THE JOBS FUND

South Africa Siyasebenza

Learning Series

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Emerging Community Retail Businesses – Paper 1

A Qualitative Evaluation of the A2Pay 'Innovation and Application of Technology' Project

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The Jobs Fund is a R9 billion fund established by the South African Government in 2011. It was established to encourage innovation and give greater impetus to initiatives with potential to generate sustainable employment. The Fund aims to catalyse innovation in job creation through structured partnerships with the private and public sectors as well as NPOs by awarding once-off grants to organisations through a competitive process. The Jobs Fund operates on challenge fund principles and aims to incentivise innovation and investment in new business approaches that directly contribute to long term sustainable employment creation.

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Abstract

This paper is the first in a series of four papers that present the results of the impact evaluation conducted by Upendo Consulting on the implementation of the A2Pay technology support to Spaza shops in the country. The paper presents the results of the qualitative component of the study conducted in KwaMashu, Inanda, Soweto, Katlehong, Khayelithsa and East London. The study consisted of Focus Group Discussions (FGDs) and Key Informant Interviews (KIIs) with community members, Spaza shop owners and key programme managers at the project implementation sites. The study found that Spaza shop owners were generally in agreement that the vending machines and the coaching provided by the A2Pay project were very instrumental in improving their business performance and helping them make smart decisions regarding stock levels and replenishment orders. The participants in the study also widely held that their quality of life had improved due to increased income and better stock management practices.

1. Introduction

The Jobs Fund co-funded A2Pay project "Innovation and Application of Technology" was aimed at supporting Spaza shop owners in the Fast-Moving Consumer Goods (FMCG) segment of the informal sector. The project would utilise A2Pay vending technology coupled with its entrepreneurial coaching programme to enable Spaza shop owners to deal with:

- The lack of access to record management systems for daily business performance management and monitoring;
- The loss of control when the business owner is not present, resulting in the deterioration of operations, brought on mainly by petty theft and resultant cash management problems;
- The lack of collective buying power due to minimal consolidated trading information and insufficient cash to place bulk orders; and
- The minimal or zero access to business funding.

The project was established with a target of supporting 2,849 beneficiaries over a four-year period from 2016 to 2020, and a total budget of R170,658,000, made up of R85,329,000 in grant funding from the Jobs Fund and the same amount in matched funding from the Jobs Fund Partner (JFP).

This paper is the first in a series of four papers presenting the results of the mixed methods methodology employed in the impact evaluation of A2Pay. This Learning Series discusses results of the qualitative component of the evaluation, as reported by Key Informants and participants in Focus Group Discussions (FGDs) held in major A2Pay implementation sites in the Gauteng, KwaZulu-Natal, Western and Eastern Cape provinces.

2. Method

2.1 General Research Design and Approach

The qualitative research design is based on employing two main data collection methods: Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs). KIIs are used to generate insights from those individuals who have specialised knowledge and/or experience of a community, the project or a particular issue (Carter and Beaulieu, 1992; Rowley, 2012). Key Informants (KIs), when carefully selected, can also provide insights into the behaviours and motivations of a particular population and can offer suggestions on how targeted changes in a community or a project can best be generated (Kumar, 1989).

A FGD is an organised discussion among a select group of individuals, the aim of which is to elicit information about their views on a particular topic

(or set of topics) (Gray, 2014). By providing a safe environment for discussion, FGDs aim to generate interactive dynamics that promote 'self-disclosure' around shared and unshared attitudes and experiences (Freeman, 2006; Stewart et al. 2007).

2.2 Method of Data Collection

FGD and KII question guides were used to collect data from selected participants in each category. The FGDs were organized as small groups of discussants with a facilitator guiding the discussion while also recording the proceedings. The KIIs are one-on-one interviews with selected participants using a pre-approved interview guide. Table 1 shows the main participants in each category.

2.2.1 Key Informant Interviews (KIIs)

Key Informants (KIs) provide in depth information about project implementation because of their close association and direct experience of the project and local conditions in the implementation areas. The following are the KIs that participated in the qualitative study:

i. **Community leaders,** mainly ward councillors, were interviewed as Key Informants (KIs) because of their embeddedness in the community and their ability to make informed comment on observed changes in communities like changes in the patterns in transportation usage and household spending.
ii. **Representatives from local business associations** were included in the study for their ability to comment on changes in productive spending and employment shifts at community-level.
iii. **Representatives from local taxi associations** were interviewed to also provide their perceptions/ insights on changes in people's spending on transport since the introduction of the A2Pay vending machines at local shops.
iv. **Members of A2Pay's project implementation team** (Chief Operating Officer and three Area Managers), were also included as KIs for their in-depth knowledge of the project's implementation.

2.2.2 Focus Group Discussions

By providing a safe environment for discussions, FGDs aim to generate interactive dynamics that promote 'self-disclosure' around shared and unshared attitudes and experiences (Freeman, 2006; Stewart et al. 2007).

The main groups of people enrolled into FGDs for this study were:

i. Community members accessing pre-paid products available from the A2Pay vending machines at supported Spaza shops.
ii. Spaza shop owners directly supported by the A2Pay (JF6) project.

Table 1 - Location and Number of Qualitative Study Respondents

Province	FGDs		KIIs			Total Respondents
	Spaza Shop Owners	Community Members	Community Leaders	Local Business Associations	Taxi Driver Associations	
Gauteng (Katlehong & Soweto)	27	23	5	2	1	58
KwaZulu-Natal (KwaMashu & Inanda)	16	17	3	4	1	41
Eastern Cape (East London)	8	--	3	1	1	13
Western Cape (Khayelitsha)	12	--	--	--	--	12
TOTAL	**63**	**40**	**11**	**7**	**3**	**124**

The A2Pay-supported Spaza shop owners were selected randomly from a sampling frame generated in conjunction with the project implementers. Adjustments were made to the initial selection to ensure a gender/age balance and to try and generate participant groups that were easy to organise logistically and which minimised participants' need to travel (which was particularly important given that the qualitative data collection took place while Covid-19-related restrictions on mobility remained in place).

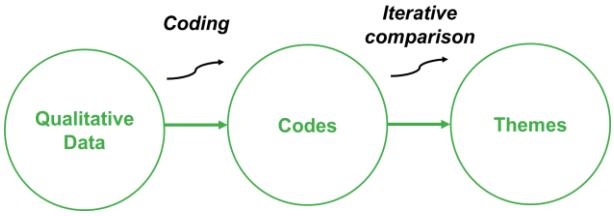
Community member FGD participants were identified through referrals from Spaza shop owners taking part in the FGDs, all of whom were asked to provide the names of 1-2 individuals in the community who were regular customers at their shops.

2.3 Method of Data Analysis

The analysis went through several steps starting with the transcription of the verbal discussions into written word. A categorical aggregation of the transcriptions and field notes was then undertaken using qualitative data analysis software (NVivo). NVivo was used to carry out thematic coding. The generated codebook evolves as the transcripts and field notes are analysed, with new codes being developed and/or existing codes being adjusted to accurately reflect the nature of the collected information (as seen in Figure 1).

A thematic analysis to identify multiple 'instances' within the data was then undertaken. These 'instances' mainly include word and phrase repetitions, which in turn are used to derive 'issue relevant' meanings. These provide a basis for a further grouping of the coded data, including direct quotations from key informants and FGD participants. Themes and sub-themes are repeatedly generated until the textual context is exhausted.

Figure 1 - Thematic Analysis



3. Results and Findings

While the product variety offered by the A2Pay vending machines was widely heralded by FGD participants, the benefit that was cited most frequently was the machine's capacity to help them improve their stock management practices on a daily basis.

Shop owners cited that prior to the intervention, both loss of stock (often due to theft) and an inability to anticipate when stock was running low were major impediments to their business operations. The FGD discussants recounted having little to no systematic knowledge of their inventory prior to their involvement with the A2Pay project. Through the provision of the A2Pay machines and accompanying coaching on how to use the machines to produce different stock reports, shop owners were unanimous in the view that they had gained a sense of control over their businesses.

"Through the stock sheet [stock management report] I can see what items are fast moving and I can now make informed decisions about what to stock more and what to stock less. I also know what to stock more of at the end of the month when my shop is busiest. This has certainly increased my earnings." ***(FGD, Khayelitsha)***

Some discussants emphasised that improved stock management had led to more targeted wholesale purchases and reduced costs.

Common themes that emerged from the discussions with shop owners are included in the sub-sections below.

3.1 Smart Decision-making and Professionalism

The vending software has enabled the traders to make smart restocking decisions.

"I used to go to the wholesaler once a week to buy stock, but now I go twice a week. With the stock management reports, I can make smart decisions about when to buy more stock so that I don't run out. I used to lose revenue before because I would run out of popular goods and wouldn't know until it was too late. Now I never run-out of popular products and this keeps customers coming back." ***(FGD, East London)***

3.2 Improved Sense of Security Among Shop Owners

The system allowed the shop owners to have more confidence bringing in strangers as employees into the business. This also allowed them to stock a wider variety of goods.

"I can now track how my employee works. Even when I'm not around, I can see my employee's performance. This would give me confidence in them and I would now consider hiring more workers." ***(FGD, Soweto)***

3.3 Business Performance

There was a general agreement among the discussants that their overall revenues had increased (around 30% on average) since they began using the A2Pay vending technology.

Trust and reputation were reported to have increased with the community mainly as a result of the shop owners now being able to provide receipts to customers. Given that many of those purchasing from the Spaza shops are children buying products on behalf of their parents or other household members, these receipts were viewed by shop owners as helping them to demonstrate their honesty, particularly since the provision of receipts now enabled customers to return or exchange purchased goods.

The discussants also highlighted the need to secure formal sources of finance, which is still a challenge for most of them. They highlighted that the inability to access formal credit was a barrier to those with a desire to expand beyond the township business.

"We see new possibilities for our businesses because of the project, because of the technology [A2Pay vending machine], because of the training we received. But now that we see this potential, we know we need to become a normal business that can access credit from the banks…but then we don't have the credit history to give banks confidence in lending to us." ***(FGD, KwaMashu)***

Discussants were, however, split on the issue of the formalisation of their businesses, with some arguing that the costs of formalisation would outweigh the benefits of running a community-based business such as a Spaza shop. There was general interest among discussants in extending their businesses to include mobile money transfers.

3.4 Competition

Participants noted that competition in areas near their shops had increased over the last 2-3 years. With foreign-owned Spaza shops offering significantly lower prices for most products and having much lower costs due to their ability to leverage family networks and purchase bulk stock at substantial discounts. This has resulted in some supported shop owners having doubts about their future:

"More and more foreign [owned] shops are opening across Khayelitsha. Even if I have all these new skills and the [A2Pay] machine, I will never compete on price and

that is what really matters." ***(FGD, Khayelitsha)***

This is a well-documented view in the public discourse and calls for closer examination of the regulation, access and cost of finance around the operation of Spaza shops in the country.

3.5 Transport

Key Informants were of the view that increasing development of the retail sector in formerly peripheral communities was having a negative impact on the local taxi industry. The vending machines at the Spaza shops were part of this development, but so too was the increasing number of shopping malls, smaller shopping centres and, particularly, the increased presence of large retailers, like Shoprite, in these communities.

"Bringing shopping amenities closer to the people – the Spazas yes, but more the malls – has affected the taxi industry because people have stopped travelling to the city to do all their shopping." ***(Taxi Driver Association Representative, KwaMashu)***

Overall, it appears that there has been a modest reduction in transport expenditures in the communities. However, it is not clear that the greater availability of pre-paid products at the A2Pay-supported Spaza shops is the primary reason for this. Broader development changes in many township communities (more retail outlets, access to other forms of transport e.g. trains, etc.), are likely to have contributed to these changes as well.

3.6 Savings

A local Business Association member in Inanda had the following to say about savings:

"People here don't save much and if they do, the savings go to food, beer, that sort of thing. People may save on transport, but those savings have limited uses." ***(Local Business Association member, Inanda)***

This view was echoed in the FGDs and by other Key Informants interviewed.

4. Conclusions & Recommendations

The qualitative data presented above paint a fairly clear picture of activities contributing directly to the emergence of community retail businesses that are not only stable, but which have the potential to grow due to improvements in retailers' knowledge and skills. Spaza shop owners included in FGDs all reported increases in revenues that they attributed directly to the presence of the A2Pay vending machines, and particularly to the increased product variety the machines enabled their shops to sell. The presence of the vending machine and the attractiveness of particular pre-paid products (especially airtime and lotto tickets) was also reported to have contributed to increases in foot traffic (increases often estimated to be between 35-40%) to the Spaza shops.

While practical issues around the high frequency of load-shedding and consequent losses of network coverage for the machines do act as hindrances, these do not appear to be holding the Spaza shops back to a significant degree. These setbacks, however, need to be addressed on the ground in terms of support with power storage devices as part of the technology support.

Even more than the increased revenues, is the improved "sense of control" (a phrase that came through repeatedly in the qualitative research) felt by Spaza shop owners over their businesses, which points most positively towards their future sustainability. Improvements in record-keeping and stock management practices have had a transformative effect on the operations of the community shops. No longer faced with the same overriding concern about potential loss of stock or of running low on stock at inopportune times, Spaza shop owners reported being able to make more informed decisions about what (and when) to buy and sell. The stock management functions were further reported to have helped reduce their operating costs by enabling far more targeted purchases of stock that are directly responsive to prevailing demand patterns in their communities.

The vending technology has generated a reputational advantage over their competitors (including foreign-owned Spazas) with the ability to print receipts allowing project-supported shops to obtain a reputation for transparency that they believe will help them maintain a loyal customer base. A way to cement this strong customer base moving forward, is the possible addition of functionalities in the A2Pay machine, such as the capacity to provide mobile money transfer services, cash out lotto tickets and accept payments for various municipal accounts.

Moreover, this sustainability should be able to continue without ongoing project support, though it is likely that A2Pay will remain engaged with the Spaza shops through the provision of technical assistance and in providing financial relief in the midst of crises like the Covid-19 pandemic. A number of Spaza shop owners are actively being drawn into accessing finance through A2Pay Financial Services. This has the potential to address a major gap that has not been comprehensively tackled in the past, namely the fact that few Spaza shops are able to access finance from formal providers.

The major caveat to the above successes is the ongoing ability of foreign-owned Spaza shops to undercut their South African counterparts in terms of pricing. These operators are able to leverage family or broader social networks to minimise (if not abolish) their own labour costs and to source bulk goods at considerable discounts. The A2Pay machines appear to provide South African-owned Spaza shops with a number of competitive advantages, but if they are going to be continuously undercut on the issue of pricing (mainly in the realm of ordinary stock in the shops), then these shops' long-term sustainability may be threatened. This is a broader policy and regulatory issue that lies outside direct A2Pay/Jobs Fund control, but it remains a threat to the future viability of locally-owned community retail outlets.

The value of the results of the qualitative analysis discussed above lies in the capture of a robust community view of the A2Pay vending machine contribution to the community retail business in the country.

A complementary set of results from a survey conducted in these project operation sites is presented separately in the next in this series of Papers. It covers the extent to which coaching and technology enhances business performance.

5. References

1. Final report. Impact Evaluation of the A2Pay projects, Upendo Consulting, December 2020

Notes on the Emerging Business Learning Series

The Emerging Community Retail Business series consists of four papers:

1. *Emerging Community Retail Businesses – Paper 1: A Qualitative Evaluation of the A2Pay 'Innovation and Application of Technology' Project*

   This paper is the first in a series of four papers that present the results of the impact evaluation conducted by Upendo Consulting on the implementation of the A2Pay technology support to Spaza shops in the country. The paper presents the results of the qualitative component of the study conducted in KwaMashu, Inanda, Soweto, Katlehong, Khayelithsa and East London.

2. *Emerging Community Retail Businesses – Paper 2: Technology and Coaching to Enhance Business Performance of Spaza Shops, The case of A2Pay*

   This paper is the second in a series of four intended to highlight findings from a larger evaluation of A2Pay that used different research methodologies. It presents the results of a survey conducted on Spaza shops in four provinces in South Africa (Eastern Cape, Kwa Zulu Natal, Gauteng and the Western Cape) suing a quasi-experimental approach to investigate the business performance outcomes of A2Pay supported Spaza shops in the four provinces

3. *Emerging Community Retail Businesses – Paper 3: Transport effects on households accessing the A2Pay supported Spaza outlets in Soweto*

   This is the third of a series of four papers representing the different aspects of the findings drawn from the evaluation study on A2Pay done by Upendo Consulting. It presents the results of a household survey conducted in Soweto by the Jobs Fund as part of a larger evaluation study of the A2Pay project's impact on project participants between 2017 and 2020.

4. *Emerging Community Retail Businesses – Paper 4: The Sustainability of Township Businesses: A Longitudinal study of the A2Pay 'Access to Wireless Retail Technologies' Project*

   This paper is the last in a series of four papers that present the results of the impact evaluation conducted by Upendo Consulting on the implementation of the A2Pay technology support to Spaza shops in the country. It uses a longitudinal approach to study the sustainability of supported business ventures. It presents data from a follow–on survey to the first survey that was conducted in 2015 on 100 A2Pay vendors by Impact.