixed R1500 salary until such time as he too would earn more from the sharing of profits (20mSom01P)
- R5000 to R10000 each per month for two partners. During summer time the amount of profit increases closer to R10 000 with better trading conditions and longer trading hours. The one partner was also engaged in a different spaza partnership with three other Somalis in Hanover Park. Here all four members received R5000 every month (47mSom02P).
- R2000 each per month for two partners, though the participant complained that this was hardly enough for two partners to live on and run a business with (32mSom0.5P)
- R5000 each per month for two partners if the shop is well stocked and sold in time (32mSom0.5P)

Unlike their employees, none of the Somali owners/partners admitted to earning a monthly salary, but did acknowledge receiving regular shares in the monthly profits of the business. The data suggests that the major way Somali partners were being remunerated was through a process of profit sharing. The researcher has come to understand profit sharing in this context as being similar to a monthly salary because it is received on a regular basis, however on the understanding that the total amount profit to be shared in a given month can fluctuate, and in this way differs from a regular salary.

Somali participants reported a number of in-kind forms of ‘showing commitment’ to a business partnership without necessarily contributing large amounts of money. These include:

- Organising a shipping container from which the spaza will be run

- Securing a business site or location, especially on a high streets, near taxi ranks, busy intersections or in popular residential areas
- Negotiating affordable lease agreements with South African home and property owners
- Offering to contribute stock that one already had in one's possession, perhaps from a previous spaza deal

Participants spoke of knowing individuals who have made these kinds of contributions without having to make a financial investment. The in-kind contribution would be deliberated upon by the potential partners concerned, in an effort to measure the value of the contribution and commitment of the individual. This is to ensure that it is of similar value to the contributions made by others in the partnership. As one participant explained (24mSom010):

...bringing a shipping container into a partnership could be considered as being [or having] the same [value] as investing R10000 cash into the business or bringing a similar amount of stock for the spaza, those involved in the partnership will ultimately decide...the ones who paid [money] sometimes have more say...if the individuals contribution is sufficient in value and it does not matter if he did not spend money to get it.

The same participant added that 'one of the first rules Somali businessmen uses when operating in the spaza market in townships or informal settlements [in South Africa] is to agree during partnerships about who acquires the site, the spaza building or structure and product. As an example, one participant (33mSom2.5P) explained how he had to show his commitment to the partnership by purchasing R10000 worth of spaza products to be used to stock the new business during its initial establishment. The business location and lease agreement, he was told, would be attended to by his soon-to-be business partners, though they did not mention the details, that is, how they would do it, with whom or at what cost. The participant proceeded with the purchase of R10000 worth of stock, fulfilling his end of the bargain, but was unsure if the two Somali men he was going into partnership with had also spent the same amount of money sourcing a location, paying rent and setting up an affordable lease agreement with the South African home owner.

4.3.3 Requirements for entering Somali spaza business partnerships

Somali participants reported that spaza business partnerships are based primarily on verbal and unwritten agreements. The decision to enter into a partnership, or to allow a new investor

into the business, is mainly determined by social relationships. Links to kin and clan members play a key role when deciding who one enters into spaza business with.

Partners, said one participant (24mSom01O), are almost always Somali in nationality and usually involve close relatives and friends. He said that they do not favour partnership with South Africans, because 'how can we share business with and trust people who have treated us this way and who continue to display bad mannerisms and discriminate towards Somalis...they seem to think less of us'. The research interpreter felt that since the xenophobic attacks in 2008, very few Somali businessmen (and others in general) are able to 'put their trust in South Africans' for fear that they will merely turn on their Somali partners in an effort to drive them out and possibly co-opt their spaza businesses, that is, if something similar had to happen in the future. The participant added that the only way a South African was likely to find his way into a Somali spaza partnership was through inter-marriage. The researcher found one such case in Delft South, that is, the example of Evi's Tuck Shop & Wholesaler on the Delft high street. This business was located outside of the boundaries of the research. Various participants told me that it was South African owned and one of the longest standing spaza businesses in the area; the business is comprised of a popular spaza shop and is also a well-known cigarette wholesale business. Here the South African owner's sister, who helped him run the business, had married the Somali spaza 'boss' of a shop located on the opposite side of the road, that is, '640 Tuck Shop'. The researcher later found out from one of the Somali participants that the Evi's owner had been gunned down at his home in Delft during the time this research was taking place, the motive reported, was armed robbery.

Somali elders from respective clans, sub clans and partner families act as witnesses to and mediators of the business partnership. In this way Somali spaza partnerships can be described as business networks underwritten and legitimised by traditional authority. The process was described thus:

... two elders from each side of the potential partners [who normally reside in Bellville] is brought in to witness the oral and or written agreement between the businessmen, when the agreement is between Somalis then it is not usual to have a written agreement for the partnership...if another foreigner [referring to non-South Africans] is brought into the partnership then this will usually require the presence of a lawyer as well [the lawyer is South African and based in Bellville area] (field notes, 24mSom01O).

Another fundamental requirement of a Somali partnership was the ability to be trustworthy, criteria nevertheless subservient to the boundaries of kinship. Outside of kinship, trust cannot be enforced. Where problems develop in a Somali partnership, they are referred back to the elders that witnessed the union. In some cases, parents or relatives on both sides congregate and discuss the issues and, if no resolution can be found, direct the matter for further deliberation with respected elders in the greater South African Somali community. The latter rarely occurs as most business matters are dealt with and sorted out by the families of the partners concerned. As one Somali participant explained:

...this is the way of our people even before our country broke out into war and it is still the way we are...family people from the same clan or sub clan do not fight as they trust and love each other...perhaps this is why Somalis co-operate better in partnerships with their brethren than South Africans do with their own kind (field notes, 33mSom2.5P).

The relationship of trust, underwritten by traditional institutions, is central to the success of spaza business partnership. Partners are careful to select the right partners, whilst the oversight of Somali elders ensures compliance with the partnership agreement. This is explained in the narratives of the following Somali operators:

...No written agreement [is required]...a good business relationship is usually based on a common understanding and cooperation in terms of how the business is to be run...it is important but not a must to have some background of your business partner and normally these people are people you have known personally back on Somalia or have been referred to by people you know well who have heard about these business people and vouch for the them...before creating a partnership one needs to come together and discuss the goals of the business and at the same time learn to trust the person through the daily activities of doing the spaza business (field notes, 47mSom02P).

...The agreement I have with my partner is verbal, there is no need for lawyers and written documents as we trust one another...we are Muslim brothers...our personal and business relationship is based on this and the trust we have developed. If problems do arise we would simply take our issues to the Somali clan elders most of whom are in Bellville...they and those who had witnessed the start of the partnership

would convene and each person has a turn to speak...in that way the problem is sorted out in a fair, peaceful and respectable manner (field notes, 32mSom0.5P).

Although Somali business partnerships can be complex, they do not require written or legal agreements. The above is therefore an example of how clan base networks play a key role in the effective enforcement of contracts, unspoken rules and laws in business, a role usually prescribed to the state. The risk of non-compliance in the agreement is low as the Somali community provides partnerships with access to financial resources, labour, distribution and other support. In this sense clan based networks and institutions are more effective than the state. Somali spaza partnerships, however, can be described as restricted business networks, because one foremostly needs to belong to a particular Somali clan to enjoy it.

4.4 Spaza labour and employment

In the case of South African spazas, two participants emphasised that their spaza was family run, and said because the profits made from the business was being used ‘to cover household costs’ and ‘was to be spent communally in the home’. The business relied a lot on other household members living there to contribute of their time to the spaza when and wherever they could. In the three other instances, the participants reported receiving occasional help from family members, but emphasised that the main labour used to run the business was in fact their own, and that family member who assisted did this either in the evening after work or school, on weekends or during the holidays. Family members that did not work permanently would merely assist whenever they had free time. At the time of research it was uncommon to find more than one person running South African spaza shops.

In almost all the cases respondents said that the main criteria for someone being allowed to participate in spaza activities or ‘to step foot behind the [spaza] counter is because they live in this house or have lived here before and if they have not it’s because they are basically like family’ (field notes, 39mSA100). Only one South African shop-keeper employed labour. The participant had recently opened the shop and ran a spaza/shebeen in Khayelitsha since 2010. He reported employing his brother-in-law to run the Khayelitsha business for him, paying him a monthly salary of R1500 (36mSA0.250). As in the case of the Somali partnerships, the employment of a family member ensured ‘trust’, he explained:

...My brother in law is the only person I have employed since starting in the spaza business in Khayelitsha two years ago...here in Delft I am the one that mainly does the work... he lives in the spaza for free but when I can afford to I will pay him more

than R1500 per month...as he has proved to be trustworthy with my money and the business...loyalty and trust is also important in this business and my brother in law has been with that business from the start, he understands I am trying to build something so is willing to be patient.

Though most family who worked in South African spaza's were not remunerated, the idea of using family labour does not necessarily come free of cost as there are material benefits for the family members who offer their services. In some cases these benefits were considered to have the same (or similar) value to labour that was being remunerated, as articulated in the following narrative:

...in the family labour that we use people earn pocket money but are also remunerated through having additional benefits...so I may not pay a salary of let's say R1500 or more in the month but those in the family who work in the spaza always have a permanent place to stay, daily food, clothes when needed, toiletries etc. This has applied especially to family who worked here the understanding has always been one that this is a home where you live and work and eat, but you also get some money to do your own thing and you get time off, but it was easier when the business did well and it was easier for the family members working to see a bigger picture of not taking a big salary etc. During hard times things still work the same ... it's just that those of the family who live here all help out and all understand that this is just the way it is for now and it is what we have to deal with (field notes, 39mSA100).

He added that remuneration was more in the form of 'pocket money' and 'additional benefits' often presented a challenge, affecting the reliability of family labour:

...the two family members working in spaza were flexible in their nature...I did not pay regular [monthly] salaries though...they mainly got pocket money [R50 per day] for working here [in the spaza]...and this I think affected their reliability in the business as they knew that they would not get paid directly for themselves.

There were three forms of labour arrangement in Somali spazas shops relating to the business owners, partners and employees. Four of the seven Somali spazas were run by the partner and an employee, two shops were run by the partners alone (without employees), while one was run by 'the boss' or sole owner and an employee. Six out of the seven Somali shops have individuals who belong to spaza business partnerships that help to organise and conduct the

day to day activities of the business. With the exception of the two businesses that were purely partner run, five spazas employed young Somali men between 18 and 20 years of age. It is therefore common to have both partners (who often referred to themselves as ‘the manager’) and employees (‘shop assistants’) working in a Somali spaza shop simultaneously.

For those participants who employ shop assistants, the employers select workers according to the following criteria: 1) Persons that display ambition and interest for the spaza business, 2) Persons that are trustworthy, loyal and show willingness to grow the business, 3) Preference to blood relatives, clan / sub clan member or close friend, and 4) If the potential employee is not a relative, clan member or close friend then he must be someone that the aforementioned individuals have vouched for.

When asked about what the major criteria was for employing someone in his shop, a participant explained:

Most important to employing someone is that the person shows ambition for the business...hand in hand with this is that he is somebody that can be trusted with your money and the daily dealings such as payment for stock deliveries, keeping a record if you allow locals credit... it is usually always a [blood] relative, clansmen or close friend...someone with much prior experience in various shops is usually considered to be very trustworthy...so it is a must to check with previous employers about that persons record and how he conducted himself. When the person is not a relative or close friend then usually the person being employed has at least been referred to the owner [new employer] by a relative or close friend whose responsibility it is to check the two issues I mentioned in the beginning (field notes, 33mSom2.5P).

Background checks are also usually conducted on potential employees when the spaza operator considers employing someone he does not know or has had no formal business dealings with. These checks are done by the relative, clan member or close friend who was responsible for introducing the ‘would be’ spaza employee to his new employer. According to one participant (47mSom02P) the search for the ideal employee also plays a pivotal role in the early stages of Somali spaza business and partnerships:

... the first thing done when we Somalis [spaza partners] have decided that the [spaza] shop is established enough to start employing new people is to get together as partners and discuss who in the partnership knows of anybody fit for the job, most of the time

someone in the partnership will know of another who is need of an opportunity to work and the most important things we discuss are... if the person is sincere about doing this kind of business [referring to ambition], by this we mean that he has shown that he wants to progress...this is the most important thing. Almost as important is the persons reputation on the street and in the Somali community...is he a person who others see having ambition and potential to progress...also do others speak of him as an honest person, then we also discuss his history and see if he has previous experience and knowledge and if so we speak to those who previously employed the person...we also consider language as this is a great problem, the person must be able to communicate with others in the shop that's why almost all the time the chosen person will be Somali but it is a benefit if the person has good English or Afrikaans skills or both.

The participant echoes much of the same criteria mentioned earlier, but also raises two additional issues of importance, namely: an individual's 'street reputation' amongst those in the community doing spaza business as well as in the general Somali community, and the ability to communicate within the spaza business and with South African customers by being multilingual.

On a number of occasions during both the in-depth interviews and informal conversations with Somali residents, people would constantly emphasise that the main thing an individual had to do while learning the spaza business (as a shop assistant/employee, new business partner or new owner) was to establish a reputation of being a trusty worthy and reliable person. Having this kind of reputation, the researcher was told, afforded one access to more opportunities in spaza work, as both an employee and potential business partner. Social networks involving kin, clan members and friends are important mediums through awareness is created around one's reputation. This is especially true in the spaza trade and was often referred to by Somali informants as having a good 'street reputation'. A good 'street reputation' is not only earned in various social networks but is also marketed to others. A good 'street reputation' combined with experience also allows the worker to negotiate better wages and terms of employment especially with the larger more affluent Somali spaza businessmen. Similarly, a good reputation, especially in the spaza business community, as a potentially trustworthy partner was said to be an attractive characteristic sought after by Somali investors looking to expand and or establish new spaza business in the area. Workers

that were proficient in local languages such as English, Afrikaans and perhaps even isiXhosa were regarded as having potential for creating ‘good street reputations’.

The data suggests that until the point is reached where the spaza is making enough business to sustain itself, over and above stock purchases and profit share, labour in Somali spazas is provided by partners who have a stake in the business. Only once the spaza has attained a certain level do they ‘... get together as partners and discuss who in the partnership knows of anybody fit for the job.’ This seemed to be the case with participants 32mSom0.5P and 20mSom01P where the respective businesses were purely partner run and where they too were waiting for the business to grow before employing others (see labour column in table 7). When the time comes for the employment of new recruits, Somali operators tend to select individuals’ who are kin, who belong to the same clan/sub-clan and who are considered to be close friends. Through the connections between the partners and the broader Somali network, spaza operators do not find it difficult to find labour, sometimes paying very little or no money at all.

Regarding the employment of South Africans as in Somali owned spazas, none of the Somali participants’ reported ever employing South Africans or other foreign nationals in their spaza shops. Only one admitted that even though this was the case, he was not opposed to employing a South African if it would help ease tensions with residents in Delft and possibly begin to change perceptions of how Somalis are currently viewed by citizens of this country. Participant 30mSom0.5p explicitly stated that he could not employ a South African in his shop due to a lack of communication, but more importantly because it ‘may upset others in community’. He added that he could not afford to damage what little reputation he had as the business was already struggling as everyone knew that he and the employee belonged to the Issa minority sub-clan. The remainder of the Somali sample said that language and culture barriers were the main reasons why they had never opted for employing, non-Somalis (South Africans in particular) in their spaza shops. Almost all Somali participants reported that, if compelled to, they would rather look to employ non-South Africans first, as South Africans are difficult to trust considering the widespread xenophobia experienced across the country during 2008 and 2010. Participant 30mSom0.5p and his assistant were the only Somali operators to openly report ‘peer pressure’ within the Somali community against the employment of South Africans. This finding contrast with public claims that the Somali spaza shops were providing job opportunities for South Africans (Cape Times, October 18, 2011).

In addition, participant 20mSom01P presented an interesting explanation showing the distinction between employee and partner remuneration. In this instance the researcher queried as to why the ‘junior’ partner’s salary of R1500 per month was so much lower than the participant’s income and that of the other ‘senior’ partner (both being R5000 per month). His response was that the ‘junior’ partner was earning ‘a kind of salary’ but that this would eventually change to a profit share of R5000 per month, as the participant and the other senior partner received. However, he added, the change would only happen once ‘...the business could afford this...and then by that time someone else will be brought in and can earn that [R1500] salary...but for now he earns that [R1500] until such time as he has earned that right [to R5000 profit share] through his labour [by growing the spaza business].’

Table 7 below presents a breakdown of Somali labour and employment in the five spaza businesses that appeared to be at a stage in their businesses where they could afford additional operational costs by paying regular monthly salaries to shop employees (assistants).

Of the five spaza businesses paying regular monthly salaries to employees two said they always had three people in the spaza, another two said they had two people minding the business, while the remaining operator explained that he was usually caught between his commitments to two businesses located in different residential areas, thus his time was split evenly between the spaza business in Delft and the other in Hanover Park. Nevertheless, in the latter’s case, there were never less than two people at any given time in his Delft business. In three instances a partner had recruited an employee who was also a fellow clan member (Abgal sub-clan): one was even related to his two employers ‘through blood.’ In another case both the partner and the employee were from the minority Issa clan. Kinship ties existed amongst partners and employees in four of the five businesses, whilst the fifth business employed someone who was ‘a friend of a close friend’.

Four of the five employees were currently working in their third Somali spaza shop and all had worked in at least one other business located in Delft South. The fifth employee (see participant 33mSom2.5P table) had recently made his way into South Africa to be with his older brother and cousin (the participant) who are partners in a spaza container business. He had been in the country for just under one year, and was still ‘learning about the business’ and had recently been given his first opportunity to work in a spaza shop by his older brother. During the interview the participant acknowledged that this first job paid little, but added that

it was likely that he was being groomed to come on board as an eventual partner as his older brother was the main investor of the spaza when it was first established. However, he was expected to show his ambition, commitment and loyalty by helping to grow the business working seven days per week earning only R800 per month.

The following monthly salaries were reported by spaza operators; all responses have been confirmed by the employees who received it:

- Two employees earned R2000 per month working seven days per week
- One employee earned R1000 per month working seven days per week
- One employee earned R800 per month working seven days per week
- Neither employee (nor the partner) was remunerated as the spaza was struggling to survive because they belonged to a minority sub clan (the Issa); both worked seven days per week for the entire month.

A 'junior partner' also said he currently earned a 'salary type' wage of R1500 per month working seven days per week, while a newly appointed partner admitted that he too earned no money at first and then only R1000 for some time, while working as a shop assistant, before finally being given a chance to enter in to a Somali spaza business partnership with his employer. He added that the new employee, who was recruited to fill the vacant shop assistant position, was now earning the R1000 monthly wage. The factors influencing the variance in salaries may include: 1) how established the business is, profit sharing is usually a good indicator of that the business is making money and can afford to pay better wages; 2) the employee's previous spaza work experience and reputation in the business and general Somali community; 3) time worked in one particular spaza and related agreement(s) made with employee(s) i.e. working for less money in order to get an opportunity in a partnership; 4) the relationship one may have with the spaza owner and or partners through kinship, clan or friendship ties.

Another possible consideration may relate to debts incurred by the Somali shop employees in the process of getting into South Africa. In the narratives of the participants journeys to South Africa there is evidence that workers (or their families) are usually indebted to agents to the sum of between \$1000 and \$3000. Some are unable to pay this cash while travelling and loan the money from others they travel with. For those that cannot pay at all, participant reports suggest that individuals are held captive in places like Mayfair (in Johannesburg) where their

kin, clan or friends are contacted and expected to pay the release fees. In most, the debt is usually paid back through periods of cheap or unpaid labour in spaza shops belonging to the individuals who paid the debt in the first place.

Mr Abdurrahman, the research interpreter, reported that in an instance, where the partners were able to draw between R4000 and R5000 in profit shares each month, the spaza could be considered as being a 'well-established business'. He added that it was not unusual for Somali employees working in these spazas to earn between R2000 and R2500 per month working seven days per week (informal conversations with Abdi Wali Abdurrahman, field diary, 25 April 2012). This view was consistent with the responses of other Somalis during informal conversations that occurred on the street in the study site. He added that there was a good chance that someone with little or no spaza work experience, employed in the smaller spaza shipping container business, earned between R1000 and R1500 per month working seven days per week, though a few of the participants reported that this 'kind of employee' would most likely earn less than R1000 per month.

Spaza employees received food and accommodation as part of the employment package. The researcher was told that most Muslim Somalis adhered to this because their religion insisted upon the fact that every 'Muslim brother' had a 'God given right to' to be fed, clothed and have a roof to sleep under. Operators reported sharing food communally amongst all those working or running the business and sleeping quarters were arranged, in some cases, either in the spaza shop itself, or through a room rented separate to the business, but at the same location.

Chapter 5: Capital Investment

In this chapter the key focus is on presenting data collected on capital invested in business by spaza operators in the sample. Capital investment, as used in this paper, is understood to be a direct investment by spaza operators in the form of cash to start a ('new') business and or purchase an existing business from previous spaza owners. It therefore includes money used to build, extend or renovate the space or structure in which spaza activities are to be conducted, but also includes money used to purchase products needed to stock the spaza shop for the first time. The latter investment differs from the capital required for general stock procurement once the spaza shop has been setup. Routine stock procurement is described separately in Chapter 7 which deals with procurement processes in spaza shops.

In this section I argue that a key difference between the Somali and South African business model lies in the sizeable difference in investment made by respective Somali and South African spaza operators into the business itself. The use of differential social networks helps to explain this difference, where South Africans look to immediate family members to assist with the business in a voluntary and non-remunerated way, as opposed to Somali operators, who prefer to form business partnerships where a form of contribution to initial investment is usually the key criterion for partnership. Here the partnership usually allows for (an equal) profit sharing amongst those who have contributed to the business.

5.1 South African Capital Investments in spaza business

The main reason why most South Africans opened spaza shops was because it required little start-up capital and had few barriers to entry. Doing spaza work therefore became a livelihoods option for individuals who were struggling to find employment, who experienced trouble accessing social welfare systems, and who were desperately fighting increased levels of debt. This was especially true for the three spaza operators whose path towards becoming spaza owners had started more than five years ago, that is, before the arrival of foreign shop keepers. In all five South African cases, the businesses were started from scratch.

Operators were encouraged to focus on particular issues such as the choice of business, financial situations experienced at the time as well as the amount of money used to invest in the spaza or other business.

South Africa participant accounts of capital investment are presented as narratives 1 to 5 below. The three participants who reported running a business for five years or more are

presented first (narratives 1-3), followed by the stories of the two remaining operators (narratives 4 and 5) who have been in spaza business for a much shorter period of time:

Narrative 1: The participant (39mSA100) started a spaza business in Delft South 10 years ago.

...we started very small with little money...started first with street trader business doing fruit and veg on the main road, selling on the pavement outside...until something more stable happened for someone in the family. I borrowed a R100 from my brother, and bought in fruit and veg for R100. From there we slaved day and night to grow the fruit and veg [business] especially in the first month during which I saved a minimum of R20 each night while the rest of the days profits was used to go buy more fruit and veg the following morning...and at the end of the month I had saved R800 and we took this money to the wholesaler to buy products to start the spaza shop.

This participant also started a shebeen soon after establishing the spaza shop and runs a small catering/suppliers business where he focuses on hiring crockery, cutlery and other equipment out to customers in the area at affordable prices. He reported applying, unsuccessfully, for an 'off consumption' liquor license on a number of occasions but has given up hope of ever seeing this materialise.

Narrative 2: Participant 41mSA07CO – started doing business in Delft South 7 years ago.

...we started small by buying chips and sweets testing the business at first. My wife sold as a mobile street trader selling to kids at the local school and then me later in the house advertising chips in the house window. I did not have money to start the shop one time so started with R50 worth of chips and sweets, we made R20 profit then used this to buy extra products that people were asking for like bread or R1 sugar packets [which they made by hand]...did this so people could afford and buy with cash...and from there it just grew on its own.

The spaza shops in these narratives are both located on the same side of the Delft South High Street and are separated by approximately 100 meters of road. Each spoke of the other in a respectful manner stating frequently during interviews that they had never caused problems for the other and have co-existed in business ever since. They mutual respect for one another especially since neither had ever tried to 'compete unfairly by stealing the others customers

away through offering cheaper products and undercutting prices' (field notes, informal conversation with participant 41mSA07CO, 25 April 2012).

In both cases, the participants' decision to open spaza shops emerged from a pre-existing practice of informal street trading. Similarly, both participants identified the same need to offer customers in the area certain daily items or necessities such as coffee, tea, sugar and others, in small quantities at affordable prices, to help customers 'stretch their money' and discourage them from asking for credit. In both cases, the participants reached a point where they had realised that substantial progress had made in the business and even began altering their homes to accommodate the spaza and operate the business on a bigger scale:

Narrative 1 continued:

...there was a time when things were better than they are today, that was about four years ago, the problem initially was that the spaza shop and fruit and veg business was growing but the actual house was too small to accommodate all eight of us as. The house was being used for living in, to do spaza in, and to store all the shop stock and fruit and veg equipment...so we had to take of the money and extend the house...it seemed the best thing to do at the time because the business seemed to be doing very well...enough to make these changes...we could not sleep like sardines in a row any longer. We did not have a stove nor beds, no fridge, so all this plus the house extensions came from either money from the spaza shop or from credit we raised against the business...in total over the past 10 years we must have spent an additional R80 000, of that about R40 000 to R60 000 on extensions for the spaza shop and the other money to try to get the liquor license for the off-sales and the catering business going (field notes, participant 39mSA100).

Narrative 2 continued:

...things were going so good that it was not difficult for me to decide to extend the house and make a permanent space for the business so that it could grow better and stronger by having more variety of good products...because I needed to stock what the people wanted...the money was so good in the beginning that I was able to add onto the house piece by piece and in total it came to a large investment that was put into the physical structure of the shop...more than R40 000 over the first few years...I

was also able to buy a car from the profits as well. For about four years up until 2008/09 things were going really well (field notes, 41mSA07CO).

Narrative 3: Participant 32fSA03CO-CLSD started doing business in Delft seven years ago but was forced to close the spaza portion of the business between late December 2010 and early 2011, as they could no longer compete with the numerous Somali shops that had recently opened in the area. According to the participant, these shops were well stocked, cheaper and had at least two people able to equally share the running cost of the business.

...We were in great debt and so my husband decided to start this business to bring in extra income, we started this business when we first came to live here...we started in the summer with R700...slowly built up to the point where we could afford to start purchasing products to run a proper [spaza] shop...it also gave me something to do because I had three kids and do not have an education...soon it [the business] became good as money came in quickly...we even started to do a game shop for the kids [arcade games] and for almost three years the business went well [survived] and we could pay the debts.

This participant's business started as a small house-shop selling (popular) carbonated soft-drinks and ice-lollies ('suckers'). At first the business was seasonal, being done mainly in the summer or at times of the year when the weather forecast seemed to be clear. Within the first year the husband requested a R700 advance from his annual bonus to purchase soft-drinks and 'suckers' in bulk. From this point the business grew quickly into something more substantial than just a mere house-shop. Soon the couple were able not only to cover their debt, but were also in a position to purchase a vehicle to help with the transport, of what she called 'proper spaza shop products', that people needed on a daily basis. They also managed to start another business to entertain youth in the area by renting three different arcade game machines ('game-shop'); at one point the spaza and the game-shop ran simultaneously.

The narratives thus far illustrate how operators began with small cash investments of well under R1000, purchasing low volumes of sellable products, such as fruit & veg, chips, ice-cream lollies / 'suckers' and soft-drinks, that they knew would sell quickly and would not go to waste. For these individuals, the initial decision to start a business was directly linked to a basic need to survive, not to start a big business or 'proper spaza shop'. In all three cases, the participants' reported how their businesses nevertheless thrived in the time before competition from foreign spaza shops, which dominate (numerically) in Delft South and

other surrounding areas. All five South African operators spoke of the period between 2008 and 2009 as being the most competitive stage in Delft South's spaza trade history. Participants considered this period to be a time when foreign nationals, Somalis in particular, were said to have been 'set in their [spaza] businesses' and were 'strong in the [Delft South] community' and emphasised that it 'was difficult for new people to enter this [spaza] business without large sums of money' (field notes, informal conversation, participant's 41mSA07CO, 32fSA03CO-CLSD and 30fSA02O)

For some of the South African business owners interviewed, entry into the spaza market, and the related experience of becoming a spaza owner, could possibly be understood as an unintended, organic process, evolving naturally at the correct moment in time; that is, given the lack of competition participants enjoyed before foreigners began to dominate in the area. When perceived in this way one may begin to understand why some South African owners expressed surprise at how well their spaza business had done in the past. Unlike the three narratives above, the case of the two other South African spaza operators differ. Firstly, their businesses were relatively young with the one participant having established a spaza three months prior to the research, while the other reported that she struggled to establish the business and operated at various times over a two to three year period (i.e. since mid-2009 when she first started.

Narrative 4: Participant 30fSA02O – the major difference between this spaza and the first three is the time when the business first started operating. The owner has been doing business in Delft South for the past two to three years.

I started to struggle from the beginning as the Nigerian [referring to Somalis] spaza shops were starting to rise at that time and now my shop is smaller...that was in the middle of 2009⁴.

The second major difference, between these two individuals and the first three South African operators is that, from the outset, each had made a conscious decision to start a spaza business from home and one (narrative 5) used more capital in the initial start-up process, spending well over the initial investments made by others in the sample. However, the individual spaza businesses differ from one another in a number of important ways. On the one hand, participant 30fSA02O represents a smaller 'huis-winkel' (house-shop) type

⁴ This particular participant referred to Somali spaza owners and their employees as Nigerians.

business aspiring to become a larger spaza shop, where the female owner did not have access to large amounts of start-up capital. Unlike her South African counterparts (narratives 1-3 above), who started their businesses with a lot less money, she was unable to turn her investment into substantial growth. This participant had attempted to setup the spaza business midway through 2009, a period in Delft South when Somali spaza business had begun to dominate. Participant 36mSA0.250, on the other hand, had already established a large spaza business due to the substantial capital investment he initially made and could depend on the resources of two other businesses he owned. The latter appeared more confident in his ability to succeed in the spaza business. Narratives 4 and 5 below help to describe these varying circumstances:

Narrative 4 continued:

...I went to loan money from my aunty...I took R1500 to start building a space for the spaza shop in the front of the house and planned to buy enough stock for a proper spaza shop as well....but I couldn't even do this, I did not have enough [money].

Narrative 5: Participant 36mSA0.250 started doing business in Delft South only three months prior to the research, but also owned a spaza shebeen in Khayelitsha, which he started in 2010. He also ran a successful taxi business.

..I realised that the residents around here were complaining about having to walk too far to go to the Somali spazas so opening up one just made sense. Once I had discussed it with my wife I decided to give it all...I put R25 000 into the business upfront of which just under half or R10 000 was used to purchase a variety of stock like the Somalis buy and the rest was used to prepare for doing spaza business and buying equipment...shelving, fridges, bullet proof window and so on...but I would not have been able to this were it not for my other business, especially the taxi one as it has helped me be in a position to pump money into this new [spaza] business when I need to especially since it is a new spaza that is still being established in the community. I thought I would have had to start with more capital but these other businesses allow me to keep the spaza going strong...at the moment the spaza makes around R550 profit a day...but I intend being cheaper than the Somalis on as many of the products that I can afford to.

As noted in the narratives, both participants had the intention of starting a spaza business from the beginning. However, participant 36mSA0.25O was able to invest nearly 17 times more cash (R25 000) into the spaza than his female counterpart, who only managed to raise R1500 via a personal loan from an aunt in the family. Acknowledging that she had too little capital to invest in a 'proper spaza shop', participant 30fSA02O had an additional problem to contend with, as she allowed customers to purchase from the spaza on credit during the early stages of the business, this she reported was one of the biggest mistakes she had ever made. In a botched attempt to compete against the lower prices offered by Somali spaza shops in the area, this participant thought providing credit to her South African customers would not only attract them to her business but would make them more loyal as well. This was clearly not the case as she frequently complained about how customers would walk by with cash in hand to purchase from foreign spazas without paying her any money at all. This, she said, created conflict between South African and Somali spaza owners:

...the conflict then comes in when you see people who owe you money run to the Nigerians [referring to Somalis] with cash because they only buy with cash there and the cash goes further due to the cheap prices...and this is cash that they owe your business [referring to herself]. So in order for us [South Africans] to keep stirring our pots [make a livelihood] we end up taking pity on the customers and let them buy on the book [credit] with the hope that they will continue to support us (field notes, participant 30fSA02O).

Other participants shared similar sentiments emphasising that the provision of credit to South African customers was a sure way to bankrupt ones spaza business, as the money that one needed to plough back into stock would not be paid back in time, adding that one would be lucky if it was paid back at all. The participant emphasised that she was now in a tougher financial position than before in that she could not easily repay the R1500 loan to her aunt. When asked how much money was needed to establish a successful spaza shop in Delft South, participant 36mSA0.25O reported that in his opinion, to start a successful spaza business that was capable of competing with well-established Somali spazas required a minimum of R40 000. For this participant, however, starting the spaza shop at home in Delft South was not his original choice of business.

...I applied for a liquor licenses two years ago through South African Breweries but ended up waiting too long...I already spent R5000 on that getting one room ready for

the off-sales [off-consumption liquor outlet] so I decided to turn it into something constructive as the [liquor] license did not seem to be coming my way (field notes, participant 36mSA0.250).

As he already prepared a space for business, the transition from ‘off consumption’ liquor sales to spaza shop was a relatively smooth and easy process. The participant added that having access to capital when setting up the Delft South spaza was directly linked to his ownership of two other (relatively successful) businesses which provided him with a safety net in terms of available cash flow. The taxi business, he reported, brings in R8000 profit per week and this, together with the R2600 profit per day from the spaza shebeen in Khayelitsha, has made it a lot easier for him to compete with the price competitive Somali spaza shops.

...it is difficult for new South African citizens to enter the spaza market in places like Delft, as the foreign guys, especially the Somalis, are cheaper and they are all over. It is impossible to compete and outlast them without having additional capital that one gets from other business...if you have this additional income like me the trick is to be able to not only compete with them, by staying in the game [surviving competition], but to use their rules [business strategies] against them and charge cheaper wherever and whenever possible...but I can afford this and most South African businesses in the area cannot...that’s why many are renting to foreigners now to make sure they still get a livelihood from that business which they started (36mSA0.250).

Despite his claim of beating Somalis at their own ‘game’, it is probably that the participant’s main strategy was to trade as an ‘off consumption’ shebeen selling liquor ‘illegally’. The researcher noticed that approximately 40 crates of 750ml beers were being stored in a room, which had recently been extended at the back of the spaza shop (see figure 6 in Appendix). In this case, the spaza shop was most likely a front to disguise the liquor business.

The main reason why this spaza operator was so confident in his ability to compete with foreign competition, and do more than just survive in the spaza trade, was because he was also offering a product (liquor) that his Somali competitors did not sell. All the Somali participants were practicing Muslims and considered it to be against Islamic law to sell liquor products. Two other South African participants were also most probably trading liquor, but in smaller volumes than previously (See figure 8 in Appendix).

In narrative 5, participant 36mSA0.250 also spoke of purchasing the same ‘variety of stock’ that Somalis offered in their spazas, so that he could be in direct competition with them. He saw the importance of offering the cheapest prices on as many spaza products as possible. This he believed, was the underlying strategy of business employed by Somali operators when first move into a new area.

...I aim to drive them out and away from my area through clever business practices...just as they do to business when they arrive...to be the cheapest in the area, on the corner or in the street (field notes, 36mSA0.250).

The participant felt that this would send a message to other foreign spaza operators who were contemplating setting up shop close by, that his spaza was ‘strong enough to take the knock, if it needs to, for as long as it needs to’ (field notes, informal conversation, 36mSA0.250, 26 April 2012). Inherent in this business strategy is an acknowledgment of the need to meet competition through price discounting.

When asked to quantify the value of their spaza shops, South African owners found it extremely difficult to place a rand value on the business. Most reported that they could not or would not sell the business, because it was something ‘for the entire family to decide on’. The resource rich South African shop keeper (36mSA0.250) was the only participant to answer this question. He reported that, at the Khayelitsha business, the shebeen made about R2000 profit per day and the spaza around R600 per day. He added that the spaza and the shebeen worked well together; he sold at least one pallet (or 66 cases) of beer per week besides other wines and spirits. He had spent R2500 on the licensing process for the shebeen business and would want to recover that cost if he chose to sell the business. Considering his initial investment of R15 000 the participant would not sell the business in Khayelitsha for less than R30 000, but added that it was difficult to place a value on the spaza in Delft South, because the business only started three months ago and at this point made around R550 profit per day. Nevertheless, he felt that the Delft spaza had greater potential value because it is has been established in a building and was located a suburb, as opposed to an informal settlement. If forced to sell this business, he reported that he would at least expect to get his initial investment money back:

...even though it is spaza that is in a building, the business is still an infant and only makes around R550 profit a day, but it can do well because people have more money in Delft than in the informal settlements, I cannot sell it as I am building it up for my

son...he [the son] will either run it or sell it one day...but if I had to sell I would at least want to get the R25000 I invested back (field notes, 36mSA0.250).

5.2 Somali Capital Investments in spaza business

Like South Africans, one of the major reasons why Somali operators had decided to get involved in doing spaza business was because of the relative ease with which one could enter into the spaza trade in places like Delft South. But unlike the South Africans, the major contributing factor attracting Somalis (especially young males between the ages of 20 and 33) in the spaza sector was because the business model utilizes and relies upon important kinship networks for business partners and investment.

Somali operators in the sample reported that to start a spaza business required a lot more start-up capital than the investments South Africans were able to make. Anecdotal evidence gathered during the research suggests that for one to start a successful spaza shop depended upon a number of factors such as the kind of structure one was planning to do business in, the physical state of the business (if one was purchasing an existing business) and the whether or not an existing business was purchased with stock included.

The researcher learnt that it would require between R5000 and R15 000 to establish a successful spaza business in a zinc shack and between R20 000 and R40 000 to do this in a shipping container or in an existing spaza building. In addition, to build a new spaza shop, as an extension to someone's house or as a free standing building, would mean a substantial investment of between R60000 and R100 000. This investment did not include the additional cost of rent paid to South African homeowners.

The oldest Somali business in the sample was established in the beginning of 2010 during a period in Delft South when foreign spaza owners had not only demonstrated a solid presence in spaza business, but where there seemed to be an almost equal number of South African and foreign run spaza businesses (Charman et al 2012). The researcher was intrigued to know why Somali men found establishing a spaza business so attractive, considering the evident competition levels and the amount of money required to start a successful business. The answer lay in the roles of kin, clansmen or close friends. Table 13 provides a breakdown of the initial capital investment by Somali participants in the process of establishing spaza business in Delft South; the data is divided according to the amount of cash invested; the spaza structure type and the number of Somali operators in the sample that this applies to. The table summarises Somali participant's reported investment in establishing their spaza

businesses. Unlike South African operators, none of the Somali participants reported establishing their spaza businesses from scratch nor did they start off as small informal street traders. Rather, all the participants said they had purchased their business either from another Somali owner or acquired the shop premise of a struggling South African spaza or shebeen. Three Somalis had chosen to establish themselves in shipping containers, while the other four operated out of previous used spaza buildings, which were separate to the main house. These latter operators reported spending relatively large sums of money on renovating and upgrading existing structures such as purchasing new shelving, fridges, freezers and inserting better security measures (gates, burglar bars and bullet proof windows). One participant 33mSom2.5P speaks about how he went about negotiating the sale of a shebeen container business with the South African owners:

...I am the first owner at this shop, before we came here we observed the area for a week and realised it had great potential, the [shipping] container was here before, it was what you call a shebeen where the Africans came to drink the beer, so we knew people came here often...we said to the owners that we could see they were struggling and that we could build a business and pay them rent, they asked how much, we gave R8000 for the container and discussed the lease conditions.

The South African homeowners were also paid R1500 per month for two years (water and electricity included). Another participant (47mSom02P) describes how much money was needed not only start the business, but to invest into preparing the spaza space:

...You need about R40 000 to start a good spaza container business in the township and even more if it is a building, unless the building is already prepared for doing proper spaza work like some of the South African spaza business around here... otherwise you will have to spend a lot on making the new building...more secure and big enough to accommodate stock, fridges, you will spend a lot on security, shelving and stock.. I was paying R800 for rent and R200 for electricity and water when I first came here, and I was staying in the shop, one year later in 2011, by this time I had proposed to Mrs 'X' [the South African home owner] and we got married...when I started this business in Delft I split R20 000 cost to start this business with a partner in 2010, we put in shelves, a window, burglar bars, bought fridges and about R10 000 worth of stock, in the beginning we had to spend almost all the first few months

profits on preparing the space as it was not a proper spaza before, I was only paying rent at that time...so we were luck to not have to pay more for an established shop.

When asked how they could afford the business investment, almost all the Somali participants answered that access to resources such as money usually comes directly from someone already established in the spaza trade. The form that this assistance takes depends on the kinds of relationships one has with the investor, such as social, business or kinship ties, and also on whether you are able to successfully access those close relationships through your reputation in the spaza trade, negotiating skills and general business conduct. Such an investment, most participants reported, is usually in the form of a cash loan. As illustrated by the following example below:

...In the time I was working as an shop assistant I managed to save up R10 000 and decided that it was time to move up in the business...my brothers spaza business was also doing well, he owns two shops here in Delft [South] and he loaned me another R10 000 cash towards establishing my spaza...the owner of the business that I wanted to purchase was a Somali who was asking R40 000, by this time the friend who my brother had helped by paying for his release fee of R1000, from Somali brokers based Mayfair [in Johannesburg], had contacted me and said he was interested in going into business, we each invested R20 000 into this business in Deft South....and we value the shop at around R50 000 as it is still new but is considered to be in a good area...it is on a popular and busy main road with high foot traffic volume...even though it is a container and not a building it is still worth something (field notes, 32mSom0.5P).

Of the seven Somali participants, three reported loaning money from relatives, clan members and or friends when they first started their business (amounts of R5000, R10000 and R25000 were loaned). They added that this financial assistance was 'crucial' in their ability to grow the spaza businesses quickly and in such a competitive area.

In two cases, the Somali spaza operators reported using their own savings to invest in the business, one said he had access to about R140 000 in a bank account in Kenya, while the other had turned a R10 000 into R44 000 after he and two partners sold their shipping container spaza business. In two cases, the operators reported utilising remittances to part fund their spaza businesses and both received about \$1000 from relatives living in Somalia and Sweden respectively. One operator explained:

...after being in Cape Town for a few months my sister sent me some dollars through some Swedish people who own business here in South Africa...from this I got between R7500 and R8000 and used it to establish myself in my first business opportunity with two other Somali relatives [distant cousins from same Abgal sub clan] (field notes, 24mSom01O).

According to the participants, remittances are typically transferred in cash mainly through various social networks and also the broker system responsible for transporting Somalis into South Africa. Money was also sent in various other ways; via bank draft, money order and other Somali money systems such as the Xawilaad or Taar (Lindley, 2007). In most cases, spaza investors use remittances to add capital to the savings the participants had accumulated, while working in South Africa, or the investments secured from relatives, friends or other businessmen who already owned successful spaza shops, it is important to emphasise that, for five of the seven Somali participants, the primary means to raising capital for their businesses came in the form of either a loan (from relatives, other kin or friends) or from the profits they had acquired through the re-sale of previous spaza businesses.

All but one Somali owner was able to place very specific rand values on their businesses. Participants based their valuations on the following criteria: 1) Initial investment to build the business structure; 2) The value of the first stock purchased for the business; 3) Daily or weekly profits made; 4) Spaza structure; and 5) Spaza locality. Of the Somali operators that chose to answer this question, two said they could easily sell their spazas for a minimum of R100 000; both these spazas operated out of buildings on which they had secured relatively long-term rental agreements. One participant who also owned a spaza building said he could get about R60 000 while the other two Somali operators felt their shipping container spaza businesses were worth a minimum of R50 000, if they chose to sell it with stock and equipment.

Of the two operators for whom no data is available, one refused to answer the question, while the other said that because the spaza made no profit, and he could barely afford the monthly rent, the business had no real value. The latter operator and his employee were from the Issa minority clan and were struggling to get Somali investors to support their business (field notes, 30mSom0.5P). Their position was comparable to the majority of the South African operators.

The Bangladeshi operator reported similar experiences in setting up business in the spaza trade as his Somali counterparts. However, like three of the South African operators he started off in business as street trader selling clothes. His case is crucial as his spaza business became a success after he consciously chose to follow the business model being used by most Somali entrepreneurs. The Bangladeshi's first business experience is articulated below and is followed by a summary of his history as a spaza owner:

...My first business venture in South Africa was between 2005 and 2006, before this me and a lifelong friend started a clothing stall located on the top deck of the train station plaza. We sold reasonably priced premium label [new popular brand] clothing, shoes and caps for about 1.5 years [until end of 2007], which was not too bad but the problem was that this kind of business is seasonal so I only really made good money during holiday periods in December around Christmas time...then I observed that other foreigners like the Pakistanis and the especially the Somalis were making good business through small grocery shops retailing grocery and other items from containers, shacks and many from South African citizens homes...the big difference between this and street traders is that at least in the spaza shop people are selling items all the time if the variety and price is good. We then decided to sell the flea market business and all the stock for R20 000, which means I lost about R10 000 as I was in for R30 000 on my side...so in an effort to survive I actually lost money in this (field notes, 36mBan03O).

In 2008 the Bangladeshi operator bought the first of five spaza shops he would be involved in (located in the Kensington area). He and the partner (a personal friend) from the clothing business invested R70 000 in total into the purchase of this spaza from another Bangladeshi. They paid R1500 in rent. Later that year they sold it for R50 000 to a fellow Bangladeshi due to competition from a South African owned convenience store. The respondent lost R10 000 of his own money (or R20 000 in total).

The Bangladeshi purchased his first spaza business in Delft (in Leiden) midway through 2008. He approached a South African female who he knew from working on the flea market to rent part of her property. He and a friend ran this spaza but only he invested the R9000 in building material. The rent of R1100 also came out his pocket and not the partner. He ran this business for about six months before leaving, as he was accused of wanting to take over the property owner's house. He therefore sold the business to another Bangladeshi businessman

for R35 000; who also took over the 4 year lease agreement. During this experience the operator recovered the R10 000 he originally lost from the sale of the previous spaza in Kensington.

Between 2009 and 2010 the Bangladeshi operator, together with his previous business partner (from Leiden), rented an existing spaza shop in Voorbrug paying South African owners R1800 per month. He emphasised that he paid for most of rent and all the stock during that time. Within the first three to four months they had increased productivity from R600 per day to R2500 per day by merely adding variety to stock that was being sold and extending the operating hours in the morning and the evening. He added that once the South African home owner realised this he and his partner were asked to leave the business, and that they saw no point in arguing with the person who legally owned the property. The operator did not incur too much cost in this business deal losing only R4000 this time around. The capital available at that time decreased to about R30 000.

Midway through 2010 the Bangladeshi decided to go into partnership with his brother who had R30 000 to invest in a business. He did not spend any money and merely gave his brother R5000 worth of spaza stock as an investment. He therefore saved the R30 000 at this point. The operator spent 6 months assisting his brother with establishing that business while scouting for an opportunity that he could invest in on his own. While working here he drew a share in the profits as the spaza performed well and earned between R4000 and R5000 a month. He eventually found an opportunity to rent from a South African living in Delft South and left with roughly R33 000 in cash and equipment for his shop which included a till, laptop, fridge and even an old second hand car.

At the time of research (July 2012) the Bangladeshi operator had purchased the fourth spaza shop in the general area. At this shop, over a two year period, he has invested in excess of R60 000 into the spaza structure, but not before signing a five year lease agreement with the property owner. It was the first large spaza shop built in the area. Besides adding a bullet proof serving area, he also managed to extend the shop by an additional two rooms, one to sleep in and the other for storage. A separate bath and shower area was also added. Started off paying R2500 rent per month but has increased to R3000 and will continue to increase by R500 every year as per the lease agreement. Has already had offers from Somali bosses in the area willing to pay in the region of R100 000 for the business.

Like some of the Somali counterparts, the Bangladeshi was able to make substantial cash investments into various business ventures from the time when he first started working in South Africa in 2003. When asked about how he was able to raise the R30 000 for his clothing business the participant reported that it was only possible because he had ‘assistance from outside’, that is, through remittances sent from relatives and friends in Bangladesh, as described below:

...because South Africa’s policy is so strict regarding the bringing in of foreign currency into the country I realised that the quickest and best way of getting enough funds into the country to start the spaza business was to allow travelling relatives and friend to be paid by my father and receive the rand value when they came on holiday. I know this is not legal but sometimes this is the only way for foreigners, who have money back home, to set up businesses and establish themselves quickly in South Africa. So this way I was able to raise the capital to start a clothing business...located at the train station plaza in Cape Town (field notes, 36mBan03O).

After the failure of his clothes trading business, the participant decided to enter the spaza market as it appeared to be an industry where other foreigners seemed to be making decent livelihoods. He left the clothing business with R20 000 and requested that his father send an additional R15 000. He has since been involved in five separate spaza shops. The summary above has illustrated the details of the purchase and re-sale of each spaza business, as well as the capital lost or gained in the process; the period spans the time he first started in the spaza trade and ends with the business he owned at the time of research.

The Bangladeshi’s way of doing spaza business appears similar to his Somali counterparts, in that he was also able to access large sums of money to invest in the business.. However, it took the Bangladeshi operator twice the time to reach the level of business success that some Somali operators had achieved with less money. Part of the answer could lie in the kinds of decisions the Bangladeshi operator made when entering into spaza business partnerships with his fellow countryman. That is, unlike the Somali participants, during his first three spaza business attempts, the Bangladeshi operator chose to go into partnership with people who did not have capital to invest in the business. He therefore could not rely on partners to assist with covering major spaza costs such stock, rent and transport. His first three attempts at establishing a successful spaza therefore failed. However, on his fourth attempt he found a business partner (in 2010 with his brother) who was able to share the costs of setting up the

spaza and made a profit for the first time. By employing a similar business model to that being used by Somali businessmen, the Bangladeshi operator was able to pool resources and share cost within a business partnership or network. This model of sharing the initial start-up cost evenly amongst respective partners is highly affective and is commonly used amongst Somali spaza operators. It is also one of the core agreements made within a Somali partnership before the spaza even begins to operate. Each partner then has the responsibility to assist with acquiring the business, paying for stock as well as additional costs such a rent, transport etc. After using this business model the Bangladeshi made a profit of R33000) and was able to purchase a different spaza which he currently owns by himself. He also had the freedom to invest some of his other savings (R30 000) into this business as well.

Chapter 5 and 6 presents data concerning the general operation of spaza shops in the case study area. South African and foreign spaza operators agreed that there were, amongst others, three major aspects of spaza business that had a direct influence on the daily running of the spaza and profitability, these are: 1) **when** one opened and closed the spaza for trade (Chapter 6 deals with the significance of trading hours and the use of bank accounts); 2) **where** one purchased spaza stock and major formal suppliers and 3) **how** one transported spaza stock purchased directly from formal suppliers. The latter issues of stock procurement, supply chains and transport are dealt with in Chapter 7).

Tables 8 and 9 below present the findings related to South African and Somali spaza trading times, stock procurement behaviour and stock transportation from formal suppliers. Table 10 presents similar results for the Bangladeshi operator.

Chapter 6: Business Operation and Internal Dynamics

In this chapter the data demonstrates that Somali spaza owners chose to keep their shops open some 12.5% longer than their South African counterparts and also gives major reasons as to why Somali businesses are mainly cash based enterprises.

6.1 Spaza Trading hours

South African participants reported relatively consistent opening and closing times. Four of the five spaza operators began serving customers from 7am while the remaining participant said she mostly started selling an hour later from 8am. Four closed no later than 8pm and 9pm and only one male operator said his business stayed open ‘until late in the evening’, implying after 10pm in the evening. The same participant added that he would usually decide ‘on the day’ when he would stop trading and reported working an average of 15 hours a day whereas the majority of the sample (four) worked between a minimum of 12 and a maximum of 14 hours in one day. Two of the participants reported working for 6 days every week while the other three South African operators worked for 5 days only. Taking time off to go to church, to fetch stock or to attend to other family commitments were cited as the main reasons why South Africans in the sample did not trade throughout the week.

Somali operators, in general, spent more time preparing and trading in their shops than South Africans. Of the seven Somali participants, all reported waking up to open the shop early and prepare for the day’s work before beginning to serve customers. This preparation work occurred between 30 minutes and 2 hours before spaza trading commenced, with most shops opening between 6-7am. Preparation includes sorting out money for the day’s stock, especially allocating money for deliveries accepted early in the morning or due later at night for products such as ‘papsak’ (plastic bag) milk, eggs and tobacco.). The latter is particularly true for economy line tobacco products (also referred to as ‘cheapies or cheap cigarettes’) as the cover of darkness usually helps to camouflage this illicit activity. Deliveries are usually from other Somalis though some South African distributors have also been observed (field notes and observations, April and June 2012).

In all but one case, the Somali operators stopped trading no earlier than 10pm. Excluding the preparation time, the amount of hours Somali operators in the sample spent working in their shops, range between 14 and 16 hours per day. Somali run spaza shops in this study stay open 14 hours longer per week than competing South African spaza shops. Based on these reported weekly figures, the comparative advantage of Somali spaza business, in terms of operating

hours alone, is enormous. Projected over a period of one year, and assuming that South Africans also traded seven days a week, Somali operators in the sample would still be trading an additional 728 hours, or 12.5% more than their South African counterparts. This is the equivalent of an additional 30 days trading per year.

6.2 Use of bank accounts when operating the spaza business

Four of the five South African operators reported utilising bank accounts for the spaza business and emphasised that it was a ‘crucial’ step towards trying to establish a ‘proper’ and ‘formal’ business (field notes, participant 39mSA10O, 36mSA0.25O and 41mSA07CO). The female owner of the ‘huise-winkel’ (house-shop) reported that that the business did ‘not make enough money to require the need of a bank account’ (field notes, 30fSA02O). The foreign operators reported little or no use of South African banking systems. Only the Bangladeshi participant banked money into a savings account he was allowed to open using his three year work permit. This participant added that having a South African bank account was an important prerequisite to registering the current spaza business in his own name. At the time of research this participant’s spaza business had been registered in the name of a close friend, a successful businessman living in South Africa for 14 years. He was now in the process of registering the spaza in his own name since being issued a three year work permit in 2011.

None of the Somali operators had South African bank accounts, partly because of the difficulties that asylum seekers face in opening accounts and partly in adherence to Islamic Laws which prohibit interest. Two participants reported occasionally depositing surplus cash into the bank accounts of Somali relatives and close friends, as these individuals have been living and working in South Africa for many years. The banking facilities were attained prior to the change in South African banking policy. Despite the risk of robbery, Somali spaza owners prefer to store cash in their shops as opposed to using bank accounts. Cash is seen as a less complicated, quick and efficient medium through which business activities can be conducted. It is evident that their exclusion from the banking sector, given opportunities for investment of surplus cash within the Somali network, is not a major obstacle to business success.

Chapter 7: Procurement

In this chapter I present data related to formal suppliers, stock procurement processes and preferred methods of payment for stock purchased from formal suppliers. I will argue that South African spaza owners procure their products in a very different way to their Somali counterparts. The former usually do this alone, purchasing from particular formal suppliers, in particular areas and for particular reasons. Somali operators, however, usually procure stock collectively and rely on 'purchasing networks' in an effort to save money by claiming large discounts from bulk purchases. They also save money and time through the collective transport of these goods. Somali spaza owners appear to be more flexible than South Africans in their willingness to purchase from a variety of formal suppliers located in different geographical areas.

7.1 Supply Chains

Table 8 and 9 illustrate that, despite existing in the same geographical area, South African business owners choose to purchase their stock in different areas and from different suppliers than their Somali counterparts. South African participants reported sourcing their stock in the township of Philippi and from suppliers in Mitchells Plain. Within these geographical areas two South African participants purchased from Philippi Cash and Carry while the remaining three either purchased their stock from Winners Cash and Carry, 1UP Cash and Carry, or Budget Wholesalers, all located in Mitchells Plain. Their choice of supplier was influenced by the following: 1) at some point these suppliers offered the best prices in certain products, 2) they were located relatively close to Delft South, and 3) because suppliers had established good working relationships with the participants. These South African participants felt comfortable with their suppliers, as participant 32fSA03CO-CLSD explains:

...Winners wholesaler was generally cheaper before than most other wholesalers even those in Bellville or other places like Epping and Parow, but we supported it not because we could buy on account or because we got special discounts buying in bulk...we supported it because places like this in Mitchells Plain were the best priced suppliers when you owned business in Delft...but even the suppliers have changed, when my husband first started purchasing it was mainly South Africans who he got to know over a long time in the wholesale or cash and carry business, but now you see even Pakistanis and Somalis.

Only one of the five South Africans reported purchasing from wholesalers and suppliers in Epping, such as Jumbo Cash and Carry and Giant Sweets, where he said ‘the Somalis and other foreigners like to go’ (field notes, 36mSA0.25O). This was the same South African spaza owner who had recently opened a large spaza shop and was determined to sell his products at a lower price. To do this he kept abreast of the different kinds of products the (Somali) competition was buying, he noted where they bought their stock and also how much they paid for it. The Bangladeshi operator reported using a similar strategy but was more particular in his explanation:

...I go to same suppliers as Somalis especially for good prices on 10kg items such as rice, mealie meal, sugar and so on...the kinds of bulk things Somalis like to stock in their spazas to make up hampers (field notes, 36mBan03O).

Somali operators chose to purchase their stock primarily from suppliers located in the following three areas: Philippi (Cape Flats), Epping and Bellville (Northern Suburbs). Like the one South African operator, three Somali owners purchased their spaza products on a regular basis from Giant Sweets (in Epping), as it was well known for offering specials on bulk purchases of sweets and chips.

Two Somali operators reported regularly making trips to fetch stock from various ‘formal wholesalers’ or cash and carries in the Bellville area. One participant explicitly stated that he went there for specific products and ‘...especially to purchase airtime and cheap cigarettes...’ and only bought ‘...these products in Bellville...sometimes from South African [wholesalers] and sometimes from other Somali [wholesalers] but mostly from Somalis’ (field notes, 50mSom02P). The other reported that he got his ‘...cigarettes from a big [formal] cash and carry in Victoria Road in Bellville and from a few other wholesalers there that specialise in airtime and cheap cigarettes...’ adding that ‘..at these places you can buy proper Peter Stuyvesant and then sell it loose easily for a whole R1 cheaper so I can sell the expensive brands loose for R1.50 and the cheap brands like Chicago for R0.50...this the customers really like in places like Delft’ (field notes, 33mSom2.5P). Investigating the trade of illicit or ‘grey market’ cigarettes (also referred to in the tobacco trade as “B-Stock”) was not an intentional part of the research process. However, it is important to note that when South African and foreign spaza owners spoke about ‘cheapie smokes’, ‘cheap brands’ or ‘cheap cigarettes’ they were most likely referring to one or two highly popular non-mainstream cigarette brands that was in high demand in the Delft (and surrounding) area at the time. This

product one could purchase for between R55 and R100 per gross or carton (200 loose cigarettes), that is, if one had the right contact and access to that particular part of the business network. A South African participant explained that some South African spaza owners used to have access to these kinds of tobacco products (contraband), through supply chains where they had ‘trusting relationships’, but emphasised that this too has changed drastically since foreigners have been doing spaza and other similar business in the Delft South and surrounding areas:

...We especially went to winners for premium cigarettes as the Peter Stuyvesant and other invoice cigarette brands were a good price, but brands like Chicago and Pacific, which are the cheap brands that do well here in Delft we used to get in Voorbrug by Budget by the backdoors, they call it backdoors because it is actually bought through the backdoors and you get the cheap cigarettes like Pacific and Chicago in soap boxes or black plastic bags, but only if they knew you. These cheap brands are expensive now at places like Winners and South Africans struggle to get hold of it at places where they used to get it easily before and also because as customers they are not well known by the foreigners who now control the supply and distribution of that cigarettes in their cash and carries or even in the spaza shops (field notes, 32fSA03CO-CLSD).

What is interesting to note though is that, like two of the South African participants, all seven Somali operators reported purchasing from Philippi Cash and Carry on a weekly basis and did this for a particular reason:

...At Giant Sweets in Epping we have to pay cash but at Philippi Cash and Carry the Somali community has an excellent relationship with the owners so they started giving us credit when we buy there in bulk (field notes, 33mSom2.5P).

This story of Somalis being afforded credit by some formal suppliers was confirmed by the interpreter who explained that he played an important role during the negotiations of that particular deal with the owners of Philippi Cash and Carry. The reason for this deal, he said, was to assist Somali spaza business owners during a difficult period, thus according to Mr Abdurrahman:

...Somali spaza operators got access to credit from the supplier in Philippi...the big cash and carry there...after they had lost their stock during lootings that occurred in

2008 across South Africa, now they can apply for credit up to R2500 and usually on three to four day payment terms or a maximum of seven days and this can be done twice a week (Mr Abdurrahman, field notes, 26 April 2012).

The data suggests that Somalis in the sample supported certain suppliers for the following major reasons, the list occurs in no particular order of importance: 1) The supplier offered credit or account facilities to Somali spaza owners in particular (seven of seven reported this), 2) The supplier was well known for providing good discounted prices if stock was purchased in bulk but paid for in cash (four reported this) and 3) The supplier was someone that could provide specific items at a greatly reduced cost, such as 'cheap' (or non-invoiced) tobacco products (two reported this).

Suppliers were favoured for their the ability to extend credit, offer discounted prices through bulk purchasing and on their capacity to access individuals and networks that were able to supply easily sellable goods and or services at affordable costs. The latter was important for accessing tobacco products and airtime, as these are items that can be sold quickly, in large volumes and with potentially high yielding profits. Most of the Somali participants agreed that the ideal supplier was one that could offer either a combination or all of the above options to spaza operators, but also emphasised the reality that any one of the above would attract the attention of a Somali businessman. For this reason, the Bellville area was popularly supported by Somali operators because of existing relationships with Somali (and other) suppliers as well as contacts who were able to source specific spaza products at low costs (as stated by participant 50mSom02P above).

7.2 South African procurement

The process of eliciting detailed information about stock purchasing behaviour from South African spaza owners proved to be quite a challenge at times, responses to this line of questioning, at times, were rather blunt and straight forward. Nevertheless, as indicated by table 8, all the South African participants reported purchasing stock for their spaza shops on an individual basis paying cash in all instances except for one. The exception uses a credit facility provided by two Somali mobile distributors who, between them, supply him with the bulk of his spaza products.

Two South African operators reported making three trips to respective suppliers every week, one said he made two trips and one made five trips. The latter participant said he spent much of his time moving back and forth to suppliers, although he also gets the taxi driver he

employs to help him with the transport of spaza products. When asked to disclose the amount of money spent each time he visited suppliers, this participant reported spending R2000 on products for his spaza business in Delft and another R2000 on for the spaza shebeen he owned in Khayelitsha. He also added that the total figure usually rose to about R7000 at the end of the month, as he would then buy in bulk as well. Two of the five South Africans reported spending, on average, between R2500 and R3500 every time they went to replenish spaza stock.

The participant utilising credit from Somali mobile distributors emphasised how he purchased in bulk, at one stage in the business, explaining that ‘...in the past I used to buy R5000 worth of stock when times were good...from different South African wholesalers...’, at least twice weekly (field notes, 39mSA100). The least amount of money spent on stock in one week was by the female operator who owned a small ‘huise winkel’ (house shop) who spent no more than R500 three times per week. Her reasons for budgeting a maximum of R500 per stock purchase was firstly, because she had little access to capital and therefore had to wait for money to come back in from sales, and secondly, because she did not want to invest too much money into stock for fear that it would not be sold in time and result in unnecessary waste. None of the South African spaza owners in the sample reported being offered credit facilities or special discounts from any of the formal suppliers they had supported in the past and or present.

7.3 Somali procurement

Somali participants reported multiple ways of purchasing the goods for their spaza shops. The researcher identified supply channels where they spaza operator purchased either alone, within a ‘partnership network’ or within non-partner ‘stock procurement network’. In some instances, a combination of these methods was available to participants.

The majority of Somali participants reported pooling purchases either within a business partnership, or via ‘purchasing networks’ with other spaza operators. South Africans and isolated Somali operators, on the other hand, did not have additional business partners to rely on nor were they able to share the cost of stock within a group. The five Somali narratives below provide further details of the various spaza procurement processes:

...we do not purchase like other Somali in the area as we have no partnership with [other Somali spaza] business [owners] here in Delft...the problem is that we [he and the employee] are part of the Issa minority and most here in Delft are from the larger

Abgal clan so it is difficult for us to get into partnerships or attract other Somali businessmen who have money to spend on bulk stock purchases...and other things that we need (field notes, 30mSom0.5P).

...we mainly go to Giant Sweets in Epping or to Philippi Cash and Carry. At Philippi I usually buy alone and pay cash but there are times when I combine the cash with others who own business here in Delft and purchase stock together at Giant Sweats when there are specials. There are usually three of us who go together in a group to purchase the stock.....after this we split [the stock]. At Giant Sweets my cash portion of the money contributed is anywhere in the region of R4500 and R6000 in total...I usually spend this per trip on the day when going to the suppliers (field note, 24mSom01O).

It is important to note the major difference between these Somali shop keepers. The first described his inability to share the cost of stock and or procure in bulk due to his affiliation with the Issa minority sub clan. Procuring his stock alone was therefore not by choice. This was also the only Somali spaza observed which had poorly stocked shelves and hardly anything in the fridge (see table 9 in Appendix). The employee described their situation as rather desperate. The second participant's spaza, by comparison, was very well stocked. This spaza operator (participant 24mSom01O) chose to purchase alone and emphasised that it was his responsibility, as the sole owner of the spaza, to bear the brunt of business costs. He did not disclose whether or not he also had access to credit or account facilities from the suppliers. However, he acknowledged that, at times, it was convenient to pool his resources (cash) and purchase stock with other Somalis (in a 'purchasing network') who owned spaza businesses in Delft South and surrounding areas.

Pooling resources, the researcher was told, only happened with certain Somali spaza operators. A 'purchasing network' consisted primarily of relatives, clan folk, friends and existing business partners (the latter group usually consists of individuals from the previous three). Pooling money with spaza operators outside of one's social or familial network was not common, but was made possible if the other business owners were people known by family, clan or friends. Procuring stock in this way, participant 24mSom01O reported, was particularly useful when suppliers, such as Giant Sweets and Jumbo Cash and Carry, offered discounts on certain items if these were purchased in bulk.

The responses below present examples of stock procurement shared within a ‘business partnership’. Five Somali operators reported procuring spaza stock through partnerships, but there are, however, a few minor differences that sets each one apart from the other.

...We are the only partners...us three...we spend R10000 or more of our money that was collected on purchasing all the stock for our shop at the same time all in one, but we do not share other peoples [Somali spaza owners] cost...only for our own business (field notes, 20mSom01P).

...When four or five Somalis travel together in a [delivery] van to purchase their [spaza] products...they normally share the cost of fuel, they also purchasing sometimes for different shops [separately owned spazas] like me and my partners do, but many times we also put the money with other Somali owners we know in the Delft area who are buying at the same place...like we do at Jumbo Cash and Carry, Philippi Cash and Carry...we do this especially when supplier offers specials (field notes, 32mSom0.5P).

...I have one partner who I buy stock with in Delft [South] and we spend about R10 000 a week on stock for that shop...then I have another three partners for the shop in Hanover Park...one man and two Somali females...and there we also share the cost of the business...when I owned the other spaza here down the road about one year ago I also shared the running costs with a partner who had about three other shops...one of them was in Leiden and the others were outside (field notes, 47mSom02P).

...I cover the cost of the spaza products at the shop in Elsies River on my own and share it with a partner in Gugulethu...I will now be sharing the cost of products with my new partner for this spaza in Delft...he used to work for me in the same shop [previous shop assistant]...even the other two spaza shops that I assist with transport...both purchase their stock with partners because it is easier and cheaper (field notes, 50mSom02O).

Of the five Somali operators who procured spaza goods through partnerships, four also reported that additional stock was acquired through a ‘purchasing network’ together with

business partners from shops located outside the case study area. In one of these instances participant 33mSom2.5P reported that his cousin (and partner in the Delft South spaza) frequently bought products for a spaza located in Leiden while simultaneously purchasing stock at the same time stock was purchased for the shop in Delft South. Often the cousin would pool the monies collected from his partner in Leiden to the money from the Delft South spaza when they went to suppliers to replenish their stocks.

Similarly, participant 50mSom02P procured goods for various spazas through established partnerships with other Somali businessmen. When purchasing for his Gugulethu shop he does so within a business partnership. However, he also reported purchasing alone for the business he owns in Elsie's River, as he has no business partners there. Somali operators, who procured spaza stock through partnerships, reported it as the primary means to stock the spaza business. Participant 32mSom0.5P added that he and his partners frequently looked for other Somali spaza owners in Delft South, with whom they did not share spaza businesses, but who they knew through previous encounters with friends and family. They pooled their money together with these individuals on days when certain suppliers offered discounted bulk specials. All seven Somali operators' paid cash when procuring stock and only a single operator spoke of utilising credit facilities at Philippi Cash and Carry:

...I go three times per week...I go every second day so about 12 times per month and each time spending R4000 cash at Giant Sweets and using R2500 credit each time at Philippi Cash and Carry...the credit rolls over...I am using R2500 in credit at least once every week...we are allowed up until two times to do this in the week...I am buying variety of products such as sugar, maize, rice, fish oil, nine crates of bread per day and so I spend this money evenly over these major products (field notes, 33mSom2.5P).

Table 9 shows the number of trips Somali operators made to their suppliers in a single week. Three of the seven participants reported visiting the supplier between three and five times per week; this equated to between 12 and 20 trips per month. Two of these participants reported spending in excess of R10 000 each time they visited respective suppliers while the third spent anywhere between R2000 and R6000 each time he visited respective suppliers. The other said he spent between R4000 and R6500 each time he went to replenish his stock; the total amount of money spent each time was dependent upon how much of the R2500 credit

had been paid back from the previous week's purchases. He reported utilising this facility at least once a week. The reported monies spent on stock purchases by participants in the sample were the total amounts spent on a variety of stock purchases, on the given day, and was not necessarily money spent at only one supplier.

For the most part Somali operators in the sample seemed to prefer procuring stock on a specific day of the week. Unlike their South African counterparts who appeared to spend much of their time going back and forth to suppliers, four of the seven Somali participants preferred doing single purchase trips. This was usually done early in the week between Monday and Wednesday. The remainder of the week was considered to be the best time to sell ones stock, with the weekend presenting opportunities for some participants to double and even tripling their sale volumes. These participants emphasised that it did not make business sense to do major stock purchases over the weekend. South Africans, they felt, tended to get their supplies on the weekend. Somali operators highlighted the weekend operating hours to be crucial to business success, as this was when the majority of residents were home as a result of which the spaza needed to be open for longer hours and fully stocked. This they said was especially important during the middle or prior to the end of the month, when customers struggled due to financial constraints. During this period, 'cheap products' would sell out fast.

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The following chapter highlights and discusses the existence of distribution networks operating within the Delft South (and surrounding) spaza trade. The chapter also presents the key accounts of two mobile distributors operating in the area covering issues such as deliveries, stock supplied and the size of that particular network.

Chapter 8: Distribution

8.1 Transportation Networks vs. Distribution Networks

When asked how stock that was purchased from wholesalers or cash and carries outside the Delft South area was transported back to the business, two South Africans reported having lost their vehicles due to bad debt within the past two years. One explained that this was also one of the reasons why he now relied on Somali and Pakistani mobile distributors to deliver stock on a daily basis, as they were able to ‘...drop it off on the door step’ (field notes, 39mSA100). The owner of the ‘huis winkel’ (house shop) said she has to spend a lot of time and money transporting the stock she requires to keep the business going. This participant reported that much of the profit that she made was actually spent on getting to the suppliers she preferred to support in Mitchells Plain and then transporting the items back home. Because she has no access to a vehicle she has to rely on taking public transport. Each time she has to pay for two round trips with a taxi and emphasised that the stock being transported on the day is valued at no more than R500 in total. Two South African spaza operations owned their own vehicle but did not report assisting any other spaza in the area with the transport of stock.

Of the six Somali participants who were in a business partnership, two had their own delivery vehicles, another two had partners who owned delivery vehicles, while one received assistance from a friend who also owned a spaza shop in the Tsunami area (a predominantly black township within Delft), and whose fuel costs he shared when going to suppliers. This participant’s (32mSom0.5P) friend was also a well-known Somali mobile wholesaler/distributor in the area who also ran a separate business conducting ‘shop to shop’ sales selling specific products, which he himself had procured, and then distributed to customers (spaza operators) in the Delft South area.

As in the case of his isolation in procurement, Participant 30mSom0.5P struggled with transport. Due to his affiliation to the Issa sub clan, few Somali businessmen were willing to assist him with the transport of his stock. He reported having to pay the South African neighbour R50 once a week to travel to Philippi Cash and Carry. He added that because his uncle (and partner) had sold the business vehicle, before returning to Somalia earlier this year, running the spaza had now become even more challenging as they could only transport limited amounts of stock in one trip. In addition, the vehicle, he said, would have at least

given him the option to make additional money through helping other spazas in the area with the transport of stock.

The remaining participant who described himself as the sole owner of the spaza shop received transport assistance from a close friend, but emphasised that he was in the process of purchasing a second hand delivery vehicle, as he felt it was crucial to the development of his business: ‘...with my own van I can sort out this shop [with transporting spaza products] but also help others and make more money at the same time [transporting other spaza owners products]...in this way my business can become strong (field notes, 24mSom01O).

Of the two Somali operators who owned delivery vehicles one reported assisting fellow Somali spaza operators with transport in Delft South, but emphasised that he did not want to make a habit of it because it took up too much time in his day. The other explained how he regarded the transport of spaza products for Somali spaza owners as a separate business altogether.

...Yes I also transport stock for my spazas and two others as well...I get extra money from that business as it is not the same as the spaza...it stands alone from that business...my partners in the shops outside of Delft must contribute to the transport of that stock as they don't have a van, and the same goes for this [new] partner [ex-employee] now in Delft [South]...then the other two shops their bosses here in Delft I also charge the same price for transport...it is R50 for every R1000 they spend...no matter where you go...one place two place or three place is all the same...this way I have been making another business and more than R5000 extra in the month doing this...sometimes I don't even have to pay for the petrol because the contribution from the others actually covers the petrol so I save in that case...but I am not the one selling products [mobile distributors]...others [many nationalities] and Somalis they also do this not me (field notes, 50mSom02P).

Participant 50mSom02P reported that he made an additional R5000 from the transport of stock from various suppliers to four spaza shops (in a ‘transport network’) all located outside the case study area. Although he is a partner in two of the four spazas, he still makes additional money from the transport of stock to the Gugulethu and Delft South businesses; the partners there have to pay for 50% of the transport cost of spaza stock. Together with the interpreter, five other Somali participants also confirmed the arrangement used by Somali

operators in the spaza trade when charging for stock transport service. In each instance it was reported that standard practice was to be charged R50 for every R1000 worth of stock loaded in for transport. They added that ‘big Somali bosses’ who owned and or partnered in two or three or more spazas were usually the individuals supplying transport. Somali ‘spaza bosses’ were said to own more than one vehicle, as ‘many were needed to service the multiple businesses they owned or were partners in’ all over Cape Town Metro Region (informal conversations with Abdi Wali Abdurrahman, field diary, 25 April 2012)

The last column in data table 9 shows the contribution of Somali participants who reported paying stock transport fees to either a friend, business partner or other individuals arranged through social or spaza business networks. The two participants, who explicitly said they paid this money to their partners, reported what their contribution was and were unable to comment on what their partners were paying. For example, participant 20mSom01P said he and two partners (one senior one junior) made about five trips each week to their various suppliers for stock, in total they spent in excess of R10 000 for that stock. However, the participant reported paying the senior partner, who owned a delivery vehicle, about R50 fuel each time they went to the supplier. In total the participant spends no more than R250 per week on transport costs. He assumed and ‘had faith’ that his partner was contributing the same amount of money as he was. The junior partner, who earned less money working as the shop assistant, was not expected to contribute to this cost, but it was anticipated that he would eventually split this and other spaza costs with the two more senior business partners as ‘he grows in the business’ (field notes, 20mSom01P).

Most of the Somali operators admitted that they did not mind spending money on transporting stock especially when it was another Somali clansman who owned the vehicle and supplied the service. Their thinking was that working with a Somali within their network that these individuals could be trusted, were able to introduce them to other important contacts in the spaza trade, were more likely to show patience during the purchasing process, had enough space in their vehicles to transport stock and were always willing to go the extra mile to assist. More importantly, it was well known that to transport spaza products from various major suppliers in the Cape Metro region was a lot cheaper when one used a Somali to transport ones stock than to use South African taxis.

The Bangladeshi operator spoke of the value of owning a vehicle and how that played a crucial role in developing the spaza business:

...Running a spaza you need to have a vehicle, it is critical to doing proper business and saving on transport cost for example, the wholesalers that I go to will cost around R70 per trip if I use my own vehicle even with the cost of petrol being so expensive, the guys doing transport for spazas, some are South Africans like taxi owners...they will know it is cheaper if you have your own vehicle but will charge R150, but Somalis who also take shop owners to the wholesalers...for the same trip the Somalis they are cheaper...ask R100 less for any stock under R1000 that you purchase, but with them [Somalis] it depends on the total amount of stock you buy....you pay around R50 for every R1000 (field notes, 36mBan03O).

Besides procuring directly from their formal suppliers as covered above there are two other means through which some spaza operators procured their stock. The first is through deliveries from various South African wholesale businesses including popular soft drinks, dairy and chip companies and established distributors of products such as bread. The second involves having access to and utilising what the research refers to as mobile distribution networks. This is covered by the proceeding section.

8.2 Mobile Distribution Networks

Spaza operators in the case study area conduct regular business with what South African shop-keepers and the Bangladeshi operator referred to as 'Somali agents'. South African operators reported that there are between 12 and 20 'agents' operating in mobile distribution networks that apparently stretch far beyond the bounds of Delft South. There were reports that a few non-Somali actors were also involved in this business. The distributors drive around to various spaza shops selling a variety of products on what was considered by some South African operators to be a relatively 'large wholesale scale' (see table 11 in Appendix). Each distributor was thought to service between four and five spaza shops. These business people were referred to by Somali and South African operators in the sample as 'distributors'.

...No but many times the Somali agents [mobile distributors] come to ask if I want to buy products for the shop for a good price like meat, chicken chunks, sausage, pies, chips, sweets...even the 'wareme worsies' [warm penny polony]. They usually distribute the products in these white vans with the high tops and when they open it up it is packed to the brim full of all kinds of things (field notes, 30fSA02O).

Three of the five South African participants said they usually received a daily delivery from South African companies supplying bread and dairy products such as milk and yoghurt. One of these participants also received a weekly delivery from a soft drinks and chip company. The role of these distribution companies as suppliers has gone into decline as competition with foreign spazas has increased and with the emergence of Somali distribution agents. In the case of bread, two South Africans reported bread sales had decreased drastically over the past two years as customers were able to obtain cheaper bread from foreign shops. One participant complained that she used to order a minimum of 10 crates (or 100 loaves) of mixed white and brown bread every day, but stressed how they [South African spazas in Delft South] had been reduced to selling 1 crate (or 10 loaves) over a one to two day period, because their customer base has been all but destroyed. Participant 41mSA07CO expressed similar sentiments:

...I don't buy as many [loaves of bread] as I used to so...sometimes they [the bread company] do not come maybe because sometimes I do not take as many times as I have in the past, sometimes I am left with stock so I have to try and sell it the next day...our customers for these products are almost gone.

One participant (30fSA02O), who received no deliveries at all, spoke of her dilemma with having 'to fetch all [her] products in a taxi', while another participant (39mSA10O) said his shop survived 'at the mercy of the Somali agents [mobile distributors]' who provided him with 'x' amount of credit on a weekly basis:

...I am grateful as from them [Somali mobile distributors] I get the stuff that most other Somali agents in the area also provide...I get [spaza stock] from at least one Somali agent a delivery every day, sometimes even twice a day and seven days a week (field notes, 39mSA10O).

Of the five South African operators in the sample, participant 39mSA10O was the only operator to acknowledge having an actual link to the mobile distribution network currently operating in Delft South. He reported choosing to do business with these individuals from the time when the opportunity was first offered, about three years ago. The participant added that it was the only way he could hold on to the spaza business and 'delay the temptation' of wanting to rent out his shop to other Somali businessmen, who had shown interest in the business. At the time of research he purchased a large majority of his spaza stock from two Somali mobile distributors and also one Pakistani individual. The one Somali distributor

allows him to purchase ‘cheap’ chips, sweets and sausage, as well as bulk eggs ‘on the book’ (on credit), twice a week, while another specialises in selling bulk meat, chicken packs, pies and sausage. The latter also offers him credit once a week. He applauded the Somali mobile distributors for having ‘easy’ payment options and for being ‘approachable and always willing to negotiate’ (field notes, 39mSA100). The Pakistani distributor, on the other hand, provided him, primarily, with ‘cheap’ chocolates and biscuits, but did not allow him to purchase these products on credit.

One participant (39mSA100) provides an account of how and why he got access to credit from Somali nationals, operating in the mobile distribution network. This service enabled his business to stay afloat in the Delft South spaza trade, amidst varying South African operator perceptions of credit being easily available to all South African spazas or only a select few. Credit and the supply of certain spaza goods have not been afforded to all spaza shops in the area. Whilst mobile distribution networks have enabled some South Africans an opportunity to enhance their competitiveness, it certainly has not benefited the majority of the remaining South African spazas. All South African shop keepers seemed to be aware that there were Somali distributors serving existing spaza shops in their area (and the greater part of Delft), offering to sell large varieties of spaza products at reportedly ‘good prices’. Two participants, in particular, were adamant that this was merely an attempt to exploit already struggling South African business owners and neither believed that Somali distributors actually cared about their plight. One of these individuals spoke of how Somali distributors refused to put her in contact with their suppliers, who sold particularly popular and fast selling products, such as ‘cheap’ cigarettes, even after she had attempted to start a business relationship with him. She also mentioned that specific chip and sweet products, which attracted the youth and their parents, were particularly difficult to source through other formal supply chains.

The key point to understand is that many Somali distributors do not only sell standard products, but have also been known to sell ‘non-invoiced’ goods (commonly referred to as contraband products), as a cheaper alternative (field notes, 32fSA03CO-CLSD and 30fSA02O). These products are not necessarily bought from formal wholesalers as this would usually attract unwanted attention (from the law) to a formal supplier. This is most likely the case when prices offered by the distributor are drastically reduced and undercut the price of the same product offered in other mainstream retail stores. Access to these products, especially contraband tobacco, is essential for a successful business, as this product attracts significant numbers of customers to one’s shop. Cheap cigarettes were reported by South

Africans and foreigners alike to be the best ways to increase one's customer base. It therefore makes business sense for the distributor to refuse the South African operators request to connect her to their suppliers. In this participant's view, certain 'cheap' products were being offered to all South Africans who wanted it, but items such as 'cheap' cigarettes would only be offered to a select few, that is, to particular South African, Bangladeshi and other foreigner owned spazas distributors had 'previous or other' business dealings with the agents. I asked this participant to elaborate on why she felt this way, she reported the following:

...unless they have done business with you [South Africans] on a previous occasion or if you do other kinds of business with them [Somali mobile distributors]...especially with the fast sellers [quick selling spaza products] like cheap cigarettes and certain chips and sweets they distribute...from what I remember they don't usually deal with general South Africans [spazas they have no history with]...once I asked one of the Somali agents if he can organise a carton or 'gross' [box containing 50 cartons] of Pacifics and he said his brother deals with that. They would not share the cheap cigarettes with me because I never bought from them before (field notes, 36fSA04O-CLSD).

In her response the participant made specific reference to the relationship between a well-known Somali spaza 'boss' who, through his marriage to a South African woman, became a partner in a South African spaza and cigarette wholesale business located on the Delft High Street. The participant spoke about the reasons why she felt South African spaza owners in Delft were being offered 'cheap products' at 'good prices' and why Somali mobile distributors offered some people the option to buy on credit. Firstly, being offered 'cheap prices' on 'specific products' was merely a ploy, in her view, to ensure that South African spaza owners spend money on spaza goods purchased from Somali businessmen rather than going to respective formal suppliers, stating that in this way '...they keep the cash within their [Somali] business operations [network]' (field notes, 36fSA04O-CLSD).

Secondly, offering South Africans the option of purchasing on credit on a weekly basis with 'easy payment options' was also seen by her as a way to ensure that South African spaza owners became indebted to Somali businessmen. In accepting these terms, South African business owners, she reported, ran the risk of possibly losing their spaza businesses if they became too indebted to one or more Somali distributor. The respondent felt that the distributors would eventually attempt to take over the spaza by writing off debt. The

respondent's fear; echoed by a few others in the sample, suggest that from a South African perspective, Somali businessmen are known to view 'spaza shops' or businesses as collateral and is something that formal suppliers do not recognise purely because they no capacity to run the shops themselves. However, as previously stated, Somali businessmen have a large network of young aspiring men to choose from.

On the other hand, it was frequently reported that the credit being supplied by Somali mobile distributors could possibly be playing an important role in the survival of some South African spaza shops, despite the fact that the extension of credit was perceived by some as being like a proverbial 'double edged sword' (field notes, 39mSA100, 36mSA0.250 and 32fSA03CO-CLSD). Despite the associated risks, access to credit was perceived as a possible coping mechanism during a time of tough business competition and economic/financial strain. The Bangladeshi shop keeper said he bought from Somali distributors at least once a week and also from a group of Burundi doing similar distribution business in the Delft South area. The Somali distributors were said to each be servicing up to five spaza shops regularly throughout the week. Most of the spaza shops that they serviced, and sold to on a regular basis, were Somali owned businesses.

When asked about whether or not the mobile distributors owned spaza business in Delft South three South African participants emphasised that the distribution business was part of the spaza business, suggesting that the aim of Somali businessman was first to establish oneself in spaza business and then to start selling a large variety of 'cheap' products to as many other spaza shops. As one female South African operator reported:

... some spaza shops here in Delft run a double business, they do deliveries to their own stores then also help their so called brothers who do not have transport...but they get paid to do this and earn extra money from that and from selling products directly at ones shop...they are cheap so most times people give in and buy from them [Somali mobile distributors]...you must be very stubborn and proud not to buy from them...they also like to service other Bangladeshi and Pakistani shops but only a few South African spazas (30fSA020).

The data from the field research suggests that some Somali operators not only earn incomes from their spaza shops and their transport businesses, but are also currently involved in (or establishing) wholesale type mobile distribution businesses. The issue of mobile distribution is presented using particular case studies that identify two ways Somali individuals reported

conducting this particular business. One case concerns distribution as a separate business, run by individuals who do not own spaza shops, while the other case shows how distribution comprises a supplementary business operated by Somali spaza shop businessmen.

8.3 Somali spaza stock deliveries and mobile distribution networks

Of the seven Somali operators six reported receiving regular deliveries from various small, medium and large South African companies, only one participant 50mSom02O reported fetching all of his stock directly from suppliers, as he also operated a second business transporting spaza stock (the participant emphasised that he transported spaza goods and did not involve selling products sales as mobile distributors did).

These stock deliveries are distinct from those being conducted by Somali and other non-Somali mobile distributors in the area as these do not involve ‘shop to shop sales’ and the terms of payment are usually cash on delivery. The most common product received from South African delivery vans, on a daily basis, is the 1 litre full cream milk in a plastic sachet. The colloquial term for this product is ‘papsak’ milk. At the time of research this product sold for between R5.50 and R6.50 per unit in most of the Somali owned spazas. South Africans, however, sold the exact same brand of product, but their cheapest retail price was the same as the Somali operators’ most expensive price, that is, R6.50 per unit. South African operators reported receiving this product from the same South African delivery van(s) that Somalis did. In a conversation with one of the Somali participant’s the researcher asked how it was possible for Somali spaza operators to sell the product cheaper without incurring losses, his response was the following:

...well you assume that South Africans [spaza owners] are paying the same price or have the same deal as we [Somali spaza owners] do (field notes, 30mSom0.5P).

According to this individual, a South African owned company, based in Gatesville Athlone (Cape Town), was the main distributor of the ‘papsak’ milk in the Delft South area. This company, the researcher was told, also distributed eggs to many of its customers. The participant 30mSom0.5P further explained that the company was in fact buying these products directly from a ‘big Somali businessman’. He would not disclose where this businessman operated from, but mentioned that ‘he is based in Cape Town and everyone knows him...he operates in all the main areas’ (30mSom0.5P). The participant was referring to particular areas within the Cape Town Metro Region, such as Bellville, Delft, Elsies River, Capricorn Park, Retreat and Parow which Somali’s regard as business ‘strongholds’.

During the observational phase of the research, the researcher was able to confirm at least half a dozen delivery vehicles that all belonged to the same South African company, supplying large volumes of ‘papsak’ milk and eggs to a great majority of the spazas in the case study area. On one occasion the researcher managed to flag down one of these delivery vehicles and asked the driver to describe the business service. The driver responded with the following:

...we [the others working for his company] deliver this brands of eggs and papsak milk...I started working for them [the supplier in Gatesville] about six weeks ago....we mainly do milk and eggs at this moment in time. I have about seven Somali shops and three locals [South African spaza shops] to deliver to everyday, but at some point I must have delivered eggs and milk to almost every Somali spaza in the Delft South area since taking this job...as well as some locals. The most popular brand of milk being delivered here is the 1 litre papsak...we are the main one’s doing this in Delft but there are definitely distributors of this brand of milk in places like Bellville...my boss is one of the main milk and egg agents [distributors] for this type of milk and I think easily about 97% of our entire customer base is Somali spaza shops. I do about two bakkie loads of milk per day every day from Monday to Friday...some of the other agents can even do more and sometimes even on weekends. I don’t know exactly how much fits in the van...probably around 150 to 200 papsaks per load (Informal conversation with delivery man, July 2012).

The respondent was unsure about where his (South African) employee sourced the ‘papsak’ milk from and he could not confirm whether or not it was being supplied by the ‘big Somali businessman’, as participant 30mSom0.5P had reported. In the field, the researcher observed two other South Africans delivering additional products besides milk, bread and eggs to the same six Somali participants who reported receiving regular deliveries from formal South African companies. The deliveries seemed to have been conducted on behalf of a different supplier. These individuals usually came around every second day to drop off items such as ‘bompies’ (non-dairy ice-lollies) and yoghurt, and appeared to be doing this on a much larger scale. Somali operators reported knowing of no more than six non-Somali mobile distributors and most confirmed that there were approximately 20 or so Somali distributors operating between Delft South, Voorbrug, Leiden and Suburban. These individuals also regularly distributed stock in other areas such as Bellville, Elsie’s River and Parow. Other nationalities

involved in distribution include Burundians, Egyptians, Malawians and Nigerians. When compared to non-Somali mobile distributors in the area, Somali individuals do not only dominate the distribution business, but most also offer a much larger variety of products to spaza shops. Somali distributors are also favoured by some, for their ‘willingness to negotiate and cut prices on particular items’ (field notes, 39mSA10O). The following tables list products the researcher observed being offered by Somali mobile distributors; in total there were 19 items. Table 11 records products that were sold to spaza operators in bulk packs, while table 12 presents a table of items that spaza owners procured on a smaller scale, but nevertheless illustrates the variety of stock available to spaza owners when purchasing ‘on the door step’.

One Somali operator described that he preferred to purchase particular items from two separate Somali distributors who knew very well:

...For products such as cigs, candles, chips, toilet paper, sugar, rice, washing powder and sweets I usually wait for the two Somali distributors because I know them personally and their price is always good for me because we are family and did business before...but there are more than 12 of these [Somali] guys... some own shops here others have shops outside while others are just interested in selling to you from the vehicle (field notes, 24mSom01O).

This participant spoke of having personal connections to the two distributors he procured stock from. Both distributors were individuals from the same Hawiye clan; one happened to be a distant cousin he grew up with in Somalia, while the other he knew through a sub clan affiliation (Abgal) and was also one of two individuals he had gone into a spaza business partnership with when he first arrived in Delft South. This ex-business partner, he reported, decided to use the profit made through the sale of the first spaza container during 2011 (R20000) and invested it in a mobile distribution business. In his narrative the participant also confirms that Somali businessmen in Delft South dominate this trade in Delft. This suggests that Somali networks are now dominant within a larger portion of the spaza value chain, that is, between producer and the smaller retail/grocery shops.

Somali operators reported that the main reason for purchasing from the distribution network was to obtain a large variety of spaza products at ‘cheap prices’ and because the businessmen themselves could be trusted as ‘we usually know the person ... through friendship, clanship

or being family' (32mSom0.5P). These distributions helped to ensure that their spazas were regularly stocked without necessarily having to leave the shop. As a result, participant one respondent stated that in this way 'the shop is always manned and so the distributor can come anytime' allowing for the maximisation of spaza trading hours available on a particular day (24mSom01O).

Of the seven Somali operators six reported regularly purchasing from Somali distributors, while three reported having previously purchased from South African distributors, but at irregular times. Less than half of the Somali sample also spoke of buying specific stock such as biscuits, chocolates and eggs from Egyptian, Pakistani and Bangladeshi distributors, but added that this was only done if their main (Somali) distributor was unable to source such products in time. Somali operators acknowledged the presence of both Ethiopian and Malawian distributors in Delft South, but only participant 30mSom0.5P reported ever purchasing stock from these individuals adding that 'the situation with belonging to a minority [Issa] clan has meant that we don't also get to buy from other Somali distributors...we have no other family here doing that business so are forced to buy from the Egyptians, Ethiopians and Bangladeshi's but only if there is extra money which is not often'.

Examples of Somali mobile distribution in Delft South: Distributor 1 - where distribution serves as the key business

This 25 year old distributor supplies mamas pies, sausage, chicken chunks, eggs, chips and bompies to five spaza shops, three shops in Delft, of which one is South African owned, while the other two belong to Somali businessmen. He also services two spaza shops outside of Delft South, one located in Bellville and the other in the Elsie River, but spoke of other places the business has taken him into as well. After selling a spaza container in mid-2011, he and two other partners decided to take the R20000 profit they each received and go their separate ways. The partners continued doing spaza work while he opted to go into the mobile distribution business; he sometimes distributes his products to ex-spaza partners as well. He alone owns this business and has never had a partner while doing distribution.

...I have no partners like in the spaza...I just pay others who I know that want work if I used then for the day to pack unpack carry and so on...I get the stock mostly from Bellville at the cash and carries [owned by other Somali businessmen] that are there...there are so many to choose from in Bellville and very good prices, I try hard to give the same good price to my customers...those that don't buy from me will

suffer as they pay more...yes there are at least 20 other people in Delft doing what I am doing...maybe even as much as 50 but there is still much business here for others to do in Delft...it is hard business but can be very good...some of these guys doing the deliveries are spaza owners in Delft, especially the Somali ones, but others they just focus on the mobile sales. The guys also operate in other parts of Delft like Voorbrug, Leiden, Suburban...the entire area you can see...even four or five areas outside like in Elsie's River, Parow, Bellville but even places like Capricorn Park and many areas around Delft...I personally help to buy for five shops once a week, early in the week but on that day we do several trips to the cash and carries and as we have to do a lot of buying then after we focus on the selling, and so it goes on and on every week.

He observed that many spazas (foreign and South African) had problems with transport but demanded specific wholesale products for 'good prices'. The distributor ended off the conversation explaining that he did not feel the need to go back to owning a spaza or doing that kind of spaza work as that part of the spaza trade was simply oversaturated at this point in time. The distribution business, on the other hand, was still growing in Delft South and according to him, had much potential given this network linkage to wholesale suppliers in Bellville.

Distributor 2 - where distribution serves as the supplementary business:

This distributor lives in Delft and owns one spaza shop which a cousin operates in the Tsunami area (predominantly black area within greater Delft). The distributor also admitted to only going into the distribution business after establishing a spaza shop, but said he found it useful to run the two simultaneously, as the businesses were connected and the one kept the other going, especially at different times of the week or month. He currently owns one spaza shop in Leiden and has been operating for four years as a distributor in Delft South. Including his own shop, he delivers to a total of four spazas located in various parts of Delft South and immediate surrounding areas; two shops in Eindhoven, one shop in Delft South (a friend and participant in this research) and his own shop in Tsunami. He confirmed knowing of just over 20 Somali businessmen conducting distributive business in the area, and also acknowledged the presence of a few other foreign distributors as well.

...it is not unusual for a spaza operator to be supplied by many distributors as distributors do not always supply the same things and most tend to specialise on very specific products, but we [Somalis] try to give similar products and try to give all

same price and if you want to compete then you must have the best price...but the foreigners [most of whom are Somali] definitely have more variety to sell than the South Africans who deliver stock here...each of the 20 or so bakkies [delivery vehicles] will serve between four and five spaza shops per week...they [Somali distributors] cannot do more than that because the spaza owners want us to deliver their stock at the same time and it is a lot of work and some of us still have other businesses [spaza shops] to run. ...Spaza owners do not actually do the bulk purchases of stock on a Friday, Saturday and Sunday as this is the main time to sell and get ones money back. It takes Monday to Thursday to collect all the money and then this is used to do the proper purchase again early the following week. Normally the weekend is collecting money especially from South Africans some who take credit and need more time to pay. We mainly prefer go to various wholesalers in Bellville and also support other well-known Somali wholesalers and cash and carries in Bellville.

The second case concerns an individual that also owns a spaza shop. Product distribution is normally limited to the area(s) where the distributor owned, or was a partner in, spaza businesses. In the second case, the distributor reported being in the process of purchasing a second vehicle, as he plans to extend his operation beyond Delft South into Eindhoven, Voorbrug, Suburban and perhaps even further. He plans on employing someone to assist with the business. The Mazda Drifter that he currently owns does about 100 kilometres on any given day when he has to distribute to all five spaza shops: He revealed that he knew most of the Somali distributors and reported that they each either owned or used own at least one spaza shop, because one way to get into the distribution business was to start small by building up a spaza shop. An interesting point was made when he used the number of vehicles as an indicator to measure the success of the distributors and their businesses. In his view, the distributors in Delft South are doing relatively well as most own a shop and many also own two delivery vehicles. In both cases, the distributors recognise that distribution plays a crucial role in a spazas ability to survive and compete in Delft's spaza trade. This they believed applied to both foreign and South African spazas as everyone apparently had the opportunity to purchase from them [referring to Somali distributors in particular].

Some of the Somali operators are looking to diversify and shift their business into distribution which is considered to be more profitable than running a spaza shop. Participant 20mSom01P and his spaza business partner is a case in point. In a conversation with the partner the

respondent reported wanting to make a strategic move towards selling spaza products that he could procure through his 'own contacts'. The respondent stated that the time was 'now right' to sell the shop, as it would 'sell quickly and go for good money...it is a strong and successful [spaza] business'. He added that his priority was to focus on and grow the distribution business, selling to spaza business owners such as his current partner and others [referring to Somalis in particular] who he knew. In his own words he ended our conversation saying the following:

...this is why I bought a vehicle...I don't just want to help others with transport...I also want to make money and sell much products from my van...the spaza [shop] is good and it will give a good profit but now that money must go to work and make even more (41mSA07CO).

For this particular respondent, becoming a partner in a spaza business was simply the gateway to establishing himself in business in a country where he had very little when he first arrived. He added that it was always the intention to either sell the entire spaza business to a new owner, splitting the profits equally amongst the three partners who started the business. When the researcher enquired about his initial investment and how much profit he could make from the sale of the business the response was that he had purchased his share of the spaza, and was considered to be one of two senior partners, because he had provided the vehicle used to transport products from suppliers from day one. The respondent added that he eventually intends using the portion of the profit he made from the sale of the spaza to start a large mobile distribution business in the area. At the time of research he had been distributing chips, sweets and a few other products to a few Somali spaza owners on an ad hoc basis, but complained that he was now struggling to keep up with the demand for the goods he distributed through mobile sales.

Chapter 9: Discussion, debate and concluding remarks

In the past decade much research has been conducted on spaza shops in South Africa. Researchers have sought to understand the entrepreneurial character of the businesses as well as the influence of competition from larger businesses, including supermarkets other competitive spaza operators (Ligthelm 2004, 2005 and 2006) (Charman *et al* 2009, 2010 and 2012). Furthermore, prior research has examined relationship issues and the dynamics that exist between entrepreneurs and amongst businesses within the informal sector (Neves and Du Toit 2012). Oldfield (2012) advocates the value in researching and analysing the social fabric underpinning informal business activity and the broader context(s) within which activities occur (communities and society in general).

The literature has not only furthered our understanding about the diversity of micro-enterprises and the individuals working in the informal sector, but also about businesses success and failures. However, the current state of knowledge suggests that we appear to know more about what happens on the surface of this informal world and less about the social dynamics influencing business success. The latter is especially true for spaza shops in South Africa. Little research has attempted to understand the finer details of *why* individuals do spaza work, the history of particular enterprises, their evolution and business practices, few efforts have been made to deepen our understanding of the internal and organisational processes such as factors of credit, labour and business relationships through which both South African and foreign spaza operators establish themselves. This research sought to address this deficit through focusing intensively on a particular group of informal traders in a particular locality of South Africa's spaza trade (Delft South, Cape Town).

The study aimed to investigate different business approaches in a sample of South African and Somali operated spaza shops in Delft South. This required understanding the current state of business ownership and whether or not it is plausible to attribute the dominance and relative success of foreign run spaza businesses to a specific way in which these spaza operators organised themselves. The research further tried to establish whether or not the observed local Somali dominance in Delft South was an indicator of beneficitation from social networks in a manner allowing Somalis to outcompete South Africans. The thesis attempted to answer these questions through a variety of approaches. Firstly a desktop review of the state of knowledge of past and present literature was conducted. This phase of the study explored the broader theoretical framework of the South African informal economy, as well

literature and studies related to small informal grocery retailers, commonly known as spaza shops. The study then undertook ethnographic research, examining how a particular group of spaza owners conducted their businesses in Delft South. This enabled the researcher to understand the local role of social, business and kinship networks amongst traders. A variety of methodological techniques were utilised during the fieldwork documenting the experiences of 13 spaza owners. The narratives from this engagement with spaza operators provide the core evidence presented in Chapters 2 -7. The evidence helps to answer the following key research questions:

1. Is there a shift in spaza ownership from South African to Somali? The findings (Chapter 3) confirm that a major shift has occurred in market share between South African and foreign owned spazas in Delft South, with ownership now favouring Somali businessmen, even within the last year.

2. What are the different spaza business models? The research shows that the change in ownership is a direct result of the emergence and use of a new, and more sophisticated, 'entrepreneurial' business model employed by foreign spaza operators, compared to the more 'survivalist' model used by South Africans. Chapters 3 to 7 operationalise the concept of two major 'business models' (South African and Somali) by exploring the establishment process, capital investment, business operation, procurement processes and supply chains of spaza business. The Somali business model is described as being primarily based upon the ability to be price competitive and is made possible through collective procurement and distribution networks.

3. What is the significance of internal, social and other kinds of networks / relationships to the business model? The study ultimately demonstrates how the socially richer and clan-based social networks of Somali shopkeepers enable a more entrepreneurial business model, when compared to South Africans who mostly rely on a limited network of immediate family. The latter tend to approach spaza business as a supplementary livelihoods strategy. An important explanatory condition for the relative success of Somali owners lies in the differential social networks that they not only have access to, but have also chosen to utilise in support of spaza business practices in Delft South.

In addition to deepening our understanding of competing business models and the social networks that support them, this research also provides new insights on previously unseen

forms of spaza related business, principally around the mobile distribution of spaza stock to retailers in Delft South (Chapter 8).

This chapter provides a synthesis of the thesis and is divided into two major sections. The first section highlights and discusses elements of key literary debates raised by researchers, placing the findings within a broader academic discourse. Key debates fall within the following categories: 1) spaza change; 2) the move toward large scale entrepreneurialism and sophisticated business models; 3) immigrant networks play important roles in promoting livelihoods and opportunities in the spaza trade. A response paragraph is presented for each of the debates and is supported by results selected from the research findings.

The second section makes a contribution towards existing spaza literature in South Africa and places particular emphasis on discussing key issues, namely: 1) the importance of strong networks, ‘strongholds’ and ‘immigrant neighbourhood economies’ in the spaza trade, and 2) the instrumental use of both formality and informality by foreign business people in the spaza trade and the issue of enforcing agreements in spaza business. The chapter concludes with a general remark of the importance and value of using an in-depth ethnographic (area based) case study approach when doing research on the spaza trade and other informal business.

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9.1 Part 1: Key debates, concluding responses and supporting evidence

Debate 1 – Spaza Change: This thesis confirms the argument made by Charman *et al.* (2012) about the struggle between South African and foreign spaza shop operators and how the steady influx of foreign national traders, into the Delft South spaza trade, has led to ‘market dominance’ of one business type over another. The authors argue that the spaza trade has become increasingly easier for foreigners to enter into and at the same time more difficult for South Africans to maintain the relative success, and reproduce livelihoods, as they did in the past.

Findings relevant to debate 1 – One of the major findings of the research aligns itself with the ‘*changing face*’ theory raised Charman *et al.* (2012). The research conducted during the first phase of the fieldwork observed that, despite a decrease in the total number of spaza businesses, Somali domination in the trade continues to progress in terms of overall market share. The data suggests that the balance of ownership, at least in one part of Delft South, has

now certainly begun to tilt in favour of foreigners, and Somali spaza operators to be more precise. The major findings supporting this debate and conclusion is summarised below:

Between December 2010 and May 2011 Charman *et al.* (2012) documented the existence of 30 spaza businesses in the case study area of which 17 (or 57%) belonged to South Africans while the remaining 13 (or 43%) to foreign nationals (most Somali owned). At that time a relative balance in terms of spaza ownership existed, between the two major spaza groups. Approximately one year later the researcher observed a 23% drop in the total number of spaza shops in the same area from 30 to 23. South African business owners bear the brunt of this change, as their market share decreased from 57% to 22%, that is, South Africans now own 5 of the 23 spazas in the case study area. In this time 9 South African spazas closed down permanently. Foreigners now dominate the case study area and account for 18 (or 78%) of the 23 spaza businesses documented. This equates to total market share gain of 31% for foreign spaza operators in just over one year. Somali businessmen are at the helm of ownership change owning 17 (or 94%) of the 18 foreign run businesses in the case study area. This increase is due to an additional 4 Somali shops being established over the same period.

Anecdotal evidence suggests that the documented change has also occurred in most other parts of greater Delft South and Eindhoven. Understanding the extent to which immigrant entrepreneurs have entered the spaza trade and the strategies they have utilized to succeed in business may prove useful for an analysis of the cause of the tensions between South African and foreigner owned micro-entrepreneurs. This requires better understanding the nature of foreign spaza business practices and identifying ways in which South Africans have either benefited from the market changes or been affected by it.

Debate 2 - A move toward large scale entrepreneurialism and sophisticated business models: My argument nuances Ligthelm's (2005) claim that the 'informal township retailer' or *spaza operator* represents both a means of economic survival, and in many cases, a way of exercising entrepreneurial spirit.

Response to debate 2 – Ligthelm acknowledges the importance of the South African informal sector and the spaza trade, noting that it is 'becoming a permanent phenomenon in the South African economic arena, and also more sophisticated and more closely linked with the rest of the economy' (Ligthelm, 2005: 212). While the researcher is broadly in agreement with

Ligthelm's emphasis on entrepreneurship, the author has perhaps been rather premature in his general view of the spaza trade. Ligthelm's work does not take into consideration the changes as a result of the shift from the survivalist reality to the entrepreneurial approach characterised by foreign shop keepers.

Through my use of ethnographic research methods, the research has sought to explore the 'the black box' (Freel, 2000 cited in Ligthelm 2008) or internal dynamics of spaza trading that Ligthelm agrees has remained less known.

Through an 'ethnography of the spaza shop', the researcher has observed spaza business dynamics at a deeper level than most and has documented (past and present) stories that go against Ligthelm's (2004, 2005 and 2008) view that the majority of business in large informal markets show 'limited dynamism and hence entrepreneurial spirit'. Whilst the spaza trade is one of the largest business markets in South Africa's informal sector, it no longer comprises of individuals (and businesses) that 'occupy more or less intermediate positions' and exist in 'a continuum of fairly established to survivalist businesses' (2005). I do believe that more credit needs to be afforded to individuals operating in this part of South Africa's informal sector, given its important share of South Africa's retail trade (2005).

Various over the last four to five years, as Charman *et al.* (2012) suggest, places like Delft South have seen intensified efforts, by particular groups of individuals, to change the way that spaza business is being conducted. In particular, they concluded that the influx of foreigners living and working in poorer communities has resulted in a change from a 'survivalist' mode of doing spaza work (adopted by most South Africans in the past) towards 'large-scale entrepreneurialism' and the employment of more sophisticated business models. Spaza shops, especially those run by foreigners, have become more dynamic at the heart. Others (Ntema & Marais 2012) have found similar cases in the Free State with a predominance of Bangladeshi and Pakistani spaza traders:

...Occurring on almost every second street in Mangaung.

Supporting the view presented by Charman *et al.* (2012), a change in business ownership (in the case study sample) has not only placed the bulk of the spaza trade squarely in hands of foreign businessmen, but has simultaneously been accompanied by a change in business mode as well. In other words, contrary to the methods used by South African spaza operators in the past, most Somali operators now employ or are somehow connected to sophisticated

business models that sustain their dominance in the spaza trade. The findings cover the major areas of the spaza business model and relates to ownership, labour recruitment, business investment, and general business operation.

A crucial factor influencing the dynamism observed in Somali owned spaza shops has been the ability to access and use sophisticated business models and networks. *Sophistication*, as observed in this study, enables the development of robust spaza shops with the capacity to withstand the high levels of competition experienced in Delft South in the present; it plays a fundamental role in assisting both the sustainability of the enterprise as well as the capacity to create additional opportunities for entrepreneurship. *Sophistication*, as discussed earlier, usually occurs through a link to strong networks.

Debate 3 - Immigrant networks play important roles in promoting livelihoods and opportunities in the spaza trade - creating a ‘sense of security and belief’: In recent writings Sadouni (2012), Lindley (2007 and 2010) and Segatti (2011) focus much of their efforts discussing the importance of indigenous networks to diasporic people in different parts of the world. A common claim is that ethnic and or religious networks provide not only a context of social cohesion and shared norms, but also financial assistance to trading and business operations outside the formal economic system. Lindley, for example, speaks of the role played by the remittance process in Kenya and describes how Somalis use this to establish and or support their businesses. Sadouni points out the importance of ‘religious solidarity’, the various networks it encompasses and the key role it plays in helping many Somali nationals secure livelihoods in Johannesburg through business investment. In a similar way, Segatti writes about foreign traders operating in poor areas in Gauteng and suggests that the comparative advantage of Somali and certain other groups of foreign spaza shop owners often relies on long histories of trade culture in their communities of origin. Somalis benefit from ‘networks of business contacts’ that can help them access various forms of ‘social capital’.

Response to debate 3 – In support of the research findings of Sadouni, Lindley and Segatti, the research learnt that most in their journeys to and upon entering South Africa for the first time begin to learn from social networks about opportunities and the potential of making a livelihood through spaza trading. Information is usually transmitted from other Somalis they know already living and working in spaza shops throughout South Africa. The networks enable the individual to acquire a degree of foresight and the option of planning (such as

identifying particular areas and sub-areas) ahead of time as well as access to the necessary business resources and assets required ('social capital'), from networks found both **within**, and others found **outside** of South Africa. The main source of information dissemination to newcomers is the multitude of active social and business networks linked to the spaza trade. On-going *communication with* and *observation of* kin, clan members and close friends, cements what the researcher refers to as *a sense of belief* among Somali immigrants that they can secure a *decent livelihood* in the spaza trade. The major findings supporting this debate and conclusions are listed below:

1) Five Somali participants reported learning, while travelling to South Africa that doing spaza work was a 'good' and 'fast' way to earn money and a business.

2) Somali participants were encouraged to set up business in Delft South by key individuals who had access to existing Somali social and business networks in South Africa. Two set up business because they had a relative (an uncle) who owned a spaza business in Delft South and three others reported that friends and clansmen were doing 'good' spaza business the area.

3) Remittances are sometimes used as an alternative means to set up spaza business in South Africa. Two Somali operators also reported receiving \$1000 (US) from relatives living in Somalia and Sweden. These were received mainly through visiting kin and friends. Social networks and the broker system responsible for transporting individuals from Somalia to South Africa were cited as major ways in which money is remitted.

Anecdotal evidence suggests that many Somalis choose to enter the spaza trade, as shop employees or business owners, because of the 'sense of security' (Sadouni:7) provided by others already established there, in many instances this is done before even arriving in Cape Town or Delft South.

9.2 Part 2: New insights into existing spaza literature in South Africa

Sophistication through stronger networks

In this section I discuss what strong and weak networks are comprised of, in the context of the Delft South spaza trade, and suggest that *access to* and *use of* the former has led to sophistication in the way spaza business is being conducted in Delft South at the present. I then move to a discussion on the instrumental use of both formality and informality by

foreign business people and emphasise the important role this plays within the spaza context. The main conclusion advocates that Somali dominance in the spaza trade has more to do with the strength in the multitude of available networks, than it has to do with Somalis being better at spaza business than South Africans. The evidence for this lies in the way in which Somalis have set up and maintained their businesses from the outset.

'Strongholds' are important geographical spaces within which spaza business and networks grow

The importance of relational dynamics, as it pertains to micro-enterprises, is illustrated by recent studies such as Oldfield (2012) who undertook empirical research on spaza shops in community of Valhalla Park. I am particularly interested in adding to the author's thinking around the concept of 'neighbourhood economy'. Referring to South African businesses, Oldfield argues that the small businesses constitute a 'neighbourhood economy' and that business and related activities are embedded in 'social and economic logics that shape households as well as community relationships and networks' (2012:1). In the context of her research, the author speaks about how 'local shop-keepers' (or spaza operators) consider their businesses as a means through which they can provide a service to the community without the intention of exploiting already struggling customers. However, Oldfield's concept of the 'neighbourhood economy' is useful when thinking about foreigner communities as well, as the general concept can refer to business owned / operated by immigrants as well. Somali participants frequently referred to Delft South and Bellville as being two of the largest 'Somali strongholds' in the Western Cape. These areas constitute a physical and geographical space within which foreign business owners have established their own 'neighbourhood economies' where businesses are shaped according to specific relationships and network. Somalis choose to settle in very particular areas where other Somali brethren have proved to be successful in spaza business. They are therefore extremely selective in the areas they work and choose to establish spaza shops. These areas are often referred to by Somalis as *strongholds*, presumably because of the multitude of strong social and business ties and networks that exist within them. Somali *strongholds*, such as Delft South, are localities between which numerous Somali nationals oscillate on a daily basis. We now see the emergence of what this research refers to as 'immigrant neighbourhood economies', developing rapidly over the past few years. The Delft South spaza trade is one example of a strong 'immigrant neighbourhood economy', where the 'Somali stronghold' provides not only 'a sense of security', but also real business opportunities for immigrants and refugees struggling to find employment and create livelihoods in South Africa. Five Somali operators

said they knew about ‘Somali strongholds’ like Delft South even before arriving in Cape Town, through communication with kin and friends in various social networks. Knowing where to set up a spaza business is important, because one needs to do this where others before you have succeeded. However, we also need to take stock of the fact that the emergence of the ‘immigrant neighbourhood economy’ could pose a serious threat and possible challenge to the economic development and sustainability of the South African ‘neighbourhood economy’.

In Delft South, the apparent dominance of Somali entrepreneurs in all aspects of the spaza trade has left a legacy of strong social and business networks behind for others to access. These networks, however, are not accessible to all, least of all to South Africans. South African spaza shops are physically ‘part of the community’ in that they exist in a particular socio-economic context, but they cannot participate in the activities of a growing ‘immigrant neighbourhood economy’, because the link between South African spaza businesses, and the strong networks that have helped to grow this economy does not yet exist. Being ‘part of the community’ does not afford South African operators an advantage over their foreign counterparts. There is little affinity between South African residents and South African spaza operators. The links between customer and South African spaza shop are weak especially when one considers the limited loyalty observed from residents who choose to spend money at foreign shops, because they offer a wide variety of cheap goods and credit, rather than paying the debt owed to South African spaza owners. Similarly, the research also identified a rather unique case where a Somali spaza business was struggling to participate in the ‘immigrant neighbourhood economy’. Despite being located in a so called ‘Somali stronghold’, the operator’s reputation and association with a minority group/sub-clan (*the Issa*) was reported to be the root cause of his failure to establish a successful spaza business. His main challenge was inability to access important ‘social capital’ that was available to the majority of *Abgal* clan members in the area. Like most South African spaza operators, this individual had no link to other spaza business owners, and was therefore cut off from labour, investment, transportation and distribution networks (which offered favourable payment terms, low product prices and sold cheap goods such as illicit tobacco products). The rest of the Somali sample were all able to utilise some form of ‘social capital’ when starting the business, and in the process began to expand their individual spaza networks in the Delft South area.

'Spaza partnerships' as a network are stronger than 'family operated' businesses and have access to larger key networks

A major difference between the strength of the Somali and South African business models is the former's use social and business networks that are highly dependent upon the ability to 'trust'. Mistrust of *all* non-family members was high amongst South African operators and the entire sample seemed less inclined to involve non-family members in their spaza business. The business therefore did not involve anyone outside the family unit. For these reasons South African participants were unable to forge additional **business ties** and **larger networks** that go beyond the family unit or household. In this way South African spaza operators have constrained themselves from building stronger networks as a 'sense of trust' was sorely lacking in their business organisation. A strong network is not possible without a reciprocal 'sense of trust' because each partner is seen to take the same risk when establishing the business. South African networks are weaker because the inability to 'trust others' in business disallows network growth.

All foreign operators on the other hand, reported being involved in business partnerships at some point in their spaza experience. None reported ever having a written business agreement suggesting that a stronger element of trust and general reciprocity exists within the business partnerships. Somali partnerships, however, are not limited to the bounds of family and extend beyond to increase the size of the spaza network to include kin, clan folk and friendships. Business partnerships forged in this way increases one's ability to employ new people, meet new investors and gain better access to transportation as well as important product distribution. This in turn increases one's capacity to build a larger '*spaza business network*', which further strengthens one's network. At the time of research six of the seven Somali operators were active partners in with other Somali businessman representing six separate Somali spaza business networks; each with the potential of being connected to the other through their own social and business networks. South African operators, on the other, did not report involvement in any form of business cooperation. Due **stronger** spaza business networks, Somali spaza operators have a competitive advantage (Charman *et al* 2012) in three key areas of spaza business:

- 1) **Access to larger labour networks** - where individuals are recruited through relationships with kin, clan folk and friends, where both employment seekers and employers utilise 'social capital' during the recruitment process. All seven Somali participants recruited their labour in this way. Participants reported six main criteria when employing individuals but all

emphasised that 'being Somali' was of utmost importance. This is in stark contrast to public claims (Gastrow, Cape Times, 2012), that Somali spaza owners employ South Africans in their shops, as most of the Somalis in the research agreed that it was highly unlikely that this was the case. In general, the opportunity is *closed* to most non-Somalis (see spaza labour section for details).

2) **Access to business capital through investment networks** - where many new entrants to the spaza trade are able to raise the money needed to create spaza opportunities. Three Somalis operators reported borrowing amounts of R5 000, R10 000 and R25 000 leveraged through 'social capital' from networks including relatives and lifelong friends. The transaction almost always ties/connects the **borrower** to the **lender** through a verbal agreement and business partnership. Loans were then added to cash already secured through partnerships with other Somali businessmen. Six Somali operators were involved in separate business partnerships where investment ranged between R20 000 and R40 000. In a similar way, Somali individuals already working in the spaza trade, also utilise spaza partnerships to generate quick profits that allow them to raise capital to be used in other spaza business ventures. One participant turned R10 000 into R44 000 during a spaza container partnership that lasted only six months. He then used R20 000 to purchase the current store he now operates alone. The remaining R24 000 was kept as a safety net for emergency stock and provided the option of entering into a different spaza partnership.

South Africans, on the other hand, have little or no access to 'social capital' in the community and struggle to raise the large amounts of cash needed to start spaza business. The lack of strong business networks and weak link to networks outside of the 'family operated business' is a testimony to this struggle. Four of the five South African operators only managed to make small cash investments into their business, one spent R1500 and three spent well under R1000. Only one South African made a substantial investment of R25000. This large investment was only possible because the operator had already diversified his business interest owning two other relatively successful businesses, one a taxi/shuttle service and the other, an unlicensed spaza shebeen business located in an informal settlement.

3) **Access to stock procurement and distribution networks** – where Somali operators procured spaza goods in multiple ways, most however, involved the use of 'stock purchasing networks'. Five Somalis said they split the cost of stock within their individual business partnerships, and in some cases, also with other Somali operators who were not partners in

their spaza shops. The latter option was mostly utilised to take advantage of discounted prices at particular times of the month and from particular suppliers. Due to the lack of strong networks, South Africans in the sample did not report ever combining their resources with others; the use of spaza partnerships, co-operatives or types of stock 'purchasing networks' were non-existent amongst this group of operators. The strength of 'purchasing networks' lies in the ability to access credit facilities from formal wholesale suppliers. One Somali operator reported getting access to R2 500 credit from a South African supplier; this was sometimes used twice per week. According to this participant other Somalis are able to get the same terms. None of the South African operators reported being offered account and or other types of credit facilities from formal South African suppliers, they therefore never bought in bulk or on credit.

An informal form of credit is available to South African spaza operators who either cannot get access to bank loans or account facilities at formal suppliers. It is accessible, to some, through weak networks that have been forged over time with informal 'mobile distributors', who sell wholesale goods to spaza shops in Delft South. One South African operator (participant 39mSA100) reported that things became so desperate that he was forced to accept this credit from three different distributors (two Somali and one Pakistani) who between them were supplying him with all his spaza stock (the significance of this distribution business is discussed below). Accepting the credit was the only way he could ensure the sustainability of his business, considering the current state of competition and Somali dominance in the area. South Africans that did not have this option either closed their businesses or found alternative ways to generate income through 'legal written' rental agreements made with Somali businessmen. For this participant, and two other South Africans in the sample, the extension of credit was met with scepticism, as they saw it as a possible ploy to indebt South African spazas owners to Somali businessmen. The former perceived the latter to treat the spaza businesses owned by South Africans, not the property, as collateral in the event that one could not repay Somalis the credit used when purchasing from distributors. The ability of foreigners to enforce such contracts / agreements is yet another indicator of a strong network.

Instrumental use of formality and informality: Enforcing agreements in the spaza trade and the issue of 'optimal decision' making in an informal context

Levenson and Maloney (1996) consider 'formality' as the ability to participate in a multitude of institutions in civil society. Maloney (2004:1168) writes that being included in the formal

economy has ‘costs in terms of compliance with legal norms which very small firms can choose to avoid in many developing countries’ adding that ‘small firms are anchored in social networks of family and immediate neighbourhood that allow them to enforce implicit contracts, insure against risks etc.’ Thus by playing an active role in the informal economy, individuals not only choose to be there but rely upon important relations and networks when doing business and generating livelihoods in the informal economy. The informal credit facility offered by foreign mobile distributors to some South Africans is a case in point.

One would question why distributors would take that risk considering that South African spazas struggle to make ends meet. I would argue that it precisely because they know this that they offer the credit in the first place. It is important to note that most of the individual distributors in the area, in some way or another, are linked into a much larger distribution chain consisting of at least 20 other distributors, most of who are reportedly of Somali nationality (Somali participants reported up to 50 distributors in the area). Being connected to a network of that size affords the distributor a relative degree of power as he has the ability to use the strength of the network, if he so chooses, when customers default on the payment of credit.

The credit agreement is enforced through the knowledge that if one does not pay, all supply from distributors in the area will cease. South Africans are aware of this and some, like participant 39mSA100, are forced into desperate situations, having to rely on the mercy of distributors when negotiating the re-payment of credit taken. In some instances having to roll over credit and payments in an effort to keep his business going; this was all done to avoid having to relinquish the business to distributors who would then merely pay him a small amount rent. South African spaza owners believe distributors are aware that individuals, who use their credit facility, are concerned about losing their businesses or having no stock, and this in turn assists the enforcement of credit agreements through the presence of a strong business network. There is therefore no need for a formal written agreement. In a similar way, the verbal agreements between Somali business partners are also enforced through strong networks involving kin, clan and community elders. Here too there is no need for formal documentation as any disputes arising from Somali loan agreements or the sale of spaza businesses are usually dealt with swiftly by relevant actors in the business and community network.

It was interesting to note, however, how Somali operators made ‘optimal’ (Maloney 2004) use of the South African legal and institutional framework, when it suited them, while remaining (primarily) informal. That is, when dealing with South African property owners, most reported that it was critical to have clearly defined legal documentation (in the form of lease agreements) to serve as proof of their contract with home owners. Most said they utilised the services of a South African Islamic lawyer based in Bellville. Documentation was important as the relationship between the parties concerned, namely, home owners and Somali businessmen, would most likely be based on weaker ties. Should a problem arise, enforcing the contract without this form of documentation would prove to be very difficult; a few Somali participants had already lost large amounts of money this way.

However, as is case with Somali notions of banking in South Africa, there are certainly instances where informality is chosen, if not preferred, above formality. Four of the five South African operators reported utilising bank accounts for the spaza shop and considered this to be a ‘crucial’ step towards trying to formalise the business. Some reported opening bank accounts when they heard rumours that South Africans would be allowed to register their spaza shops as formal businesses, despite living in residential areas not zoned for business. None of the Somali operators, however, reported ever owning (or having the intention to own) a South African bank account, citing the following as the main reasons why this was the case: there was uncertainty regarding their immigrant status, there were problems with the new banking policy which also conflicted with Islamic laws, but most important of all, the spaza business was cash based. Somali operators felt there was no need for a connection between them and formal South African banking systems, and the constant need for large amounts of cash to procure stock was merely a way to justify this point. For Somali businessmen operating in the Delft South spaza trade, cash was a quick, uncomplicated and efficient way of doing spaza business.

9.3 The Value of an In-Depth Ethnographic Case Study Approach

This thesis has explored the means through which spaza shop owners conduct their business in their attempts to accumulate wealth and establish successful businesses in poorer communities like Delft South. Using an ethnographic, area-based case study approach; the research focused primarily on conducting in-depth investigations into small retail grocers that operate informally. The research has contributed to the body of literature that has already been produced on both spaza shop enterprises and the South African informal economy. Using multiple data collecting methods the research has shown that an ethnographic approach

is able to achieve a deeper understanding of the spaza business and the commonly informal context within which it exists. The case study site was a small component of a much larger and sophisticated on going informal economy study that focuses much attention on trying to understand how to encourage state policy to be more accommodating and sensitive towards informal businesses. This larger study provided an important baseline from which to work. The research was therefore able to demonstrate that working from this baseline data, together with an in depth ethnographic (area based) case study approach, is crucial to a proper understanding of the informal spaza trade. It allows for multiple layering of information in research sites, which adds to the richness of not only the data collected, but also the analysis process and subsequent knowledge produced as well. Through case study comparison the research has demonstrated, for the first time, the nature of both South African and foreign owned spaza shops in a particular part of South Africa over a particular time. The study further incorporates rich descriptions of spaza operator and business histories, documenting and tracing major shifts that have occurred in the spaza trade while simultaneously observing business practices and nuances, as they unfolded in front of the researcher in 'normal daily life'. More importantly, for the first time, research has been able to identify and quantify the internal dynamics and organisational capacity of both spaza enterprises as well as the multitude of networks actively working within and between these individuals and these businesses in a particular part of South Africa's informal sector. In the past, conventional studies, based primarily on quantitative and or survey data, have largely struggled to research spaza shops dynamics and, at best, have only been able to tell one part of the spaza story. This thesis on spaza shops, as ethnography on small business enterprises in South Africa, has demonstrated the required research approach needed to better understand relational and network dynamics at a deeper neighbourhood level.

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11. Appendix

11.1 Figures and Tables



Figure 1: Typical shipping containers used by spaza operators, Somalis in particular. This business is located on private property in front of the residential home.



Figure 2: This South African spaza is built from brick and mortar. It is another example of bill-boarding by a popular cooldrink company. Note the security gate and serving area on the right; this is also the entrance to the spaza shop and one of the main entrances to the house.



Figure 3: Participant 30fSA020 was the only South African who considered her business to be a 'huise winkel' or house shop. She utilizes this tin shack when operating from inside the house located background.



Figure 4: Inside a Bangladeshi owned spaza. Note the bullet proof glass and serving area in the centre.



Figure 5: This Somali container spaza is an example of bill-boarding by a popular cooldrink company. A Somali spaza owner paid a Delft based artist to paint the plain shipping container so that it could be more appealing to customers.



Figure 6: Participant 36mSA0.250 owns a private taxi business and spaza shebeen in Khayelitsha. Note the beer crates stacked up near the window on the right. The fully stocked shelving is a key indicator of better access to capital.



Figure 7: Arcade / video games provide entertainment for youth. It is becoming a key livelihood strategy for South Africans that no longer compete in the spaza trade.



Figure 8: The inside of one of the oldest South African spaza's located on the Delft South High Street. This operator has been around for more than 10 years and has attempted to diversify his business through (illicit) liquor sales and the rental of catering equipment. Note the beer crates next to the empty Coke bottles. His efforts to formalise the sale of liquor has failed on numerous occasions as he cannot get a legal permit to sell alcohol from his premises.



Figure9: This building used to be a free standing garage, now a Somali spaza shop.



Figure 10: The inside of a South African owned spaza. Note the entrance into this owners lounge area to the left as you pass the cooldrink fridge. This was one of the more affluent and longstanding South African spaza businesses in the sample.



Figure 1: Participant 50mSom02, observed here offloading spaza products to a Somali shop in Delft South, owns a spaza shop in Elsie's River and is also a partner of another spaza business based in Gugulethu. The transportation business generates an additional R5000 per month.



Figure 12: A Somali distributor parked outside a supplier in Bellville (Cape Town). 'High top' canopies are popular as they provide additional spaza to stock spaza products. They are widely used in the trade by individuals in 'stock transportation' and 'mobile distribution' networks.



Figure 13: Popular 'value pack sausage' and pies (background) sold by Somali and other mobile distributors.



Figure 14: The inside of a Somali spaza shipping container business. Note how well the shelves and fridge has been stocked with a diverse amount of products. This operator does not own a vehicle but has access to 'stock transportation' and 'mobile distribution' networks run by kin and friends also operating in the spaza trade.



Figure 15: The inside of South African spaza shop, poorly stocked shelves are common amongst the group.

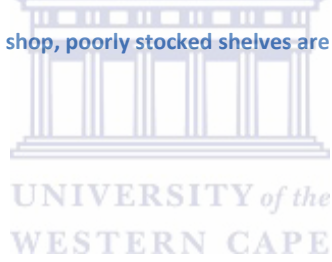


Table 1: South African spaza operator profiles

DATA CODE	WAYPOINT	SPAZA STRUCTURE	NATIONALITY	RESEARCH LOCATION	RACE/ ETHNICITY	AGE	GENDER	RELATION TO SPAZA BUSINESS	HOW LONG HAVE YOU BEEN LIVING IN DELFT (YEARS)
39mSA10O	1339 – current spaza	Separate room but connected to main house	South African	Delft South, A1	Coloured	39	M	Owner	10
36mSA0.25O	1328 – current spaza	Separate room but connected to main house	South African	Delft South, A2	isiXhosa	36	M	Owner	6
41mSA07CO	1343 – current spaza	Separate room but connected to main house	South African	Delft South, A2	isiXhosa	41	M	co-owner (with wife)	7+
32fSA03CO CLSD	1340 – spaza closed, now exclusively arcade and games	Garage but connected to main house	South African	Delft South, A2	Coloured	32	F	formerly co-owner (with her husband)	15
30fSA02O	1342 – more of a house shop / ‘huis winkel’	Operates from a shack in front of or from within the house	South African	Delft South, A2	Coloured	30	F	Owner	4

Table 2: Foreign spaza operator profiles

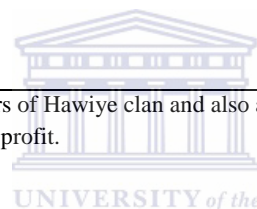
DATA CODE	WAYPOINT	SPAZA STRUCTURE	RESEARCH LOCATION	NATIONALITY	CLAN/SUB CLAN NAME	AGE	GENDER	RELATION TO SPAZA BUSINESS	CURRENT STATUS IN SA	WHEN DID YOU LEAVE COUNTRY OF BIRTH
24mSom01O	1324	Building, not attached to main house	Delft South, A1	Somali, from the South	The Hawiye – Noble Clan	24	m	Sole owner, was 1 of 3 partners in previous spaza container	Refugee, valid for 2 years	3 years ago: June 2009 and been in South Africa since
33mSom2.5P	1325	Container	Delft South, A1	Somali, from the South	The Abgal - sub clan but a majority	33	m	1 of 2 partners in the business	Refugee, valid for 2 years	2 years ago: January 2010 and been in South Africa since
20mSom01P	1327	Building, not attached to main house	Delft South, A1	Somali, from the South	Hawiye	20	m	1 of 3 partners in the business	Refugee, valid for 2 years	5 years ago: 2007 but in South Africa since the end of 2009
47mSom02P	1331	Building, separate room but connected to main house	Delft South, A1	Somali, from the South	Abgal	47	m	1 of 2 partners in the business	Refugee, valid for 2 years, recently married SA female	6 years ago: 2006 but in South Africa since the end of 2008
30mSom0.5P	1332	Building, entire house has been rented out	Delft South, A1	Somali, from the South	Issa - sub clan and minority	30	m	1 of 2 partners, recently made partner, 15% share	Refugee, valid for 2 years	2 years ago: January 2010 but been in South Africa since mid-2010
32mSom0.5P	1333	Container	Delft South, A1	Somali, from the South	Hawiye	32	m	1 of 2 partners in the business	Asylum Seeker, valid for 6 months	5 years ago: Mid-2007 and in South Africa since June 2007
50mSom02P	1335	Container	Delft South, A1	Somali, from the South	Abgal	50+	M	1 of 2 partners but previously owned 100% of the business	Refugee, valid for 2 years	5 years ago: Been in SA since 2007
36mBan03O	1326	Building, not attached to main house	Delft South, A1	Bangladeshi	n/a	36	M	Sole owner, many partnerships in the past	Work permit	9 years ago: Been in South Africa since 2003

Table 3: Key elements of South African spaza businesses: ownership and labour

Data Code	Ownership	Labour
39mSA100	Sole owner	Mainly owner run – but with occasional help from family members; no regular wages are paid to family members, business was said to be for the benefit and survival of all in the family.
36mSA0.25O	Sole owner	Mainly owner run – his wife gives of her time to the business when she can, in the evening and on weekends and without pay, as it is being built up to leave a legacy for their son.
41mSA07FO	Family Owned	Family run - his wife started by selling to the local school, he did the same from home. They both run the business and draw a small amount of money to cover household costs; sometimes wife gets a little ‘pocket’ money.
32fSA03FO CLSD	Family Owned	Family run – Husband started it initially, she assisted on weekend’s; niece and son also began assisting in their spare time. She did not draw any wages as any extra money was to be spent communally in the home.
30fSA02O	Sole owner	Owner run – When husband leaves prison he will assist (as a co-owner) with costs and will provide additional labour. Current runs the business alone. Does not pay herself or any other family member money, as the shop does not make that kind of profit. Any additional money is spent on stock and then on buying small amounts of groceries and daily items for the household to survive on.

Table 4: Key elements of Somali spaza businesses – ownership and labour

Data Code	Ownership	Labour
24mSom01O	Sole owner – before this spaza, was in a partnership with 2 other Somalis in container spaza	Owner and Employee run - Employs 18 year old Somali male who together with him runs the business. The employee earns R2000 per month, working 7 days a week and is a friend of a friend.
33mSom2.5P	Partnership: profit sharing (or 50%) with 1 Somali man; also in another spaza partnership	Partner and Employee run – 2 partners are cousins. Employ a 20 year old brother of one of the partners. All Abgal. Employee earns R800 per month working 7 days a week.
20mSom01P	Partnership: profit sharing (or 33.3%) with 2 Somali men in Delft	Partner run - The 3 partners are members of Hawiye clan and also act as employees. The junior partner earns R1500 per month working 7 days a week; 2 senior partners each get R5000 profit.
47mSom02P	Partnership: profit sharing (or 50%) with 1 Somali man in Delft and 3 Somalis in Hanover Park	Partner and Employee run - Partner and the 19 year old employee are from the Abgal sub clan, he is from the Hawiye. Employee earns R2000 per month working 7 days a week, he and the partner get a R5000 cut of the profits each month.
30mSom0.5P	Partnership: profit sharing (or 15%) with uncle in Somalia (85%)	Partner and Employee run - Both the partner and the 20 year old employee are from the minority Issa clan. The partner is supposed to get 15% of monthly profits and the employee is supposed to get a small wage but neither gets remunerated as the business has been struggling.
32mSom0.5P	Partnership: profit sharing (or 50%) with 1 Somali man in Delft	Partner run - He and partner (a close friend) work in the spaza, they do not have employees as the business is not 'big enough yet'. Both get a R2000 profit share from the business which is barely enough to survive on and run a business. He is from Hawiye and the partner is from the Abgal sub clan.



50mSom02P	Partnership: profit sharing (or 50%) with 1 Somali man in Delft, another partner in Elsies River spaza	Partner and employee run – he and his new partner (ex-employee) are both from the Hawiye clan but his 20 year old employee is Abgal. The employee earns R1000 per month for 7 days a week; the partner earns R5000 from profit sharing per month.
36mBan03O	Sole owner – but has been in 3 spaza business partnerships in the Delft area	Owner run – tried employing a local South African man but communication was poor and the man was not reliable, is willing to hire someone and pay between R2000 and R2500 per month.

Table 5: Key elements of South African spaza businesses - capital, internal dynamics and networks

Data Code	Capital (Investment in business)	Internal dynamics (Trading times, stock etc.)	Social, Business and Kinship Networks (Social capital)
39mSA10O	Started with R100 brother loaned him selling fruit and veg on the pavement outside the home on the street.	Unable to support South African suppliers; they can't offer him credit facility and also no vehicle, lost it to debt.	Uses 2 Somali and 1 Pakistani mobile distributor to supply him with spaza products on credit. Relies on credit from Somali distributor.
36mSA0.25O	He put in R25 000 of his own money that he raised from his taxi and spaza shebeen business.	Spends R4000 cash on average when stocking up and R6000 at month end. Makes 5 trips per week.	No links to any spaza distribution network, has observed mainly Somalis and Pakistanis doing this; Purchasing stock alone.
41mSA07CO	Wife used R50 to buy chips and sweets, made R20 profit, used this to buy extra products that people asked for, it was first a house shop.	Spends up to R3500 cash each time he goes to suppliers, 2 trips per week.	Does not purchase from Somali or other mobile distributors, approached many times by 'Somali agents' who want to supply him; purchases his stock alone.
32fSA03CO-CLSD	Husband took R700 from his bonus to start the business. Started with soft-drinks. Started small and built up over eight months.	Her husband would spend up to R2500 per trip and stocked up 3 times per week.	Only got bread and milk deliveries from the major South African suppliers; never approached by 'Somali agents'; husband used to purchase stock alone.

30fSA02O	Loaned R1500 from aunt to build space for shop and purchase stock. Struggled to get the businesses going from day one because Somali spazas in the area were rapidly on the increase.	She spends a between R300 and R500 per trip. Takes a taxi so 2 trips on one day and 3 times per week.	Has never purchased from Somali or other mobile distributors in the area. 'Somali agents' frequently approach to supply stock. Does not have business partner to share stock and transport costs.
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Table 6: Key elements of Somali spaza businesses - capital, internal dynamics and networks

Data Code	Capital (Investment in business)	Internal dynamics (Trading times, stock etc.)	Social, Business and Kinship Networks (Social capital)
24mSom01O	Invested R20 000 on his own into the business using money from the sale of a previous spaza shipping container business in Delft.	Purchases in Philippi alone and spends R6000 but in Epping suppliers gives discounts then purchases bulk with 2 other Somali spaza owners in Delft. Buys bulk once per week.	Mostly buys from Somali mobile distributors, but has also dealt with South Africans, Burundi's and other foreigners. Purchases alone and with other Somalis.
33mSom2.5P	A total of R30 000 was invested to establish the business. His cousin invested R20 000 while he contributed the other R10 000.	Spends R4000 at suppliers in Epping; using R2500 at supplier in Philippi. Credit is used once a week. Goes to supplies 3 times per week.	Purchasing from Somali mobile distributors; are 20 people from various nationalities distributing spaza products. Shares spaza cost with cousin / partner.
20mSom01P	Worked for a period without pay, got a R25 000 loan from previous owner (a close friend). Got two others to buy in for R25 000 each and repaid loan within 8 months.	Spend R2500 each time goes to supplier, makes about 20 trips per month.	Used to buy from Somali mobile distributors but one partner recently started doing distribution. Cost of stock is shared with two clan members / partners.
47mSom02P	Used of the money he had saved and left in a bank account in Kenya to start spaza. He and partner each invested R10 000 into starting a new spaza business; total R20 000.	Go to suppliers at least four times per week, and buys at least R10000 worth of stock each time.	Only uses Somali mobile distributors for specific products, is able to get other products at same price as distributors. Knows of about 20 major distributors in Delft. Stock cost is split with his partner.

30mSom0.5P	His uncle had invested R20 000 in 2010 purchasing the shop from the previous South African owner who had decided to move out and rent the entire house as a business.	Money for stock is limited depends on weekly sales; usually does not spend more than R800 per purchase once a week. Does not have transport, pays South African neighbour to assist.	Only purchased from mobile distributors on a few occasions; mostly Egyptian, Bangladeshi and Ethiopian. They belong to the Issa sub clan so difficult to attract business partnerships with Somalis who have money and who know distributors.
32mSom0.5P	R40 000 was invested in the business. He had saved up R10 000 while working as a shop assistant and also loaned R10000 from his brother who owns 2 shops in Delft; the partner invested the remaining R20000.	Only afford to spend around R2000 per week on stock once per week as the cash they have is not enough to sustain the business.	Purchase from 2 Somali mobile distributors but knows of many Somalis doing this as a business in Delft. Two partners share all the spaza costs; often takes of the R2000 profit each gets per month and plough it back into the business. Desperate to find another partner to share costs with.
50mSom02P	One partner originally owned 100% of the shipping container spaza and investing R30 000. The new partner bought into the business for R15 000 with money he had saved while working in that very shop.	Spends R15 000 or more per week on stock for three spaza shops. He covers 100% of the cost for products at his shop in Gugulethu and 50% of stock for the spaza in Elsies River. Makes 3 trips to suppliers per week for his 3 stores and another 6 per week for 2 other Somali owned spazas in Delft.	Used to purchase from Somali mobile distributors in the past; has been running a transport business alongside the spaza business for 12 months. Now shares the running cost of the Delft spaza with his new partner.
36mBan03O	Paid R30 000 for the spaza building with stock and then spent another R30 000 over the course of 1 year on extensions and extra stock.	Spends around R10 000 or more each time he goes to suppliers. Goes to suppliers 3 to 4 times per week.	Somali vans usually come around once a week, only purchases if the prices are good (cheap), which is usually once a week. Also buys from Burundi. Does not share spaza costs as is not currently in a partnership.

Table 7 : Somali labour and employment

Data Code	Number of people in spaza during working hours	Employer / Employee Relationship	Number of spazas employee has worked in (including this spaza)	Employee monthly salary and days worked in a week
24mSom01O	2	The owner employs an 18 year old Somali male who together with him runs the business. The employee is a friend of a close friend.	The employee has worked in 3 Somali spaza shops	R2000 per month working 7 days per week.
33mSom2.5P	3	The partners (who are cousins) employ the 20 year old brother of one of the partner's he too is the Abgal sub clan and for now functions as a shop assistant, both the participant (one partner) and employee (his cousin) work in the spaza, the other partner assists now and then.	First spaza he has worked in.	The employee confirmed earning R800 per month working 7 days per week.
47mSom02P	2 – 3	The one partner and the 19 year old male employee are from the Abgal sub clan, the participant (other partner) is from the larger Hawiye clan, so the others mainly run the business on his behalf, but he does also assist.	The employee has previous shop experience in at least 3 other Somali spazas.	R2000 per month working 7 days per week, the partner said the employee has previous work experience thus higher wage but usually start with R1000 or less per month.
30mSom0.5P	2	Both the partner and the 20 year old male employee are from the minority Issa clan. They barely make enough to pay high rent so they have a place to stay and some stock for the business to continue. The other partner (uncle) returned to Somalia and it is uncertain if he will come back.	The employee and the partner have worked in a total of 3 Somali spaza shops.	Neither the partner nor the employee is remunerated, the shop is struggling to survive, they work 7 days per week for the entire month.

50mSom02P	3	The one partner is from the Abgal sub clan while the other is Hawiye. They employ a 20 year old male from the Abgal sub clan as a shop assistant. The new partner used to earn what the employee earns for a while but now, like his partner (or former boss) earns R5000 from the profit sharing per month.	This is the 3rd Somali spaza the employee has worked in. The new partner (ex-employee) also worked in 2 others before earning R1000 per month for 7 days	The employee earns R1000 per month working 7 days per week.
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Table 8: South African spaza trading times, stock procurement behaviour and stock transportation from formal suppliers

Data Code	Trading Times	Major Formal Suppliers: Wholesalers, Cash and Carries etc.	Stock Procurement Behaviour	Stock Payment: cash and or credit / account	# of trips to suppliers per week	Total spent on stock during a single trip to supplier	Stock Transportation from Formal Suppliers to Spaza Business (Wholesalers / Cash and Carries)
39mSA100	7am - 9am, 6 days per week, closes 1 day for church and to replenish stock	Before he began relying on Somali mobile distributors for stock on credit, he used to purchase mostly from Philippi Cash and Carry.	Purchases Alone	Credit from Somali mobile distributors; pays them cash weekly.	None at the moment as all stock is delivered to him.	R5000 in the past at South African wholesalers.	Used to own vehicle but had to sell it due to debt about 2 years ago. Now forced to support Somali mobile distributors as they bring the stock to his door step. Pakistani distributors also deliver to him. Only goes to wholesaler if there is extra cash, which is hardly ever the case and then he needs to take a taxi.
36mSA0.250	7am – late, 5 to 6 days per week.	Philippi Cash and Carry, Jumbo Cash and Carry and Giant Sweets in Epping.	Purchases Alone	cash	5	R2000 for each shop so R4000 in total per trip, but at end of month spends around up to R7000 on bulk purchases.	Yes. Does not support other South African spaza owners (who don't have vehicles) with the transport of stock.
41mSA07CO	7am to 8pm, 5 days per week, closes for church & to replenish	Chikro or 1Up in Mitchells Plain.	Purchases Alone	cash	2	R3000 to R3500	Yes. Does not support other South African spaza owners (who don't have vehicles) with the

	stock weekends.						transport of stock.
32fSA03CO-CLSD	7am – 9pm but only if she had enough stock of the essential items: bread and milk. 6 days per week.	Used to purchase from Winners or Budget in Mitchells Plain as it is a little closer.	Purchases Alone	cash	In the past used to go 3 times	Used to spend around R2500 to R3000 at mainly South African wholesalers in the past.	Lost vehicle due to debt approximately 1.5 years ago when the spaza shop was forced to close. Mainly purchased stock on Wednesday and Friday after work, and on a Saturday/Sunday especially to look for discounts.
30fSA02O	8am to 8pm, 4 to 5 days per week.	Winners or 1UP in Mitchells Plain.	Purchases Alone	cash	3 times depending on how quickly the money comes back in.	R300-R500; can't afford to spend more; business is inconsistent.	No. Uses a taxi and has to make 2 trips each time she goes. If she goes Monday, Thursday and Saturday (or Sunday) = 6 taxi trips to get stock.

Table 9: Somali spaza trading times, stock procurement behaviour and stock transportation from formal suppliers

Data Code	Trading Times	Major Formal Suppliers: Wholesalers, Cash and Carries etc.	Stock Procurement Behaviour	Stock Payment: cash and or credit / account	# of trips to suppliers per week	Total spent on stock during a single trip to supplier	Stock Transportation from Formal Suppliers to Spaza Business (Wholesalers / Cash and Carries)
24mSom01O	Opens at 4am starts from 6pm to 10pm for 7 days a week	Philippi Cash & Carry and Giant Sweets (Epping)	Alone at Philippi Cash & Carry but when there are specials at places like Giant Sweets then purchases stock with 2 other Somali spaza owners.	Cash	1 bulk purchase	R6000	Purchase between Monday and Wednesday. No vehicle, intends buying soon as it is crucial to a successful business. Friend who owns spaza takes him, and another Somali owner in Delft, to the shops once a week, each pays R300 (per trip).
33mSom2.5P	Opens at 5am starts from 6pm to	Philippi Cash & Carry and Giant	Splits the cost of stock for Delft spaza	Cash and Credit	3 weekly and 12	R4000 cash and R2500	Purchases on Monday, Wednesday and Friday.

	10pm for 7 days a week	Sweets (Epping)	with partner, but the partner will also purchase stock for his own store (also in Delft at the same time.	(account)	per month.	credit.	Partner owns a van; he merely contributes to wards petrol, R100 to Philippi Cash and Carry and R100 to Giants Sweets in Epping (per trip).
20mSom01P	Opens at 5am starts from 7pm to 10pm for 7 days a week	Mainly at Philippi Cash and Carry and others in Bellville mainly for 'cheap' cigarettes and airtime.	Shares the cost of stock with his 2 partners.	Cash	5 weekly, depends on stock situation.	R10 000+ especially when fully stocking the spaza	One of the partners owns a delivery van; he merely contributes between R200 and R250 towards petrol (per trip) and his partner is expected to do the same.
47mSom02P	Opens at 6am starts from 7pm until after 10pm for 7 days a week	Philippi Cash and Carry and IUP in Epping mainly, but sometimes Makro in Ottery.	Shares cost for stock and transport within a partnership, but also pays for stock for his other spaza in Hanover Park at the same time.	Cash	4 and 16 in total for the month.	R10 000+	Stock purchases are always made early in the week and then sold during the rest of the week. Recently had to purchase another vehicle as previous 2 had been stolen.
30mSom0.5P	Opens at 4am starts from 6:30pm to 9:30pm for 7 days a week	Only buys at Philippi Cash and Carry	Alone, belong to Issa minority clan; said it was difficult to get partnerships or attract other Somali businessmen with money to share the spaza costs.	Cash	1 weekly purchase with limited budget.	No more than R800 per purchase	Purchases stock on Mondays. South African neighbour assists with transport to and from wholesalers, pays R50 (per trip).
32mSom0.5P	Opens at 6am starts from 6:30pm to 10:30pm for 7 days a week	Only buys at Philippi Cash and Carry	Share cost of stock with his partner and they sometimes pool money with others especially at places like Jumbo Cash and Carry & Philippi Cash	Cash	1 bulk purchase	R2000	Purchases stock before Wednesday. A friend who owns a spaza in Tsunami (Delft) assists him with transport, pays R100 – this friend is also one of many Somali mobile distributors

			and Carry that often offer specials.				('Somali agents') in the area.
50mSom02P	Opens at 5:30am starts from 6pm to 10pm for 7 days a week	Various wholesalers in Bellville especially for airtime, 'cheap' cigarettes, and sweets, only buy these in Bellville. Goes to Philippi Cash and Carry and Giant Sweets (Epping) as well.	Pays alone for products at his 2 other shops outside Delft, but will now be sharing cost of stock with new partner (previous employee) for spaza in Delft. An additional 2 shops in Delft that he assists with transport also purchases stock within a partnership.	Cash	1 bulk purchase	R5000 for each store, R15 000 per week split between 3 spaza shops.	Owens a delivery van, transports stock for his 3 stores as well as 2 other spazas in the larger Delft area; makes an additional R5000 per month doing this. The money he makes from assisting others with stock transport is highly dependent upon how much each person spends at various suppliers, but usually R50 for every R1000 spent.

Table 10: Bangladeshi spaza trading times, stock procurement behaviour and stock transportation from formal suppliers

Data Code	Trading Times	Major Formal Suppliers: Wholesalers, Cash and Carries etc.	Stock Procurement Behaviour	Stock Payment: cash and or credit / account	# of trips to suppliers per week	Total spent on stock during a single trip to supplier	Stock Transportation from Formal Suppliers to Spaza Business (Wholesalers / Cash and Carries)
36mBan03O	7am to 10pm for 7 days a week	Giant Sweets, Jumbo Cash and Carry and sometimes Philippi Cash & Carry	Currently purchases alone. Although he has been in 4 spaza partnerships in the past, the only time he shared the running cost of the business was when his brother partnered him.	Cash	Usually spends one day doing bulk purchases at various suppliers every week	R10 000+	Purchase of stock happens early in the week, between Monday and Wednesday. Owns a vehicle.

Table 11: Somali mobile distributor spaza products sold in bulk

Number	Product	Description
1	Sausage	Often referred to as 'value pack sausage'. This product was usually sold in 1kg and 2kg packs.
2	Chicken	Often referred to as 'chicken chunks'. This product was usually frozen and sold in 1kg packs.
	Meat	Most in the form of large soup bones. This product was usually frozen and sold in 1kg, 2kg and 5kg packs.
4	Pies	Pies were not frozen and usually sold in large packs of about 2 dozen.
5	Potatoes	Sold in large 10kg bags.
6	Onions	Sold in large 10kg bags.
7	Polony	Often referred to as 'French polony or penny polony'. This product was usually frozen and each unit weighed 2.5kg's.
8	Cigarettes	The product sold was usually one/two premium brands as well as one/two popular budget line brands. Sold either in a carton (known as 'one gross', equivalent of 200 loose cigarettes) or in case lots (known as 'a box gross', consisting of 50 cartons or 10 000 loose cigarettes).
9	Chips	Often referred to as 'cheap chips'. This product was only sold in packs of 50 at R0.50 per packet (or R25 gross).
10	Candles	Usually sold in packs of 10 at R10 per pack.
11	Rice	Usually sold in large bails consisting of 500gr, 1kg or 2.5kg packets. Some stocked 10kg bags and sold with other items as a food hamper.
12	Sugar	Usually sold in large bails consisting of 500gr, 1kg or 2.5kg packets.



Table 12: Additional stock variety offered by Somali mobile distributors

Number	Product
13	Oil
14	Eggs
15	Bompies / Ice Lollies
16	Toilet paper
17	Sweets
18	light bulbs
19	Powdered soup packets



Table 13: Somali Capital Investment in spaza business

Initial Cash Invested	Spaza Structure Type	Ownership Type	Number of operators in the sample
R20 000	Shipping container and Existing spaza building	2 Partnerships and 1 sole proprietor	3
R25 000	Existing Spaza building		1
R30 000	Shipping container	Partnership	2
R40 000	Shipping container	Partnership	1
	Common structures: Shipping containers and Existing buildings		Total: 7 Somali participants

11.2 Extracts of foreigner narratives of journeys into South Africa:

field notes, 24mSom010...The main reason for leaving my homeland is due to a number of reasons...the country is lacking in a number of areas, the obvious one is security and safety but also in education and general human rights. My parents were worried about the children so they recommended that I leave and I was so young and they knew I would eventually be recruited into the war either by the army or by the rebel fighters...and so my parents paid for me to leave, they sold one of the properties and gave me \$2500. This is the money I used to pay the brokers...these were the people responsible for me getting into South Africa...they are of many nationalities and include people of Somali, South African, Mozambican, Kenyan decent. There are many African nationalities doing this broker business as it is lucrative. I paid this money upfront in Kenya, these guys normally spilt the money with others who are involved in the network in all the countries you travel in...so they just tell you to go there and in there and with that one and this one...these brokers have good experience with travelling long distances and with getting across national borders without trouble. On the way to South Africa I passed through Kenya and then came to Tanzania by foot and truck, from here I took a boat ride to Mozambique where I waited with about 40 other Somali nationals for 3 days for a different broker to collect us for the next stage of the trip. During the time I was in Mozambique, I was able to contact my parents via the brokers and they helped me get extra money from my parents, I used this \$1000 to live off in the time I was in Mozambique. My journey to South Africa from here took another 1 month and eight days but I had travelled in total for about 43 days since leaving Somalia. It takes a lot of time especially when you do not have money or have very little of it, you need the money to take a bus, car, truck or by boat...if you are on foot you need money for protection and for food and water. I did not have any problems in Mozambique...it just took a long time to get the broker to move us safely from that point. We eventually got onto a bus and headed straight for the South African border post...as the broker said it would be safer to just go through there and declare ourselves as asylum seekers. I did not have money so decided to go through the border post... I did this and waited about 8 hours at the border to get a letter stating that I now had 14 days to report to the home affairs offices in the city of Johannesburg. After getting this letter...by that time I had contacted a blood relative, a cousin, who was already been expecting my arrival and had been living in Mayfair waiting for me to come in. When I left the border we headed straight for Cape Town, but I had no money by this late stage of my

journey....however I was determined to learn this (spaza) business I kept seeing and hearing about.

field notes, 33mSom2.5P...You see, the rebels had fired rockets at our village. My father and brother were both killed as a consequence of the war. First my brother was killed in the bombings then the soldiers came a few days later and apprehended my father, he used to be a government soldier, and he was shot and executed along with other government soldiers in our village. I was not there that day they killed my father as I was transporting people in my taxi...when I got back my mother and other extended family pleaded with me to leave before the rebels returned as they knew I would be next....I listened to them leaving my mother, children and wife behind... I left home in January 2010...I have not seen them since. I passed through Kenya by foot and when I could find...by vehicle and this took 20 days to get over the Kenyan border, then I took a boat and landed in Dar es Salaam, the capital of Tanzania...My entire trip to South Africa cost me about \$1700 US....it was long and hard...first through to Malawi, then to Mozambique and finally after many days on towards Zimbabwe and into South Africa. The entire trip took no less than 45 days from what I can remember and at least 25 of those was spent travelling on foot, the rest by boat and all sorts of different vehicles...I remember the confusion and constantly having to ask people in the settlements we came cross if I was going the right way...if they knew the best path to South Africa...I lost count of the time I spent travelling across and in each of the different countries, I think it was 9 days in Malawi, 7 days in Mozambique, 12 days or more in Zimbabwe while the rest where spent early in Tanzania and Kenya. I contacted my mother when I reached the South African border as I had no money at this point as the other money I left with was spent on brokers and surviving that horrible journey...she arranged to sell one of our other houses so that she could send me money to get into South Africa and make a new start, she sent \$1000 via some popular Somali business people here in Bellville Cape Town....this was the money I would use to establish myself in spaza business.

field notes, 20mSom01P...I have been in South Africa for 2.5 yrs. I left Somalia in 2007 and went to school in Kenya because my father has a strong clothing business there, I completed the schooling in 2009 and there was no schooling in Somalia and I needed to have a basic education. At the end of 2009 I told my father I wanted to come to South African to learn how to become a business man on my own, he told his people in Kenya to arrange \$800 for me and I paid this to the broker boss in Kenya...this is the person in charge of the network that helps you to get from one country to the next. So I took a boat from Kenya to

Mozambique, the trip was 12 days long because we ended up getting lost in an attempt to avoid border patrols on the water. At one point we decided we had enough of the boat and many of us just jumped into the water when we saw the next harbour...we realised that we were in Musimba in the DRC and had to walk to get to the police station where we could track down the officials from the UNHCR to assist us to get to Maratane....a refugee camp in Mozambique....when we got to the camp we had to stay for 6 days and wait for the Somali to fetch us, we now had to go to Nabula which was the second largest city in Mozambique...it was 90kms away...first the broker hid us away from the police in Nabula for 18 days, there was 20 of us all waiting there in one house. From here the Somali brokers took us to Zimbabwean border where the Zimbabwean broker took over, most people had to pay between \$1500 and \$2000 for this trip but because I had a good relationship with the broker boss in Kenya I only paid \$800. I lived near him when I was going to school in Kenya and so he told the Zimbabwean broker that I was not being charged for that part of the trip. We were then taken to the South African border where we had to bribe the Zimbabwean police to let us into South Africa....so each person was asked to pay \$10 to the head officer [\$200 for entire group] as we would never get in without his permission....we did this and were allowed to pass. When we reached SA they just asked a few questions and I received a 14 day letter to get to the nearest city and home affairs department....the entire trip took 45 days. I had absolutely no money when I came into SA but I knew my close uncle was here since 2007 and that there were many of my other relatives especially in Bellville in Cape Town. While at the border I was asked to wait for a Somali with the nickname Marshal, this man was well known by immigrants for assisting refugees at the border who were sick and getting them to hospital, he came and took us to Mayfair in Johannesburg....you know *little Mogadishu*... and after four days I was given a lift and ended up in Cape Town...when we got to Mayfair it was easy to track a friend down because most Somalis in South Africa now are from the southern part...from places like Mogadishu and they helped me with transport to Cape Town where most of my blood relatives were....this was just before the 2010 Soccer World Cup started, when I got to Cape Town, I immediately went to Bellville and was united with my close uncle.

field notes, 47mSom02P...I have been in South Africa for three years now since the end of 2008...but I left Somalia in 2006 to go to try and establish business in Kenya...I stayed there for 1 month and left a lot of the money I had saved in a bank account with a relative living there....about \$20000 in total, then I took a boat to Tanzania...I was arrested here and

captured for one year as I had no documentation and did not have enough money to pay the officials off. I was eventually released in 2007 and then I went to Malawi as this was the preferred route into South Africa before 2010. I stayed in Malawi for about eight months, from there I went to Zimbabwe and then straight into South Africa...I did not leave Somalia with the intention of coming to stay in SA, I was merely travelling to various countries for places to work or set up business. It was difficult to set up proper businesses in these other countries because the police ask for work permits for everything...I was told things were easier in SA and so I came here. When I left Somalia in 2006 the \$20000 saved up this was about R204 000 that time but I spent about \$5000 of this while trying to find a place to set up business before coming to South Africa in 2009...I also spent another \$3000 on my journey to get to South Africa but did not have to wait too long as I had enough cash to get into the country without any problems.....when I came to South Africa I had access to about R140 000 in my Kenyan bank account....my relative was able to assist me when I needed cash to be sent via money order, bank draft or relatives coming to this country.

field notes, 30mSom0.5P...Twenty one months ago I left Somalia to escape the war...I was travelling with about 50 other men, women and children from Somalia. Most of us were detained in Kenya as the police were looking for documents which we did not have, so they kept us locked up for 20 days...some Somali residents in Kenya got us out but I don't know if they did this by paying the police off with bribes...during the time we were detained I lost all my property and the only money I had which was \$150, the Somalis living in Kenya helped get us to Maratane refugee camp in Mozambique but we suffered worse when we were there as nothing is provided in this camp...no water, no food, not even a toilet or blankets....so we fled to the border area at Musina between Zimbabwe and South Africa...I had no money on me but the people I travelled with were all kind to one another, only a few had money so we could not pay the brokers thus the trip took long and risk of getting caught was higher... this is what Somalis do when they are running away from the war, so they helped me despite our differences. The entire journey from Somalia to South Africa took me 4 months when I got to Johannesburg I did not know where I was...I spent ten days there and the Somalis who had helped me before organised one of their relatives, who was travelling to Cape Town, to assist me with transport...I had no way to pay them so for that ten days I assisted in one of the grocery shops they ran....I eventually contacted my only relative in South Africa at the time, my uncle, to say I was coming....and this is how I came to be in Delft.

field notes, 32mSom0.5P...I first left Somalia in early 2007, the main reason for leaving was because I lost many family members during an artillery bombing on my village by the rebels...I lost my mother, sister and father...my wife was also critically injured...when I left the first time it was to visit an aunty in Ethiopia to see if I could find a new place to bring my family but could not take them with me at first...and so I left to go to Ethiopia at the end of January in 2007 but returned shortly after as I could not find a place for them....while there I even tried to make plans to get my family into Europe but my aunty was unable to help me with that so I returned to my family. I had to find another way so the second time I left, also in 2007, was to go to Kenya but I have 5 children and a wife and could not make this journey with them without knowing for sure that I would find a place for them, so the best option was for them to wait in Somalia. I left Somalia with \$1500 I had raised by selling my clothing business to people who intended on staying in Somalia and who were looking to buy up property....I was lucky as I did not think anyone would buy it considering the war but people are still doing business despite this situation. I went to Kenya first to arrange my transport through to South Africa, I paid the \$2000 required for the journey but had to borrow \$500 from a friend who was on his way to Angola, we passed through Tanzania, this journey was done on foot with about 17 others and it took us about 10 days to reach Tanzanian border. From Tanzania we took a truck to Zambia but when we got there we were immediately apprehended by some Zambian border police and held for 14 days without discussion. We did not know that the brokers were negotiating our release with this police and each of us had to give about \$10 dollars to be released, this was paid to the officer in charge. Myself and others were lucky to be able to successfully hide most of our money and we kept enough on us to cover this bribe...when the police let us go the Somali brokers expected us to climb into an empty tanker which stank badly of petrol fumes, this tanker they said was what they used to transport people through various countries like Tanzania, Kenya and Zambia to places like South Africa. At first I refused and then they said I would be returned to the Zambian police so I had to cooperate, were locked up in the tanker for about 5 days in total and they only stopped to let more people in or take people out and to sometimes let fresh air in. We got to the Malawian border and were let out of the tanker as it was being searched by a surprise border patrol. The police took most of our belongings and almost all the money people had hidden. For three days we walked until we reached the Malawian capital and there we were told to find a Malawian broker who would take us to Mozambique...we did not have to pay this man as the bulk of the monies, roughly \$2000 each, was paid to his boss at the beginning of our journey in Kenya, once you pay this you are not supposed to pay a broker again....but

his is not always the case....at the Mozambique border we once again had to pay \$10 each to the officer in charge and were let into South Africa. When in South Africa the officers at the border post asked for papers which I said I did not have and they issued me with a fourteen day letter stating that I needed to appear at the nearest home affairs office for registration. At the border we were met by a taxi driver who gave us food and water as we had nothing when we arrived, this man did not ask for money, he was also co-operating with Somali brokers in Johannesburg and so he took us to a place called Mayfair where we were handed over to the Somali brokers....they took us to a house which they rent there and where they hide new refugees. All eighteen of us were told to contact people we knew as they were now expecting each of us to pay a R1000 release fee....the house had three bedrooms and we slept about six in a room....I was locked up here for a few days until my brother, living in Cape Town at the time, paid R2000 to these men to release me and a someone else I had befriended along the way....the brokers know that most of the refugees have relatives, close friend or clansmen living and working in South Africa so getting the release fee is usually not a problem. A few days later my brother arranged transport for me from Mayfair to George and then to Cape Town....the entire trip from Somalia took me three months until arrived in Cape Town.

field notes, 24mSom010...The main reason for leaving my homeland is due to a number of reasons...the country is lacking in a number of areas, the obvious one is security and safety but also in education and general human rights. My parents were worried about the children so they recommended that I leave and I was so young and they knew I would eventually be recruited into the war either by the army or by the rebel fighters....and so my parents paid for me to leave, they sold one of the properties and gave me \$2500. This is the money I used to pay the brokers...these were the people responsible for me getting into South Africa...they are of many nationalities and include people of Somali, South African, Mozambican, Kenyan decent. There are many African nationalities doing this broker business as it is lucrative. I paid this money upfront in Kenya, these guys normally spilt the money with others who are involved in the network in all the countries you travel in...so they just tell you to go there and in there and with that one and this one...these brokers have good experience with travelling long distances and with getting across national borders without trouble. On the way to South Africa I passed through Kenya and then came to Tanzania by foot and truck, from here I took a boat ride to Mozambique where I waited with about 40 other Somali nationals for 3 days for a different broker to collect us for the next stage of the trip. During the time I was in Mozambique, I was able to contact my parents via the brokers and they helped me get extra

money from my parents, I used this \$1000 to live off in the time I was in Mozambique. My journey to South Africa from here took another 1 month and eight days but I had travelled in total for about 43 days since leaving Somalia. It takes a lot of time especially when you do not have money or have very little of it, you need the money to take a bus, car, truck or by boat...if you are on foot you need money for protection and for food and water. I did not have any problems in Mozambique...it just took a long time to get the broker to move us safely from that point. We eventually got onto a bus and headed straight for the South African border post...as the broker said it would be safer to just go through there and declare ourselves as asylum seekers. I did not have money so decided to go through the border post... I did this and waited about 8 hours at the border to get a letter stating that I now had 14 days to report to the home affairs offices in the city of Johannesburg. After getting this letter...by that time I had contacted a blood relative, a cousin, who was already been expecting my arrival and had been living in Mayfair waiting for me to come in. When I left the border we headed straight for Cape Town, but I had no money by this late stage of my journey...however I was determined to learn this (spaza) business I kept seeing and hearing about.

field notes, 33mSom2.5P...You see, the rebels had fired rockets at our village. My father and brother were both killed as a consequence of the war. First my brother was killed in the bombings then the soldiers came a few days later and apprehended my father, he used to be a government soldier, and he was shot and executed along with other government soldiers in our village. I was not there that day they killed my father as I was transporting people in my taxi....when I got back my mother and other extended family pleaded with me to leave before the rebels returned as they knew I would be next....I listened to them leaving my mother, children and wife behind... I left home in January 2010...I have not seen them since. I passed through Kenya by foot and when I could find...by vehicle and this took 20 days to get over the Kenyan border, then I took a boat and landed in Dar es Salaam, the capital of Tanzania...My entire trip to South Africa cost me about \$1700 US....it was long and hard...first through to Malawi, then to Mozambique and finally after many days on towards Zimbabwe and into South Africa. The entire trip took no less than 45 days from what I can remember and at least 25 of those was spent travelling on foot, the rest by boat and all sorts of different vehicles....I remember the confusion and constantly having to ask people in the settlements we came cross if I was going the right way...if they knew the best path to South Africa....I lost count of the time I spent travelling across and in each of the different

countries, I think it was 9 days in Malawi, 7 days in Mozambique, 12 days or more in Zimbabwe while the rest were spent early in Tanzania and Kenya. I contacted my mother when I reached the South African border as I had no money at this point as the other money I left with was spent on brokers and surviving that horrible journey...she arranged to sell one of our other houses so that she could send me money to get into South Africa and make a new start, she sent \$1000 via some popular Somali business people here in Bellville Cape Town....this was the money I would use to establish myself in spaza business.

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and that there were many of my other relatives especially in Bellville in Cape Town. While at the border I was asked to wait for a Somali with the nickname Marshal, this man was well known by immigrants for assisting refugees at the border who were sick and getting them to hospital, he came and took us to Mayfair in Johannesburg...you know *little Mogadishu*... and after four days I was given a lift and ended up in Cape Town....when we got to Mayfair it was easy to track a friend down because most Somalis in South Africa now are from the southern part...from places like Mogadishu and they helped me with transport to Cape Town where most of my blood relatives were....this was just before the 2010 Soccer World Cup started, when I got to Cape Town, I immediately went to Bellville and was united with my close uncle.

field notes, 47mSom02P...I have been in South Africa for three years now since the end of 2008...but I left Somalia in 2006 to go to try and establish business in Kenya...I stayed there for 1 month and left a lot of the money I had saved in a bank account with a relative living there....about \$20000 in total, then I took a boat to Tanzania...I was arrested here and captured for one year as I had no documentation and did not have enough money to pay the officials off. I was eventually released in 2007 and then I went to Malawi as this was the preferred route into South Africa before 2010. I stayed in Malawi for about eight months, from there I went to Zimbabwe and then straight into South Africa....I did not leave Somalia with the intention of coming to stay in SA, I was merely travelling to various countries for places to work or set up business. It was difficult to set up proper businesses in these other countries because the police ask for work permits for everything....I was told things were easier in SA and so I came here. When I left Somalia in 2006 the \$20000 saved up this was about R204 000 that time but I spent about \$5000 of this while trying to find a place to set up business before coming to South Africa in 2009...I also spent another \$3000 on my journey to get to South Africa but did not have to wait too long as I had enough cash to get into the country without any problems...when I came to South Africa I had access to about R140 000 in my Kenyan bank account...my relative was able to assist me when I needed cash to be sent via money order, bank draft or relatives coming to this country.

Field notes, 30mSom0.5P...Twenty one months ago I left Somalia to escape the war...I was travelling with about 50 other men, women and children from Somalia. Most of us were detained in Kenya as the police were looking for documents which we did not have, so they kept us locked up for 20 days...some Somali residents in Kenya got us out but I don't know if they did this by paying the police off with bribes...during the time we were detained I lost all

my property and the only money I had which was \$150, the Somalis living in Kenya helped get us to Maratane refugee camp in Mozambique but we suffered worse when we were there as nothing is provided in this camp...no water, no food, not even a toilet or blankets...so we fled to the border area at Musina between Zimbabwe and South Africa...I had no money on me but the people I travelled with were all kind to one another, only a few had money so we could not pay the brokers thus the trip took long and risk of getting caught was higher... this is what Somalis do when they are running away from the war, so they helped me despite our differences. The entire journey from Somalia to South Africa took me 4 months when I got to Johannesburg I did not know where I was...I spent ten days there and the Somalis who had helped me before organised one of their relatives, who was travelling to Cape Town, to assist me with transport...I had no way to pay them so for that ten days I assisted in one of the grocery shops they ran...I eventually contacted my only relative in South Africa at the time, my uncle, to say I was coming...and this is how I came to be in Delft.

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to give about \$10 dollars to be released, this was paid to the officer in charge. Myself and others were lucky to be able to successfully hide most of our money and we kept enough on us to cover this bribe...when the police let us go the Somali brokers expected us to climb into an empty tanker which stank badly of petrol fumes, this tanker they said was what they used to transport people through various countries like Tanzania, Kenya and Zambia to places like South Africa. At first I refused and then they said I would be returned to the Zambian police so I had to cooperate, were locked up in the tanker for about 5 days in total and they only stopped to let more people in or take people out and to sometimes let fresh air in. We got to the Malawian border and were let out of the tanker as it was being searched by a surprise border patrol. The police took most of our belongings and almost all the money people had hidden. For three days we walked until we reached the Malawian capital and there we were told to find a Malawian broker who would take us to Mozambique...we did not have to pay this man as the bulk of the monies, roughly \$2000 each, was paid to his boss at the beginning of our journey in Kenya, once you pay this you are not supposed to pay a broker again...but his is not always the case...at the Mozambique border we once again had to pay \$10 each to the officer in charge and were let into South Africa. When in South Africa the officers at the border post asked for papers which I said I did not have and they issued me with a fourteen day letter stating that I needed to appear at the nearest home affairs office for registration. At the border we were met by a taxi driver who gave us food and water as we had nothing when we arrived, this man did not ask for money, he was also co-operating with Somali brokers in Johannesburg and so he took us to a place called Mayfair where we were handed over to the Somali brokers...they took us to a house which they rent there and where they hide new refugees. All eighteen of us were told to contact people we knew as they were now expecting each of us to pay a R1000 release fee...the house had three bedrooms and we slept about six in a room...I was locked up here for a few days until my brother, living in Cape Town at the time, paid R2000 to these men to release me and a someone else I had befriended along the way...the brokers know that most of the refugees have relatives, close friend or clansmen living and working in South Africa so getting the release fee is usually not a problem. A few days later my brother arranged transport for me from Mayfair to George and then to Cape Town...the entire trip from Somalia took me three months until arrived in Cape Town.

field notes, 36mBan030...Jobs back home were very hard to come by as there is much competition for limited jobs which don pay well, but the main reason why I left nine years ago was due to political reasons. At the time I did not support the government...I supported

the opposition and so it was difficult to get a job in government which is one of a few well paid vocations in Bangladesh. It was difficult to get a work visa in places like the USA and in England so South Africa was my next option, it was quicker and easier to get a more permanent work visa in South Africa compared to these countries. I was surprised to see that unemployment was so high in South Africa and realised that if locals were struggling to find work that it would be even worse for immigrants. So decided to start a spaza business but I had to first raise money to do this...I contacted my father back for assistance to set up a business...the person assisted me through all of the was a lifelong friend who eventually became a business partner of mine, he was the first person I made contact with in South Africa. When I first came into South Africa we did not experience all the problems foreigners are now have to deal with when they want to come and work or live here on a more permanent basis...now there is so much paper work and standing in huge lines at places like home affairs and so on. Unlike many other foreign nationals, I came into the country legally, on a plain straight to Johannesburg...but I know of some of my own people who like the Somalis and Ethiopians...travelled through countries like Mozambique and Tanzania as they could not get work visas so easily or did not have money...when I first came to South Africa the visa policy, though not as strict as the United States or the United Kingdom, was a lot more relaxed than what it now is.

