



South Africa Siyasebenza

Learning Series

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A2Pay Project - South Africa

Using Technology to Create Jobs in Peri-Urban Areas of South Africa



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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 catalyze 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 presents the results of the implementation of the A2Pay project and briefly discusses lessons drawn from the evaluation of the project. A2Pay is a South African technology company that specializes in providing advanced vending solutions to empower and grow small to medium-sized retailers. A2Pay was granted a total of R78 million with an equal amount of matched funding contributed. The mandate was to create 3,128 new permanent jobs in three years. A2Pay recruited and trained 3,121 entrepreneurs across the country and created 3,118 new permanent jobs.

1. INTRODUCTION

One of the challenges faced by individuals living in rural and peri-urban areas is that they have limited access to retail services. As a result, they often travel long distances to urban centres to purchase basic pre-paid services. Not only does this affect essential money transfers to family members across the country, it also depletes the viability and potential growth of local economies.

A2Pay is a proudly South African financial technology (FinTech) company that uses Information and Communications Technologies (ICTs) to produce innovative solutions to socio economic challenges. The company has spent a number of years building a bespoke end to end retail solution to empower and grow informal retailers within the South African market. Its primary mission is to create sustainable employment across South Africa by facilitating greater technological access to small, medium and micro retailers, while at the same time harnessing and growing their talent and leadership abilities.

The A2Pay project is a micro-franchising technology platform that provides aspiring

informal retail operators the means to sell a variety of virtual products such as:

- Pre-paid electricity,
- Airtime
- National lottery tickets
- Money remittances

A2Pay created fixed and mobile vending machines (called Biz Boxes) that could dispense various utility services online. These vending machines were made available to qualifying retailers in peri-urban and rural areas across the country at a subsidized rate thanks to a Jobs Fund (JF) grant. Entrepreneurs were trained on how to use the machines to augment the retail services they provide to local communities. Target merchants of the initiative were required to have an existing retail business (Spaza, butchery, grocery etc.) in order to qualify. They were also required to employ at least one worker per machine. Some entrepreneurs also received mobile units and were tasked with training and employing an additional employee to handle the mobile business. A small number of new entrants (those without existing businesses) were also granted the opportunity to participate in the program. They were required to employ at least one person to handle the business. Merchants were not required to have access to finance from banking institutions to be considered for the programme.

The full range of products accessible on the vending machines included:

- **Cellular services:**
 - ✓ Airtime, data, RICA, starter packs, pay phones.
- **Financial Services:**
 - ✓ Micro loans (short term 1 month and long term 84 months).
 - ✓ Debt review offered as an additional service

- **Electricity:**
 - ✓ Vending to municipal accounts, prepaid meters and Eskom.
- **Insurance Services:**
 - ✓ Funeral cover.
- **Courier Service:**
 - ✓ (UTI)
- **Business Services:**
 - ✓ Sold off the Biz Desk/Box/Booth vending solution (scan, print, copy, fax, email).
 - ✓ Pre-Paid Health Services
- Business must have a certified electrical power connection or proper/legal supply of electricity.
- They must be in a location with telecommunication connectivity for proper software functionality.
- The owner must be willing to formalise the business and be willing to pay a R200 license fee for access to business intelligence reports.
- The owner must be willing to employ a South African on a full time basis.
- Participating businesses should not be within walking distances from shopping centres.
- Business should be a general dealer selling daily consumption goods (e.g. fried chips, bunny chow etc.).
- The businesses should have generally high foot traffic.

2. METHOD AND APPROACH

A2Pay selected retailers from across the country and provided them with their Biz Boxes as well as training to enhance their sales of utilities. Suitable candidates were selected in collaboration with partner organisations and also underwent psychometric testing and assessments to determine their suitability.

A2Pay evolved from using site selection officers to identify suitable sites and instead opted for a more holistic approach that included working with national franchises, chain stores and municipalities to place A2Pay facilities within existing business premises.

2.1 Selection

A2Pay targets South African spaza shop owners for its programme, which caters to informal market traders. Selection criteria for participants include:

- Business must be owner operated.
- Business must have at least two cool drink fridges.

A2Pay's job creation model included:

1. The provision of initial and continued mentorship (for up to 3 years) to assist with the daily running of merchant booths.
2. The provision of training on technical aspects of the devices, financial management and how to successfully run a business. Skills such as business basics, managing human resources, budgeting, customer services, ethics, business administration and technical training focusing on product knowledge and systems were also part of the package. Branding and marketing material was also provided to all new merchants.
3. Site identification, evaluation and registration as well as business registration for merchants.

A2Pay was also committed to provide ongoing training and mentoring via the voice over internet protocol (VoIP) phone system as well as site visits which included technical training on site, continuous monitoring of the site as well as technical support.

One of the assumptions made in the A2 Pay approach was that all site selection would automatically take care of factors like foot traffic, proximity to other competitive products, and some level of education and business experience on the part of the candidate merchant.

It was also assumed that the selected mentors would have the relevant business experience and that operators would be competent enough to handle technical queries via phone and on-site consultations.

It was important for these assumptions to hold in order for the project to succeed.

A2Pay also provided grants of up to R5,000 to selected incubatees to purchase necessary equipment to operate their businesses.

2.2 Mentoring

Continuous mentorship was provided (for up to three years) to assist with the daily running of merchant booths. The A2Pay mentoring process is carried out organically with relationship managers giving ad hoc advice on how to address business challenges as part of their site visits to booths.

It was acknowledged that incentives for mentors were important, however, there was no consensus on the best way to do this. A2Pay included a remuneration incentive based on the financial performance of the incubatees.

2.3 Monitoring

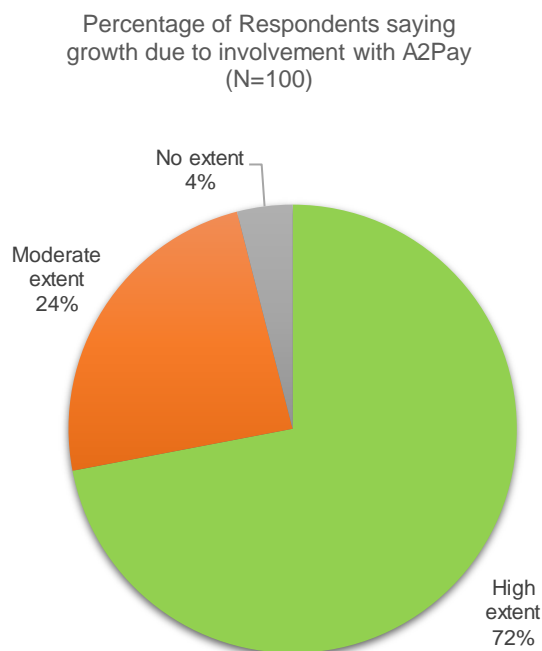
A2Pay's monitoring system largely focussed on close monitoring of sales from each site/merchant. In addition, A2Pay Customer

Relationship Managers (CRMs) (who each look after 30-40 sites) earn a commission from sales generated by their merchants, which comprises 70% of their total salary package. This creates an incentive for CRMs to enable their merchants to generate greater sales.

3. RESULTS

A2Pay reached more than 3,000 entrepreneurs in the first phase of implementation. The entrepreneurs reported that the incubators had a positive effect on job creation and retention by enhancing cheaper and more convenient access to a wide range of services. Out of a sample of 100 beneficiaries surveyed 72% said that their growth and success was due to the incubation services and support provided by A2Pay (Figure 1).

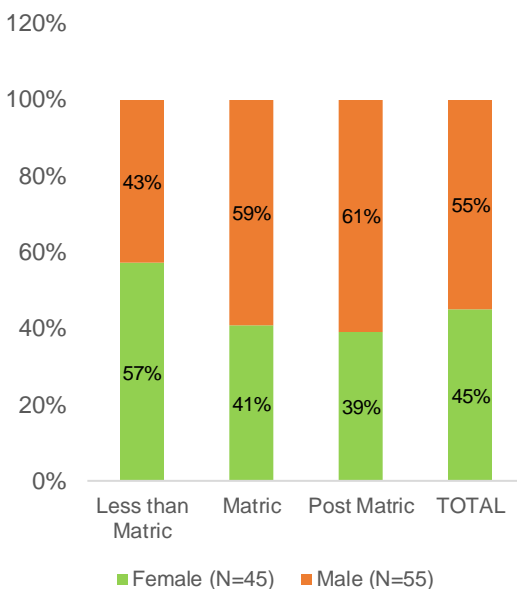
Figure 1 - Growth as a result of incubation with A2Pay



A2Pay has provided a business solution which meets market needs and incubatees have generally succeeded as a result.

Out of a sample of 100 entrepreneurs who responded to a survey, about 60% of the males had either matric or post-matric qualifications. Roughly 60% of the females in the sample did not have education up to matric.

Figure 2 - Education Status by Sex of Respondents (N=100)



A2Pay found that older female retailers (generally over 40 years old) who could read and write, and whose kids had completed school, were most likely to be successful. This was attributed, in part, to them having good networks and relationships with their local communities (which assisted sales) and because they were observed to demonstrate a generally stronger work ethic. This was reported in the key informant interviews.

The A2Pay model appears to have been comparatively more cost-effective compared to conventional incubator models with its average grant cost per job being approximately R25,000 (Table 1).

However, the success of this model is largely attributable to the provision of technology and

equipment to incubatees with businesses in their communities and is not solely a result of the incubatees' implementing their own new business ideas.

Table 1 - A2Pay Cost Effectiveness

1. Average Cost Per Job (With matched funding)	R88,357
2. Average Cost Per Job (Grant Funding)	R25,016
3. % of Clients Accepted into Incubation (from Pre-Incubation)	89.6%

Such incubatees are also more unlikely to leave rural areas for better opportunities, as opposed to youth without an existing business attachment to a particular rural area. The latter are far more likely to seek work opportunities in cities as soon as they are able to do so.

Another key success factor was that most of the A2Pay incubatees already had an existing business. This meant the Biz Box was just an opportunity to supplement their existing revenue stream (i.e. they were at least partly opportunity driven). Younger incubatees seemed to view A2Pay incubation as a short-term stepping stone to generate savings in order to help them achieve other goals such as further post-matric studies.

4. CONCLUSIONS AND RECOMMENDATIONS

The evaluation found that female, opportunity-driven entrepreneurs with some prior work experience in the same business sector were more likely to create jobs with the A2Pay vending machines. Other success-related factors seem to be the presence of higher post-matric qualifications as well as a high degree of motivation to earn money for themselves.

A2Pay's success in coming very close to meeting its job creation target over the three year period appeared to hinge on the fact they provided technology equipment solutions to a range of

opportunity-driven entrepreneurs. These included those already in business but with a desire to increase revenue as well as new entrepreneurs whose new Biz Box business was an opportunity to start earning an income.

Operation of the Biz Box vending machines on a large national scale gave rise to the need for geographical decentralisation of the servicing, materials supply and mentoring of A2Pay merchants by developing other A2Pay merchants to fill these roles. This calls for more cost-effective logistics and responsive services.

With respect to scaling up the success of the A2Pay model, the JF has continued to partner with A2Pay and they are currently in the second year of implementing their next project.



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