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# Are foreigners killing your spaza shop?

**Don't worry there are some things you can do to keep and grow your spaza shop.**



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Spaza shop owners in Soweto are working hard to keep their businesses going, even though they are facing many challenges. They do not have enough money to run their spaza shops. They also have problems with transport when they buy their stock from the wholesalers. But their biggest challenge is other spaza shops owned by foreigners, particularly, Pakistanis.

"When we started in 2008, our sales were high and we were doing well," says Sibongile, owner of Libra Spaza Shop. "Then in 2009, foreigners opened their spaza shop nearby and our sales dropped. We stopped stocking some things because they

were no longer selling. And obviously, we are not selling as much as we used to."

Sibongile is not the only one experiencing lower sales. Mpho Tlape of Gladys Tuck Shop says: "We are also affected by foreigners. We cannot compete with their prices because they buy in bulk. As a spaza shop owner I cannot afford to buy in bulk because I do not have that kind of money."

However, both spaza shop owners are still running their businesses and are not planning to quit anytime soon.

Story continued on page 4



# Editorial



Welcome to the latest edition of Spaza News, a newsletter for you, the spaza shop owner.

With the 2010 Soccer World Cup gone, it is time to go back to business and its challenges.

As South Africans, we have shown that we can overcome any challenge if we put our minds to it. Everyone all over the world still talks about how well we did with 2010 Soccer World Cup.

Now we need to continue with the same positive attitude in our spaza shops. We need to believe that we can overcome any challenge we come across – whether that challenge is about financing or marketing our businesses or whether it is competition from non-South Africans who own spaza shops close to ours. With proper planning and realistic goals, we can achieve anything we want. There is no need to use violence against other spaza shop owners, whether they are local or foreigners.

And Spaza News, as your partner in business, will assist you to reach your dreams. In this edition, on page 5, we write about cooperatives which will assist you to compete with foreign spaza shop owners. To further assist you, we invite you to join the Spaza News Club – for FREE. See how you can join on page 7. We also have an article on how to market your spaza shop – see our story on page 10. There are many other interesting and useful articles in this edition of Spaza News. All of them are designed to assist you to run your spaza shop better and to grow your business.

Remember, if we could do it with the 2010 Soccer World Cup, we can do it in our spaza shops. As one bank says: Re kao fela.

Enjoy the newsletter!

Sharp!

## Spot the Spaza

## Competition



Spaza news is launching a new competition called "Spot the Spaza". If a photo of your spaza appears in the next issue of Spaza news, you can win fantastic cash prizes of up to

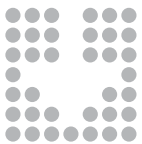
# R1000

So send us photos of your spaza, or look out for yours in the next issue. You can mail your photos to Spot the Spaza Competition, P.O. Box 644, Mondoer, 2110, or send it by e-mail to [spazanews@mweb.co.za](mailto:spazanews@mweb.co.za)



# profile of a spaza shop owner

## Taking care of business



Owning a spaza shop is not easy. As a spaza shop owner, you have to worry about stock, deliveries, cash flow and the long hours. But for many spaza shop owners, this is part of business and they deal with these problems everyday. One of those spaza shop owners is Lerato Senzani.

Lerato started her spaza shop - Lerato's spaza shop - in Mofolo Central, Soweto. Her spaza shop has been open continuously for six years. She has never done anything else during this time except run her spaza shop. "I started my spaza shop six years ago," she says. "Before that I used to work for Edgars where I was a casual worker for 15 years working in the stock room."

The spaza shop is doing very well at the moment. Luckily, she does not live close to a big shopping mall. "The arrival of shopping malls and Shoprite in Soweto has not affected my business. Also, here where I live, there are no foreign owned shops."

This does not mean she does not have competition or has no problems. "The biggest competition for my spaza shop is the shop at the corner," she says. "Some of the things I sell are cheaper than at the shop, but they also sell some cheaper items."

Getting stock is another problem. "My biggest problem is transport. If someone could deliver goods to my spaza shop I would be very happy. Luckily, some of my suppliers do deliver. The problem with the deliveries is that they do not come on time. Also, some of the companies that deliver do not come daily."

Like most spaza shops, the shop is busiest at the end of the month and at the beginning of the month when most people get paid. "I used to sell some of the items in my shop on credit but I no longer do that because it is often difficult to get your

money from some of the customers. So, I only sell for cash."

Lerato lives with six other people. "My sister, who is employed elsewhere, and I support the whole family. My spaza supports me and my family. I am a mother of a 15 year old who is in grade 8 says Lerato. Since starting my spaza I have never looked for work."

The biggest sellers at the spaza shop are milk, eggs, bread and cigarettes. My main goal is to sell big items. At the moment I only sell small packets of mealie meal. I would like to stock the 12.5kg bags, for example.

I would also like to grow my spaza and get a bigger space for my spaza. At the moment, my spaza has no space to grow. I am also thinking of employing an assistant when I get some money.

I am also planning to get a bigger glass fridge, where I can display some of the things I sell. For example, some people do not know that I sell milk because they cannot see it in my normal fridge.

In the future, I would like to have a proper shop somewhere. Being a spaza shop owner can be difficult because the hours are long. The spaza shop opens at 07h00 and closes at 20h00 every day from Monday to Saturday. On Sundays, the shop closes at 16h00. "That means sometimes you cannot do the things you would like to do. Attending church, funerals or weddings can be very difficult. But then what can I say. I am self employed and I have a family to look after."

Her advice to other spaza shop owners. You must do things yourself. You must not rely on other people to. You must make sure that things happen and they happen properly.

As spaza shop owners we must help each other and work together.

# Are foreigners killing your spaza shop?

[ CONTINUED FROM PAGE 1 ]



"We are moving our shop from the back to the front, where we are building a garage," says Sibongile. "That way we will have more space to stock more things. In fact, our aim is grow our business. We cannot be forced to close our business by foreigners. Instead we must compete with them."

For his part Mpho has reduced his prices. "We have reduced our prices but we cannot reduce them too much, otherwise we will be out of business," he says.

Prices are important to spaza shop customers. Spaza shops offering lower prices tend to be more successful. T-Man Tuck Shop, which has been operating for three years and is growing, is not affected by the shopping centres and foreign-owned spaza shops, even though there are many of them close to the tuck shop.

Says the owner: "I think we are not so affected because our prices are reasonable and we can compete with both the spaza shops owned by foreigners as well as the big shopping centres around here."

Another spaza shop owner, Ernest Tshepopapa of TP Tuck Shop, agrees: "The only way to survive is to reduce our prices. In some cases, we are cheaper than the shopping malls and local supermarkets. Sometimes we sell at the same price as the supermarkets and on a few items we are more expensive as the supermarkets."

However, even Ernest finds it difficult to compete on price with foreigners operating spaza shops close to his. "We have a lot of foreigners owning spaza shops in our area and they affect us a lot. They seem to be getting things a bit cheaper than us and their prices are lower than ours."

Ernest has seen many spaza shops in his area close down because of this stiff competition. "Unfortunately, we are doing nothing about it. Instead our spaza shops are struggling. As spaza shop owners, we have tried to unite so that we can compete with the foreigners but we do not trust each other, and we compete a lot against each other."

## 5 ways to grow your spaza

**If your spaza shop is also having problems competing with spaza shops owned by foreigners, then you have to do something to survive - and there is a lot you can do. Here are five things you can do keep and grow your spaza shop:**

**One**, you and other spaza shop owners in your area can form a cooperative – in the same way that the foreign spaza shop owners do. Cooperatives can buy in bulk, which means they get better discounts. And with better discounts, you can charge less and be more competitive. Also, cooperatives can help you arrange delivery and you can share delivery costs with other members – again, saving you money. For more on cooperatives, see our article on page 5. Also, you can join the Spaza News Club, it's free – see our advertisement on page 7.

**Two**, you can also market your spaza shop more. For example, you can have "end of month specials". As many spaza shops owners know, their customers spend most at month end and they spend that money at local supermarkets because the supermarkets offer "month end specials". For more information on how to market your spaza shop, read our story on page 10.

**Three**, improve your customer service. Many spaza shop customers complain that spaza shop owners do not offer a friendly service. As a spaza shop owner, you need be warm and friendly. You also need to respond to any complaints your customers might have. You must sell fresh products and your spaza shop must be clean, safe and hygienic.

**Four**, you need to pay attention to what you customers want and keep stock of all the popular items. You also need to think about what your customer may want to buy from your spaza shop that you do not sell at the moment. You can also look at what your competitors do not sell and stock whatever they do not sell.

And **five**, you must remember that you are part of the community. You must work with your neighbours and assist them whenever you can. Once they see that you interested in them, they will support your spaza shop because they will know that you care about them.



# Should spaza shop owners start co-operatives?

Last year the City of Cape Town released a report that found that local spaza shop owners have limited access to bulk buying opportunities. The report also noted that this gives their mostly foreign national competitors a competitive edge over them. To test this Spaza News recently asked eighty spaza shop owners if they would be interested in forming co-operatives and all of them said yes!

Despite this encouraging feedback, a spaza shop owner from Pimville who tried to start a co-operative gave Spaza News a unique insight into some of the challenges of forming a co-operative:

- Potential members were concerned that their funds will not be safe if one person is entrusted to do the bulk buying
- Potential members were wary of other members discovering the financial status of their businesses
- Most potential members work on their own so they found it difficult to operate in a collective environment.
- Most often potential members were their competitors if they operate from the same area

If issues such as these are resolved in the early stages, there are benefits to forming co-operatives, these include:

- Their joint bulk buying power will improve, enabling spaza shop owners to sell their goods at competitive prices
- Their sales and consequently their profits will increase
- They have more leverage to negotiate for discounts from wholesalers.

These are some of the advantages and disadvantages of forming co-operatives. What would make you consider forming a co-operative? What kind of issues will prevent you from forming co-operatives? Why don't you call us on (011) 942 5839 or 076 765 4925 and let us know. You can also write to us at P.O. Box 644, Mondeor, 2110. We will feature your letters and comments in the next issue of Spaza News.

## Incentives for Co-operatives



The Department of Trade and Industry has initiated a Co-operative Incentive Scheme (CIS) to help co-operatives to become more competitive by lowering the cost of doing business. The scheme is a cash grant between R10 000 and R300 000 that will be offered to registered co-operatives who:

- Operate in emerging manufacturing, retail, service and agricultural sectors.
- Adhere to co-operative principles and hold regular members' meetings.
- Are owned by historically disadvantaged individuals (HDI).
- Are rural and semi-urban based.
- Are biased towards women, youth & people with disabilities.

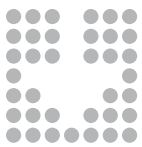
The dti contributes 90% of the approved project costs and the co-operative contributes 10%.

If you want to apply for the CIS, you will need:

- An application form signed by people authorised by the co-operative.
- A Certificate of Registration.
- Minutes of the meeting where the decision to apply for the grant was taken.
- An Enterprise Development Plan that has assessed the development needs of the co-operative. It may be compiled with the assistance of the field official (approved by the dti).
- A Co-operative Business Plan. You will find a template in the application forms; and
- Three quotations if the purchase of goods is an integral part of the application.



# 8 reasons why small bus



Did you know at least 80% of new businesses fail within their first year of opening? Many small businesses like spaza shops fail because they make mistakes that could have been avoided.

Here is a list of common mistakes when you open your retail business – and how you can fix it.

## 1. No Unique selling points

Small businesses often have no unique selling proposition that will set them apart from their competition, for example:

- Offer flexible operating hours:  
Most of the new shopping centres in townships open at about 9am and close at 6pm. Spaza shops can open earlier to reach customers who will buy necessities like bread and milk in the morning, and close later to reach customers returning later from work who may need supplies for their family's dinner.
- Offer popular products not sold at regular shops:  
Spaza shops that sell things like fried fish and vetkoek, magwinya, polony and kotas will guarantee a regular flow of customers.
- Offer credit –is'kwelethu:  
Spaza shop owners can offer credit to regular customers when they do not have cash to pay for goods.

## 2. Poor overall management

Poor customer service and overall employee incompetence can all combine to bring down the ship. Make sure you and your employees place a premium on customer service to generate repeat business, establish protocols for how tasks should be accomplished, and remain continually in the know on all things accounting. See for an example of a customer service charter on page 11.

## 3. Ineffective marketing & self promotion

Small business owners must establish and maintain a presence in the communities where they operate. They should develop cost-effective ways of marketing their businesses, like advertising their specials outside their shops, giving customers incentives to buy goods on promotion and develop innovative selling techniques like offering biscuits with cool drinks bought on a Sunday afternoon, or free packet of jelly if customers buy custard, etc. For more ideas, see page 11.

## 4. Underestimating the competition

Consumer loyalty doesn't just happen; you have to earn it. If you don't take care of your customers, your competition will. Watch your competition as closely as you do your own employees.

## 5. Poor financial management

Every year many businesses go under due to bad book keeping. Whereas proper accounting and financial data helps you to make proper decisions about how to run your business. All small business owners must have the following non-negotiable accounting practices in place:

- **Check the businesses' bank account daily:**  
Checking statements once a month is insufficient because it is difficult to analyse a long list of transactions across many pages of a bank statements. If it is done every day, or every week, the task becomes more manageable. Also, how can you know if the bank has made an error, or if there has been an unauthorised withdrawal of funds if you do not check your bank account regularly?
- **Make sure the supplier has been paid:**  
Negotiate preferential payment terms, extensions of credit lines or discounts for early settlements. However, don't compromise your relationships with your suppliers – you need them on your side.



# Businesses fail

- **Debt collection:**  
Follow up as soon as money is due. A new debt is far easier to resolve than an old one.
- **Keep stock to a minimum:**  
Stock costs money to buy, transport and store. It can also be stolen, damaged or become old. Managing stock sensibly is as important as managing cash flow.

## 6. Unreasonable Prices

Many small businesses overcharge their customers. High prices will turn away customers permanently, especially in areas where customers have the option of going to shopping centres or malls. If spaza shop owners want to maintain a steady customer base they should check their competitor's prices and reduce theirs accordingly.

## 7. Inadequate business plans

Your business plan is your blueprint for success. A well-thought-out business plan forces you to think about the future and the challenges you will face. It also forces you to consider your financial needs, your competition, and your overall strategy for coming out on top.

## 8. Failure to change with the times

As a small business owner, you should constantly develop strategies and survival techniques that will keep the business relevant in the community where it is based. Learn how to wear multiple hats and to generate new interests and areas of expertise this will ensure that your business it maintains a steady clientele –and healthy bank balance.



**FOR FREE!**

# JOIN THE SPAZA NEWS CLUB

Become a member of the Spaza News Club and be part of an exciting project to assist spaza shop owners succeed in their businesses. By becoming a member, you will:

- Receive free editions of Spaza News;
- Have access to free legal advice; and
- Have access to free business advice.

Remember, it will cost you NOTHING to be a member of the Spaza News Club.

You can join by sending the following information to **Gavin:**  
**076 765 4925** or **011 942 5839**

- Your name,
- The name of your spaza shop
- Your address; and
- Your cellphone number.

Or you can fill in the coupon below and send it to:  
Spaza Media, PO Box 644, Mondeor, 2110

### SPAZA SHOP INFORMATION FILL IN FORM

Name of spaza shop owner: .....

Name of spaza shop: .....

Address: .....

.....

Business telephone: .....

Cellphone: .....

# Ndiza Finance

## Making small businesses sustainable through financing and training

The private sector has a pivotal role to play in helping government deal with the challenges of unemployment and poverty facing South Africa. One key poverty alleviation strategy is the development of small businesses, particularly in the informal sector, so they can make a significant contribution towards the growth of the country's economy.

Through its development finance packages, as well as training in business management skills, Ndiza Finance's main objective is to turn businesses into becoming self-sustainable entities. This is achieved through strategic partnerships with other organisations who have skills and resources to invest in the sector.

The company does its level best to reduce barriers to access finance for the informal sector, whilst ensuring that it maintains responsible lending practices. Ndiza Finance is registered as a lender by the National Credit Regulator, it therefore follows the strict guidelines of the National Credit Act, 2005.

### Some of the services rendered by Ndiza Finance include:

- **Micro-enterprise Loan products**

The company offers loans ranging between R1000 and R15000, according to the National Credit Regulator's recommended rates. If small business owners wish to apply for these loans, they have to meet detailed qualifying

criteria. The repayment periods may vary between one month and twelve months, depending on the profile of the client and their affordability.

In keeping with international best practices, Ndiza Finance's Loan Officers close relationships with clients through regular visits by from the time of application until the first installment on the loan is due.

- **Non-financial Support**

Ndiza Finance offers training in different topics relating to micro-business management skills. Some of the training programmes include bookkeeping skills, pricing and costing products and customer services skills.

Ndiza Finance conducts regular Impact Analysis checks to measure the impact and effectiveness of its programmes and to realise its mission of building effective entrepreneurial development. The company assesses the impact of the loan on both the household as well as growth of the business itself. And, since Ndiza Finance views education as the cornerstone towards poverty alleviation, particular attention is paid to assess the contribution towards the education of the children and improvement of their client's livelihood.

*For further details on Ndiza Finance, please do not hesitate to contact our office via e-mail at [ndizainfo@ndizafinance.co.za](mailto:ndizainfo@ndizafinance.co.za) or telephone us on 012 683 1970.*



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NCR Registration number; NCRCP 4161/ MFSA registration number: 5076



## Talk 2

# Tito

## Is your spaza shop insured?

Mr Kekana has been operating a successful a spaza shop in Seshego, Polokwane, since he started his business in 2001. In April 2006, the spaza shop was burnt down by a fire in the early hours of the morning and Mr Kekana lost everything in his spaza shop. Unfortunately, he did not insure his property and assets of the business. Now he has problems running his business due to damage caused to his spaza shop.

### Advocate Xaba gives his advice.

---

It is important that all spaza shop owners enter into an insurance contract with insurance companies to protect themselves from such unforeseeable circumstances. The reason for entering into insurance contracts (also known as policies) is to protect spaza shop owners from any risk or damage such as fire, accidents, disability or death.

When the spaza shop owner decides to take out insurance, he or she must ensure that they fully understand the terms and conditions of the insurance contract before signing it and binding themselves to it.

According to insurance law, there are two ways of securing insurance. First, there is long-term insurance cover, also known as life cover, which is a contract between the spaza shop owner (beneficiary) and the insurance company (insurer), where the insurer agrees to pay the beneficiary a sum of money if he or she becomes chronically ill, disabled, or it pays out on the insured individual's death.

Secondly, there is short-term insurance that will cover for loss or damage, for example:

- Household contents
- Homeowner's Insurance
- Vehicles; and
- Accidents.

The spaza shop owner should also know what his or her premiums are. You pay a premium (either monthly or annually) to the insurance company which in return provides the cover that will pay you out when you suffer a loss on insured items or property. The insurance company determines your premium based on your risk profile - namely, your age, gender, where you live, security measures, item insured, value of the items, etc. If the insurance company regards your profile as high risk, it will charge you a high premium, if it regards your business as a low risk you will pay a reduced premium.

I hope that above-mentioned advice will assist you in operating a safe and protected business.

### Contact Tito

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Advocate Robert "Tito" Xaba can be reached at this following cellular number for further information (if need be): 082 621 4326.

Enjoy your reading.



# How to... market your spaza shop



These days' spaza shop owners are faced with a dwindling customer base due to the recession, customers frequenting newly established supermarkets in townships and more competitive pricing from foreign nationals who have set up shops in their areas.

Since customers now have a much wider choice of where to buy goods, they will most likely be drawn to retailers who offer professional and courteous service, a larger variety of products and a pleasant atmosphere to do their shopping in. Spaza shop owners have to rethink the way they do business if they want to maintain a steady customer base - and attract new ones. One of the first things to do is to beef up the marketing of your spaza. Shopping centres spend millions of rands on marketing their goods, but you can apply a few simple, but effective marketing techniques to sell your goods:

## 1. Sell only what your customers need

The first thing you have to do is plan how you want to market your goods. To do this you need to have a good knowledge:

### Who your customers are:

- 57% of spaza shop customers are women and less than 50% are children
- 88% of shoppers who shop at spazas earn a personal income of less than R4 000 per month

### What types of goods they are buying


- 78% of shoppers living in townships go to spaza shops daily for top-up shopping to replace key items like milk, bread,

and paraffin, cigarettes and cool drinks

- 85,5% of spaza customers normally consumed the products they buy at home.

### What their spending habits are like

- On average R245 is spent per month on food and groceries that are bought from spaza shops
- 88% of them are influenced to buy brands whose advertising is displayed on shelves.
- Most customers spent between R10 and R25 on every visit to the spaza.



## This is an example of a Customer Service Charter:

The owner and staff of

(Name of spaza)

are committed to:

1. Providing friendly, polite and helpful services at all times
2. Ensuring that all perishable goods we sell are fresh
3. Treating customers fairly and with respect
4. Giving customers the right to complain to the owner if treated unfairly
5. Keeping the establishment clean
6. Forbidding loitering and loud music in and around the spaza's premises.

Signature of spaza shop owner  
and date

## 2. Find ways to set you apart from your competition

This will help to draw more customers to your shop. You can for example:

- **Keep flexible hours**

Spazas generally trade for longer hours than shopping centres. This means that they can get what they need when they need it - day or night.

- **Draw up a Customer Service Charter**

This is a short statement that tells customers what kind of service standards they can expect when visiting the store. The charter should be positioned at a prominent place where all customers can see it – and hold the shop owner and staff accountable to it.

## 3. Find unique ways to market your spaza:

- **Get involved in Community activities and events**

Establishing a presence in the community can help to build a bond between your business and the community: If community members see you supporting issues they care about, they will support you as well. Some of the ways you can become involved include:

- Volunteering your time to help out at the local orphanage, old age home or school. Besides getting the personal satisfaction of helping others, you'll be interacting with a few potential customers
- Sponsoring soft drinks for local sporting event, stokvel event or choir
- Adopting a project for example, working with a youth group or buying school uniforms for needy learners.

- **Create inexpensive marketing materials**

- Print business cards and always carry it with you. Give them freely and ask permission to leave them in places your target market may visit, for example a clinic or municipal office.
- Provide free t-shirts with your shop's name for your staff to wear
- Improve your signage - badly lit, hand painted signs cannot compete with sleek signage of shopping centres
- Create a loyalty program to reward existing customers, for example, giving a free soft drink or an airtime voucher to customers who spend more than R100 at a time.

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