

Developing a strategy to distribute short shelf life products in the high crime township of KwaMashu in South Africa

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DECLARATION

I, the undersigned, hereby declare that the work contained in this theses is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

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Date: 30/08/2007

ABSTRACT

United National Breweries (SA) (PTY) Limited (UNB) has been manufacturing, marketing and distributing sorghum beer for the last twenty years. Sorghum beer has a short shelf life of five days and hence requires an integrated and efficient distribution system to back its production and marketing. Though the company has changed owners twice during this period, it has retained its knowledge base. The company has outgrown most of its competitors over the last four years, however in order to maintain its leadership, it has identified better market penetration through improved distribution as a major area of opportunity.

Almost seventy percent of UNB products are sold and consumed in the townships. These products are almost exclusively consumed by black South Africans. The analysis done by the company on the basis of population and market segmentation indicates that the maximum opportunity of product growth lies in townships most of which are affected by high level of crime. KwaMashu is one such township in Durban.

B B Bakeries (BBB) has been manufacturing, marketing and distributing bread in most provinces of South Africa. They are part of Premier Foods. Though their business has been growing in KwaZulu Natal for the last three years, they have been focussing on improving distribution in these markets. Bread, like sorghum has a short shelf life and hence depends heavily on an effective and efficient distribution system. New product variations are also being explored to gain more market share.

The aim of this study project was the development of an effective physical distribution system for short shelf life products in crime affected KwaMashu township. “An analysis of the external environment is undertaken to discover the opportunities and threats that are evolving and that need to be addressed by the organization” (Drummond & Ensor; 2005: 33). The external environment for analysis was broken down into three key steps, each becoming more specific to the organization. The first step was an analysis of the macro- environmental influences that the

organization faces. This was followed by an examination of the competitive environment the organization operates within and for this Porter' five forces model was chosen. Finally the integration of such inputs which emerged out of the social environment, business understanding and empirical data was done to come up with a comprehensive strategy. The departure point was the analysis of the characteristics of the environment prevailing in the township. These included study of crime, inputs from police and community policing forum, needs of informal businesses, role of locals to the trade, their possible impact on thefts and hijackings and changes if any envisaged in the near future.

The outcome of the study addresses the penetration of the retail segment despite the crime environment. It had to take risk to vehicles, staff and cash while planning distribution while ensuring that the company maintains a hold on the retail market to a reasonable degree.

Company' future growth plans which included new product introductions also had to be taken into account.

Out of the possible alternatives, the outsourcing of distribution to local vendor drivers was recommended. Practical guidelines regarding the implementation of such a system keeping in view the unique environment, in which business is conducted, were discussed.

Recommendations were made keeping such challenges in view while also supporting the company' current and future plans.

Abstrak

United National Breweries (SA) (PTY) Beperk (UNB) vervaardig, bemark en versprei sorghum bier vir die afgelope twintig jaar. Sorghum bier het 'n kort rakleef tyd van vyf dae and vereis dus 'n geïntegreerde en effektiewe verspreidingsstelsel om die produksie en bemarking te rugsteun. Alhoewel die maatskappy twee keer van eienaars verwissel het oor die afgelope vier jaar, het die kennisbasis behoue gebly. Die maatskappy het die meeste van sy kompetisie ontgroeï oor die afgelope vier jaar maar om voor te bly is markpenetrasie deur verbeterde verspreiding as 'n belangrike geleentheid gedefiniëer.

Byna sewentig persent van UNB se produkte word verkoop en verbruik in swart woongebiede. Hierdie produkte word byna uitsluitlik verbruik deur swart Suid-Afrikaners. Die analise wat die maatskappy op die basis van die bevolking en marksegmentasie gedoen het dui aan dat die maksimum groeipotensiaal in juis in dié swart woonbuurte lê wat deur hoë vlakke van kriminaliteit geaffekteer word.

KwaMashu is een so 'n woonbuurt in Durban.

BB Bakeries (BBB) produseer, bemark en versprei brood in die meeste provinsies van Suid-Afrika. Die maatskappy is deel van Premier Foods. Alhoewel die besigheid in KwaZulu Natal gegroeï het oor die afgelope drie jaar, het hulle ook gefokus op die verbetering van verspreiding in hierdie markte. Brood is 'n kommoditeit wat net soos sorghum bier, 'n kort rakleef tyd het en dus afhanklik is van effektiewe en suksesvolle verspreidingsisteme. Nuwe produkvariasie word ook ondersoek ten einde groter markaandeel te verkry.

Die doel van die studie is om die ontwikkeling van fisiese verspreidingsisteme vir kort rakleef tydprodukte in die kriminaliteit geaffekteerde KwaMashu woongebied. “An analysis of the external environment is undertaken in order to discover the opportunities and threats that are evolving and that need to be addressed by the organization” (Drummond & Ensor 2005:33). ‘n Analise van die eksterne omgewing moet afgebreek word in drie sleutel stappe waarvan elkeen telkens meer spesifiek op die organisasie toegespits word. Die eerste stap is die analise van die makro-ekonomiese faktore wat die organisasie beïnvloed. Dit word opgevolg deur ‘n ondersoek van die kompetisie (mikro) omgewing waarbinne die organisasie sake doen. Hiervoor is Porter se bekende ‘five forces’ model gekies. Laastens word ‘n spesifieke kompeterende analise gedoen waarin die kragte wat voorspruit uit die sosiale omgewing, besigheidsbenadering en empiriese data geïntegreer word vir ‘n omvattende strategie. Die vertrekpunt is die analise van die eienskappe van die omstandighede in ter sake swart woongebiede. Hierdie sluit die studie van kriminaliteit met polisie, gemeenskap en polisiëringsforums-perspektiewe, die behoeftes van informele besighede met die rol van plaaslike handelaars en hul impak op diefstal en skakings asook veranderings wat in die nabye toekoms geïmplementeer word.

Die resultaat van die studie het implikasies vir die deurdringingskrag van die kleinhandel ten spyte van die kriminaliteit in die omgewing. Risiko ten opsigte van voertuie, personeel en kontant moet in ag geneem word tydens verspreidingsbeplanning. Daar moet verseker word dat die maatskappy sy houvas op die kleinhandel mark tot ‘n redelike mate behou. Daarmee word die maatskappy se toekomstige groeiplanne met die invoer van nuwe produkte ondersteun.

Van die moontlike alternatiewe word die uitkontraktering van plaaslike afleweraars aanbeveel. Praktiese riglyne vir die implimentering van sodanige sisteme word bespreek en aanbeveel in terme van die maatskappy se huidige en toekomstige beplanning.

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CHAPTER ONE: STATEMENT OF THE PROBLEM AND BACKGROUND TO THE STUDY

1.1 Introduction

In South Africa, crime continues to be a subject of intense debate in the media on a regular basis. The possible impact of crime on business also keeps getting questioned and the government and business who are the major stakeholders keep expressing their views on this subject on a regular basis. This research study intends to attempt to develop a strategy to distribute short shelf life products in high crime township of KwaMashu in South Africa. This chapter deals with framing the principal problem which it aims to address, the research methodology used and the background of the townships. It also discusses the background of the companies on which the research study focuses their products and distribution systems. This helps in developing a methodology for the research towards attempting to provide a solution to the problem.

1.2 Defining the problem

1.2.1 Principal problem

UNB has been involved in sorghum distribution for many years and its business has been growing for the past three years. Focus on distribution has been the main thrust of this success. The product it sells is consumed exclusively by the blacks in the LSM categories 1-5 (Annex 1), most of who reside in townships. The formal trade in liquor comprises of large wholesale licensed 'Cash and Carry' outlets and licensed retail 'liquor stores'. They have a poor footprint in most townships forcing companies to come up with own strategies to service this segment of the market based on their distribution objectives. UNB distributes its products in townships quite extensively. However it is the company

view that in many townships, especially those more crime prone, it is not able to perform according to its projections and previous attempts to improve the product penetration have met with lukewarm success. There is a government initiative to upgrade the infrastructure in most black townships. This will result in not only better facilities for the residents but also facilitate the growth of business being conducted in these townships. However, in the view of UNB management, the current pace of transformation is such that it will take more than five years for the business landscape to change significantly in such black townships. The company is therefore looking for a fresh approach to doing business in such townships. An approach that would give UNB a competitive advantage. The research problem was to establish a perspective on strategy in distributing short shelf life products in high crime townships.

Ketels in his work on Porter's competitiveness framework, acknowledges that "sub-national regions are therefore the central geographical level for competitiveness" (2006: 118), strengthening UNB's belief that different strategies would be required for those geographical regions facing different challenges.

As Powell in his paper on Competitive Advantage says, "the strongest of the three hypotheses, asserting that whenever competitive advantage is present, superior performance is achieved, and that whenever superior performance is achieved, competitive advantage is present" (2001: 877). UNB believes that distribution poses the biggest challenge as studies have indicated that there is a demand for the product which is under serviced. "... attention needs to be devoted to examining the barriers to the emergence of market-based strategies in enterprises in emerging market economies. Key issues to be addressed involve consideration of whether lack of performance is due to poor implementation or to obstacles blocking managers' ability to implement market-related strategies" (Hoskisson, Eden, Lau & Wright; 2000: 263) As a result of improved

distribution system, UNB aims to achieve better market penetration which should lead to better sales.

1.3 Objectives

The study objectives were as follows:

- (a) To study the existing distribution strategies and systems for distributing short shelf life product in high crime areas along with their advantages and shortcomings.
- (b) To use the knowledge gained through meeting the objectives of the study to come up with recommendations in an attempt to address the challenge stated above.

1.4 Research methodology and sources of information

The study design was both qualitative and quantitative. In the qualitative component, semi-structured interviews were used as a tool to gather data pertinent to this investigation. Police, community forum, vendors, were interviewed and necessary verbal/written consent was obtained.

Quantitative data on crime statistics, retail availability of stocks of both the companies, retail pricing of their products, degree of informal behaviour existing at the retail level, opportunities existing to improve coverage was collected. This constituted the quantitative aspect of the study. The data was analysed and interpretations presented. Michael Porter' five forces model was used to determine the long term attractiveness of the market segment and potential threats it faces from industry competitors, potential entrants, substitutes, buyers and suppliers.

Information on UNB' present method of physical distribution was obtained from the respective sales and distribution managers. The required information was obtained from distributors and retailers.

The information for BBB was collected from their management. Interviews with their vendors were conducted in the presence of the company staff and vendor respectively. The survey on other relevant issues like availability of banking facilities, behaviour of retail trade towards banking and their understanding of it was conducted independently personally to gain a better insight into the variables impacting on the business. Wherever information was used from other sources they have been quoted accordingly.

In chapter two, Michael Porter's five forces model is briefly explained in terms that are relevant to the study. An attempt to identify factors critical to the competition in the industry as well as to evaluate the long term attractiveness of this segment of the business to UNB will be made using this model to strengthen the study.

The empirical part of the study commences in chapter three where the basic concepts of distribution channels and factors affecting physical distribution are discussed. The limitations experienced with respect to handling of the short shelf life products are also discussed. These are later used in determining alternate strategies.

Chapter four deals with the scope of research for this study. The methodology used to acquire and study the information is indicated. It covers a study of the KwaMashu environment, current set up of both companies, their way of conducting business and other factors that will influence the outcome of the study.

Chapter five deals with the results of this research study. This information is used to express the understanding of the acquired information. This subsequently helps in forming recommendations for this study.

Chapter six focuses on the conclusions and recommendations which then conclude this study.

1.5 Limitations of the study

The following may be considered to be the limiting factors of this study:

- (i) It is confined to the physical distribution of short shelf life products only.
- (ii) It is restricted to the geographical area of KwaMashu, which is a township in Durban.
- (iii) It is a pilot study, which may later be repeated on a bigger scale in other geographical areas if proven to be successful.
- (iv) The interviews conducted and the outlet views have been taken from a representative sample of the township. The results may not be conducive to the generalization of the study findings for other townships.

1.6 Background to the study

1.6.1 Introduction

“Given that the fulfilment of customer satisfaction is the key to business success, how do organizations achieve this? McCarthy (1960) suggested the concept of marketing mix (the 4Ps) – product, price, place and promotion. These variables form the key elements within the marketing function, and can be adapted in order to generate, and sustain, customer satisfaction....

Place: Place is perhaps more readily described as distribution. It is about making the product available. Some form of structured network is normally required – a distribution channel. However, true marketing may lie with the control of this channel as opposed to control of the product.”(Drummond & Ensor; 2005: 8-9). Distribution thus remains a powerful ‘P’ denoting ‘place’ in the marketing of the product. All the marketing pull, the brand and the product strength ultimately gets tested when the consumer buys and uses/ consumes the product.

As the required frequency of buying increases the consumer expects more convenience in purchasing a product. If the product happens to be a short shelf life product which is consumed almost daily, convenience becomes paramount.

“Marketing channel costs and margins can easily account for up to 50% of the price paid by the final consumer”, says Peter Doyle in his book ‘Marketing Management and Strategy’ (1998: 325). Distribution stays one of the key elements of this. This cost obviously gets affected with the frequency of delivery (higher the frequency, higher the cost), price per unit (lower the price per unit, higher the cost) and the volume displaced by the product (more voluminous the product higher the cost). UNB’ current cost of distribution is as high as 20% for distributing sorghum beer in townships.

“Management guru Peter Drucker predicted that in the twenty first century business, the biggest change will not be in new methods of production or consumption, but in distribution channels”(Doyle; 1998: 325). However it is not easy to make quick changes to the existing distribution channels without disrupting the business. Hence adequate planning, careful consideration to the product, environment in which it is traded, costs involved in doing it in house or outsourcing it, benefits and challenges involved in both options are essential to the successful market penetration.

1.6.2 Trading infra-structure of the townships

During the apartheid era, most of the violence was initiated from and around the black townships. This was because almost all the blacks were residing in townships in concentrated areas. These areas had poor infrastructure in terms of road access within the townships, had almost no organised businesses operating within and had poor transport and medical facilities. These hardships resulted in many prominent people in these townships initiating businesses to address some of the needs of the common black citizen.

Among these needs was the need for obtaining essentials for their day to day needs. These entrepreneurs who were from within the community would procure stocks from the companies or large wholesale traders and would carry them back to sell it to their community at a profit. Few companies tried to deliver their stocks directly to the townships with limited success

1.6.3 Factors impacting commercial development of townships

- i) Post apartheid, though for all luxury items it became easier for these people to visit the shopping malls closest to their townships, not many shopping areas were opened within these townships. The infrastructure developments did begin but will take quite a few years to reach desired levels. It is quite common to find a major portion of roads in a township not being levelled or tarred and quite narrow to offer comfort for a delivery to take place.
- ii) Many companies have started distributing their products to these townships with varying degree of success. Some townships like Soweto opened their doors to trade and today a sizeable portion of them are areas of normal business where entrepreneurs have set up new businesses for the benefit of all. There also are townships like KwaMashu in KwaZulu Natal, Mdantsane in Eastern Cape, Khayelitsha in Western Cape and Alexandra in Gauteng where business is more difficult to develop and new entrepreneurs have not been able to establish themselves. This is because crime levels in such townships have remained higher than those townships where businesses have started flourishing.
- iii) With an ever growing disposable income, this community has become an integral part of almost every company' consumer profile. Furthermore, as the migration of illiterate/semi literate blacks from the rural villages to the towns continues, this

opportunity becomes all the more important for companies to penetrate these markets. The opportunity is bigger and critical for businesses operating in the LSM 1-5 groups. Taking the product close to the consumer remains the most important factor.

(The population of South Africa is divided in ten living segment measure groups according to the durables they possess and their access to certain basic needs like water and electricity. As per recent descriptions LSM descriptor rates LSM 1 as living in a rural area in a traditional hut with minimum access to services and minimum ownership of durables, with the exception of radios. The average monthly household income of this group is between 800- 1000 rands. In comparison, LSM 5 lives in an urban area, have access to electricity, water, flush sanitation, stoves, fridges etc. The average monthly income of this group is around 2427 rands).

- iv) Most of the residents of the townships cannot afford their own transport and do not have convenient access to state managed public transport. Private transport is not only less safe (taxis) but more expensive. Hence distance travelled to buy a product not only has time and inconvenience attached to it but it comes to them with a price disadvantage also. Even for those who work in more urban areas it is not possible to shop on their way home because of their dependability on private or public transport.
- v) Due to historic reasons there are very few exits into and out of most townships. Thus in most cases such distribution vehicles which carry cash on their way back are easily noticeable, thus making them vulnerable to theft and hijackings.
- vi) Inadequate lighting in many parts of the townships poses a challenge as it increases the insecurity of the driver. Most of the privately operated transport services operate from dawn to dusk and traffic on the roads is scarce in the evenings.

1.6.4 Crime in townships

Crime in township remains a big concern for the government and an opportunity for the society. Inadequate infrastructure and poor sanitation conditions continue to frustrate this segment of the society.

Some of the other contributing factors are

- i) Most job creation objectives are still being rolled out and there is a large number of youth today who are not qualified educationally or vocationally to take up skilled jobs.
- ii) Very limited number of unskilled jobs are available today because even the construction / infrastructure and the mining industries which were the largest employers of this category have been resorting to improved technological help to become more efficient and competitive.

1.6.5 Opportunity of business growth in townships

A large portion of the country's population is residing in townships. Despite all the social challenges their purchasing power is increasing. This surely presents a sizeable opportunity for business growth amongst others, for the companies involved in manufacturing, marketing and distributing such products which are used or consumed by them.

Most of the big townships are located within less than fifty kilometres from the cities thus making them more lucrative for business growth. Infrastructure facilities, education and affordability will continue to improve and hence earlier entrants will likely be rewarded more.

1.7 Background of United National Breweries (SA) (PTY) Limited (UNB) and BB Bakeries (BBB)

1.7.1 UNB

1.7.1.1 Introduction

UNB is engaged in manufacturing, marketing and distributing commercially brewed sorghum beer in South Africa. The product is exclusively consumed by black people mainly in the LSM levels 1-5. It has nine breweries located throughout the country and engages in distributing the product from around seventy depots located strategically to help in effective distribution.

The company runs a fleet of almost three hundred vehicles, which deliver product through its driver salesmen. In addition the company also uses distributors to distribute the product in areas where either it does not operate with driver salesmen or considers that its market penetration requires supplementing. A large portion of the product is sold and consumed in townships. A significant portion of the trade is done in cash, as historically that was the only option. This obviously is expensive as cash management in terms of handling is more expensive than bank transfers and is also more risky. UNB has not been successful in identifying enough distributors to do distribution on its behalf despite repeated efforts. Delivering beer in townships therefore is critical for the company. Approximately 70% of its product is traded and consumed in townships.

1.7.1.2 Characteristics of sorghum beer

Sorghum beer is an opaque product, light brown in colour and is consumed at normal room temperature. The product has a short shelf life of five days and during this period it has to be transported, traded and consumed. It is a live product in the sense that it actually is allowed to ferment while it is being transported and traded. To facilitate the

fermentation the product has a small vent at the top of each pack allowing air to interact with the beer. The alcohol content rises and peaks on the third day when it has an alcohol content of approximately 3.5% by volume.

The consumers want to drink the product during the third to fifth day of its life cycle. The consumers are very discerning in the sense that if either the beer is too fresh (less than three days old) or if it is too old (more than five days old) they are able to distinguish the difference. This information, when shared with other consumers who have not yet bought their drink, impacts significantly on the day's sale at the outlets. The product is available in one, two and twenty litre packs. The first two are consuming packs and the twenty litre pack is a dispensing pack for the retailers. One litre of the product can cost anything between R2.50 to R3.50 depending on which pack is used. The beer cannot be bought and stored by the consumer due to its short shelf life and hence a daily drinker would have to go and purchase it daily from an outlet nearby.

1.7.2 B B Bakeries

1.7.2.1 Introduction

B B Bakeries (BBB) is part of the Premier Foods group and is engaged in the manufacture, marketing and distribution of bread in South Africa. Their product is consumed across all ethnic groups. Since the majority of the population of this country is black, they are the biggest consumers of the product.

They have two bakeries in Durban who among other areas also supply to the market needs of Kwamashu. To distribute its product, the company operates through a combination of distributors, drivers and vendor drivers across the cross section of its markets. A significant portion of their business is done in cash and hence management of cash is an important factor in their distribution plans.

BBB was chosen to enhance the study and understanding of the problem because it also, like UNB deals with a short shelf life product and is also actively engaged in distributing in such high crime townships where the study is being conducted.

1.7.2.2 Characteristics of bread

The product has a short shelf life of seven days and hence has to be transported, traded and consumed well within this period. The consumers desire to buy the freshest bread for consumption. This tests the efficiency of the distribution chain all the time. The product is available in two popular packs of 700grams and 600grams. The company believes that bread consumers are quite conscious as to which brand they buy.

1.8 Distribution wheels in South Africa

South Africa has both types of distribution channels, the conventional marketing channel and the vertical marketing system. In the first one the Company sells the product to its distributors/ wholesalers who in turn are then responsible for delivering and selling the product. In such cases various options on promoting the product are followed from the one where the company shares the marketing with its distributor to where only the company is responsible for the marketing and the dealer only distributes the product.

In the vertical marketing system nobody 'owns' the retailer and all parties in the chain i.e. the company, the distributor and the wholesaler have free access to him. Since the law does not force the manufacturer to prescribe the selling prices of the product in order to encourage competition, it also opens the opportunity for the trader in the chain whether it is the distributor, wholesaler or the retailer to abuse the price where there is not enough competition.

There however as always are small companies (dealing in low price products) who after having sold the product have no responsibility associated with it. From personal observations, I have noticed that most large follow the vertical distribution system where they have direct access to the retailer while allowing the major portion of their business to be routed through the wholesalers.

As the purchase power of the black people continues to increase not many businesses have made the extra effort to try and make the products available to their black consumers most of whom are still residing in the townships. The slow development of infrastructure whether it is roads, electricity or opening of banks has also restricted the will to take the initiative.

1.8.1 Distribution wheels of UNB and BBB

Distribution wheels in UNB

UNB follows the conventional and the vertical distribution system. It currently has about 1000 distributors/wholesalers with whom it trades. In addition it currently has approximately 300 vehicles which distribute sorghum beer six days every week. The size of its vehicles ranges from the smallest delivery vehicle which is the one ton bakkie and the largest being the horse and trailer combinations, which take a maximum load of thirty-four tons.

UNB services its customers at least three times per week keeping in view the short shelf life of the product. In many markets where the purchasing power of retailers is low, though uneconomical even daily deliveries are made.

Since a significant part of its product is consumed in the townships, in recognition of the growing opportunity that exists in the townships despite the infrastructure challenges the company has increased its fleet and continues to explore every opportunity to penetrate

them. The company has also opened its depots in many of these townships. However in townships where crime is more prevalent, the efforts to increase penetration have not met with the desired success. Hence, there exists an opportunity to improve business in such communities which live in high crime areas.

Distribution wheels in BBB

BBB follows a more conventional system in that there is no price competition amongst different stake holders in the same area. However, different distribution channels are used to try and provide good customer service. Towards this a combination of distributors, drivers, vendors drivers are used depending on various historic and market factors. All large retailers are serviced daily and others three times per week. BBB relies less on their fleet which is restricted to servicing urban areas which are close to their bakeries and use service providers for the other areas. In general the company tries and keeps the close by and urban areas under its direct distribution because they allow it to have better pulse of the market for marketing and the contributions are better.

1.9 Definitions

The customary definitions used in the understanding of the following categories are stated below. These are therefore not on a very high abstraction and are practical definitions.

Distributor:

Generally is a large dealer with enough finances to buy the product, enough manpower and transport to deliver the product to customers on a regular basis. A distributor generally deals in few products, which are not competitive to each other and calculates margins in a professional way.

Wholesaler:

A large dealer with enough finances to buy the required quantities of the company's product, which is sold to runners and retailers on a call and collect basis. A wholesaler deals in whatever the customer demands and is not loyal to a particular brand/ company and in some cases delivers prepaid orders of the customers for a delivery fee which is over and above the normal selling price. Consumers, who either have proximity or when they require larger than usual quantities of product items also purchase their requirements from them. Such a wholesaler calculates margins in a professional way.

Runner:

A runner generally services a fixed customer base, is in possession of a delivery vehicle and buys an assortment of items for this customer base. Margins are generally calculated on an ad hoc basis and such runners may often be illiterate. However in most of the cases a runner enjoys tremendous loyalty of customers who are dependent for their goods. Most of such customers are based in townships or in offbeat routes where public transport is not generally available. A significant portion of such customers would suffer if they were not serviced regularly and the runner often takes advantage of this situation.

Retailer:

A retailer is the person who interacts with the consumer most often. A retail outlet can be anything from an organized outlet with a proper Value Added Tax number and an invoice book to a tuck shop that just buys and sells without any laws affecting them. The more informal and small the outlet the smaller the radius of its consumer base and generally higher the margin added on to the product it sells.

Milk route:

This is the delivery route covered by a company, distributor or a vendor's vehicle in a pre arranged sequence on fixed delivery days. In this case the retailers are aware on which

day they can expect the stocks and also have a general idea of the time around which their shop is visited.

Shebeen:

This is an outlet where alcohol is sold and consumed on its premises. Generally this outlet is unlicensed and yet sells alcohol for commercial purposes. Such outlets generally exist in townships. The range they have on offer for their consumers may vary from only home brew to all types of alcohol including clear beer, whisky, brandy, etc.

Homebrew:

This is an alcoholic product brewed by a shebeen for commercial purposes. It is a concoction of certain ingredients, viz. malt, yeast, etc. which is often supplemented by bread and some fruits for additional taste and flavour. It is generally consumed on the same premises where it is brewed by consumers who stay within its vicinity. Most of the customers visit a particular shebeen regularly to consume alcohol and socialize. These shebeens do not possess a license to brew this beer. The alcohol content of this beer may vary from around 3% by volume to 5% by volume. Each shebeen's homebrew has a distinct taste. Homebrew is much more affordable than sorghum beer in terms of price. The size of these shebeens varies from the small ones selling only around fifty litres of homebrew per day to the large ones selling as much as around two thousand litres per day. A few of them are also involved in distributing the product.

Clear beer:

This is the beer that we generally refer to as 'beer'. It is clear and golden in colour and generally has an alcohol content varying from 3% to 5% by volume.

Chapter two deals with the theoretical considerations highlighting and discussing the main framework of the model to support the research study.

CHAPTER TWO: THEORETICAL CONSIDERATIONS

2.1 Introduction

Towards making theoretical considerations to support this research study it is prudent to identify and choose a model which is relevant to it. Further, if the same model can be used in studying the environment at the industry level as well as the attractiveness at the strategic business unit level, it makes for a perfect fit. For our research we have chosen Porter's 'Five Forces' to facilitate our study of the township of KwaMashu and further our understanding thereby enabling us to strengthen the outcomes. Porter writes on strategy and has covered most of the issues pertaining to marketing. Distribution is also a strategy which falls under the purview of marketing. "While Porter is an economist and strategist rather than a marketing professor, marketers can learn from his views on competitive strategy" (Pitt; 1998: 36). No comparative analysis however was done to argue the relevance of the Porter model against other models.

The importance of analysing the strategy content at the business unit level is emphasised by David J. Collis in his work on 'organizational capabilities'. The opening statement of his paper sums it up. "The analysis of strategy content (formulation) at the business unit level has evolved over the last 20 years, since strategic management first defined the normative challenge for the field as prescribing ways to achieve competitive advantage" (1994: 143). This has come about due to interfirm profitability differences leading to the need of understanding the intrinsic firm heterogeneity.

Further evidence of the relevance of Porter's five forces model in the field of competitive strategy is established by Karl Aiginger, of the Austrian Institute of Economic Research. As

recently as 2006, in his paper on introduction to the special issue on competitiveness, he acknowledges that “interest in this field has been notably stimulated by the work of Michael Porter” (2006: 63).

Another intrinsic dimension is discussed by Barney of the University of California, in his paper on integrative framework for types of competition and theory of strategy. He acknowledges that the basic concept of competition employed in industrial organization economics is fundamentally unchanged. According to him “the key attributes of an industry’s structure that are thought to have an impact on firm returns include (Porter, 1981) the existence and value of barriers to entry (Bain, 1956), the number and relative size of firms, the existence and degree of product differentiation in the industry, and the overall elasticity of demand for the industry” (1986: 792) which issues are addressed through Porter’s five forces model.

Further, in the review of the work on the ‘The Competitive Advantage of Nations,’ Terry Clark in *Journal of Marketing* acknowledges the value of “the analysis of industries in terms of five factors (suppliers, buyers, substitutes, new entrants, and competition) and the value added chain for the analysis of competitive advantage” (1991: 118) to the somewhat larger subject of competitive advantage of nations.

In the review of the works of Porter on competitive strategy and competitive advantage, Gartner acknowledges that “the framework and the methods for analyzing industries provide powerful conceptual techniques that many individuals have found useful” (1985: 874).

“A useful framework that can be utilised when understanding this analysis is Porter’s ‘Five Forces’ model of establishing industry attractiveness for a business. This analysis should be conducted at the level of the individual strategic business unit (SBU) rather than at the level

of the organization as a whole, otherwise the range of relationships facing a company with several divisions causes the analysis to lose focus” (Drummond & Ensor; 2005: 36). Porter’ model thus appears to be a perfect tool in the field of competitive strategy and its views are still relevant in today’ business environment.

The theory of five forces model of Michael Porter will now be outlined. This model deals with competitive strategy. The five forces framework allows a firm to see through the complexity existing around it and pinpoint those factors that are critical to competition in its industry, as well as to identify those strategic innovations that would most improve the industry’s and its own profitability. “Michael Porter has identified five forces that determine the intrinsic long-run attractiveness of a market or a market segment” (Kotler & Keller; 2006: 342).

2.2 Michael Porter’ five forces model

“Competitive strategy must grow out of a sophisticated understanding of the rules of competition that determine an industry’s attractiveness. The ultimate aim of competitive strategy is to cope with, and ideally, to change those rules in the firm’s favour. In any industry, whether it is domestic or international or produces a product or a service, the rules of competition are embodied in five competitive forces: the entry of new competitors, the threat of substitutes, the bargaining power of buyers, the bargaining power of suppliers, and the rivalry among the existing competitors”(Porter; 2004: 4).

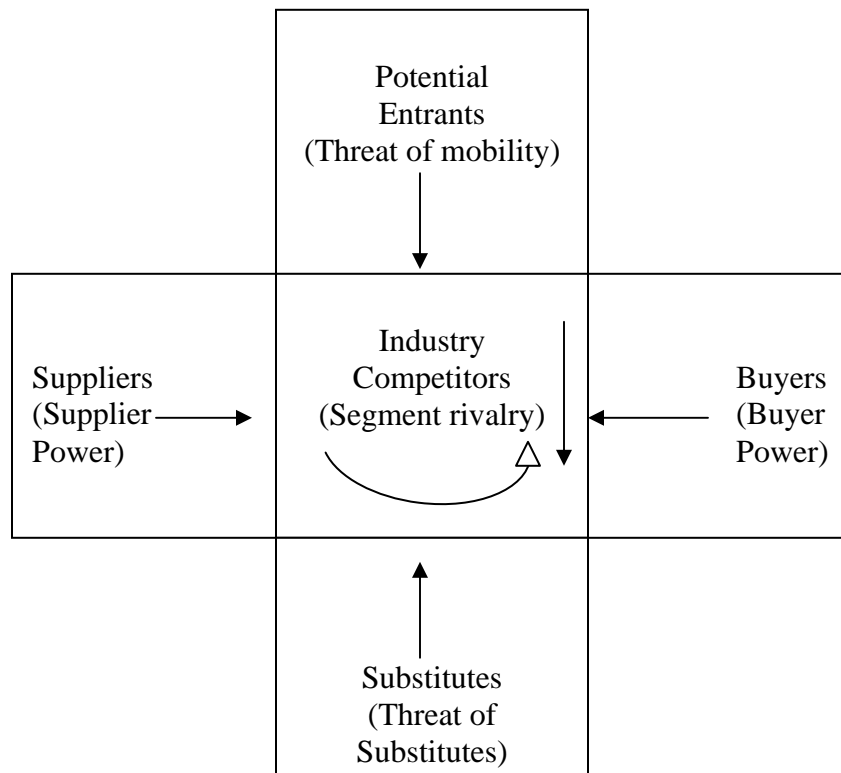


Figure 1. (Kotler & Keller, 2006: 342)

We will take a quick overview of each of the five forces and of one over the other, knowing well that “cause and effect are blurred in this real world, the direction of casualty shifts over time, and as it does, industry specific competitive advantage evolves” (Jelinek; 1992 :508).

i) *Industry competitors (Competitive rivalry)*: “The intensity of competition in the industry will be determined by a range of factors:

- The stage of the industry lifecycle will have an effect. Natural growth reaches a plateau once an industry reaches maturity; the only way an organization can continue to grow in the industry is to take market share off its rivals.

- The relative size of competitors is an important factor. In an industry where rivals are of similar size, competition is likely to be intense as they each strive for a dominant position.
- In industries that suffer from high fixed costs, companies will try to gain as much volume throughout as possible, this may increase competition based on price discounting.
- There may be barriers that prevent companies withdrawing from an industry. ... may be plant and equipment that is specialist in nature....If the industry is in maturity, moving towards decline, and rivals cannot easily leave the industry then competition inevitably will increase”(Drummond & Ensor; 2005: 37).

A good example in this segment would be the cell phone industry where each player has high fixed costs, relative size of each competitor is large and hence each tries to gain as much volume as possible, resulting in price discounting.

“Other things being equal, then, rivalry should increase with the strategic distance between firms (Porter, 1976, 1979)....Rivalry is greatest when market interdependence is high” (Peteraff; 1993: 520)

ii) *Threat of substitutes*: “Substitution can arise in a number of ways:

- A new product or service may eradicate the need for a previous process.
- A new product replaces an existing product or service.
- All products and services, to some extent, suffer from generic substitution” (Drummond & Ensor; 2005: 37).

That cassette tapes replaced vinyl records, only to be replaced by compact discs is a good example of this process. Insurance services delivered directly by producers over the phone or

internet are substitutes for the services of an independent insurance broker. Further, a consumer may choose to substitute buying a car in order to purchase an expensive holiday instead. Tea and coffee are fairly close substitutes in many countries. Raising the price of coffee, therefore, would make tea more attractive.

iii)Threat of potential entrants: “The threat of potential entrants will be determined by a number of barriers to entry that may exist in any given industry:

- The capital investment to enter the industry can be very high...
- A well entrenched competitor who moved into the industry early may have established cost advantages irrespective of the size of their operation....
- Achieving economies of scale in production, distribution or marketing can be a necessity in certain industries
- Gaining access to appropriate distribution channels can be difficult....
- Government legislation and policies ... can all act to restrict the entry of competitors.
- The prospect of a well-established company’s hostile reactions to a new competitor’s entry to the market may be enough to act as a deterrent” (Drummond & Ensor; 2005: 37).

As an example, a very high capital investment is required in areas such as electrical power generation and may well act as a deterrent. Opening a car dealership that can service customers nationally is another example of a high entry barrier whereas opening a restaurant has a much lower entry level.

iv) Threat of buyer's growing bargaining power: "The power of buyers is liable to be strong where:

- A few buyers control a large percentage of a volume market.
- There are a large number of small suppliers.
- The costs of switching to a new supplier are low.
- The supplier's product is relatively undifferentiated, effectively lowering barriers to alternate sources of supply" (Drummond & Ensor; 2005: 37).

For example, grocery and electrical goods retailers dominate the South African market and are in a very good position versus their suppliers as a result.

v) Threat of suppliers: "The power of suppliers is liable to be strong where:

- Control over supplies is concentrated into the hands of a few players.
 - Costs of switching to a new source of supply are high.
 - If the supplier has a strong brand.
 - The supplier is in an industry with a large number of smaller disparate customers"
- (Drummond & Ensor; 2005: 36).

"A firm can reduce the bargaining power of suppliers by seeking new sources of supply, threatening to integrate backward into supply, and designing standardised components so that many suppliers are capable of producing them" (Jobber; 2004: 680). The best defences are to build win-win relations with suppliers or use multi supply sources. Oil companies like Shell, ExxonMobil, for example are at the mercy of oil supplying cartels like Organization of Petroleum Exporting Countries (OPEC).

“It would seem a simple task for a company to identify its competitors. PepsiCo knows that Coca-Cola’s Dasani is a major bottled water competitor for its Aquafina brand; ...However, the range of a company’s actual and potential competitors can be much broader. And a company is more likely to be hurt by emerging competitors or new technologies than by current competitors” (Kotler & Keller; 2006: 343). This will be kept in mind when we try and identify barriers to conduct business in line with Porter’s five forces.

It is also interesting and important to note what Porter says about his own model after explaining its scope. “The five- forces framework does not eliminate the need for creativity in finding new ways of competing in an industry. Instead, it directs managers’ creative energies toward those aspects of industry structure that are most important to long term profitability. The framework aims, in the process, to raise the odds of discovering a desirable strategic innovation”(2004: 7). Another interesting question on this subject is raised by Drummond and Ensor. “What is the likelihood that the nature of the relationships identified by the ‘Five Forces’ model will change given the trends in the external environment? Are there ways of benefiting from these potential changes?” (2005: 38). Such continuous assessment and positioning of the organization thereof will keep on providing it the strategic competitive advantage over others.

The importance of the organization’s ability is further highlighted, “Firms through their strategies, can influence the five forces. If a firm can shape structure, it can fundamentally change an industry’s attractiveness for better or for worse. Many successful companies have shifted the rules of competition in this way” (Porter; 2004: 7). This is reinforced by Robert M. Grant in his assessment of Porter’s ‘Competitive Advantage of Nations’ where he while referring to organizations acknowledges that “most important, however, is Porter’s emphasis

upon dynamic determinants of competitive advantage particularly through innovation...”
(1991: 547)

2.3 Conclusion

For our study, Porter’s ‘five Forces’ model is a seemingly appropriate tool because,

1. Porter’ five forces model and its views are still relevant in the field of competitive strategy today.
2. We will be able to apply it to a ‘strategic’ area of KwaMashu to help study the threats/ attractiveness that exists there.
3. The model acknowledges the opportunity for creativity in finding new ways of competing in the industry.
4. It directs managers’ creative energies towards those aspects of industry structure that are most important for the long term profitability.
5. It captures the possibility of studying possible changes in the future environment as foreseen by the organization and how that will influence the nature of relationships so that the organization can gear itself adequately for such potential changes.
6. Strategies can be formulated to influence the ‘Five Forces’ in the future.
7. Lastly, but most importantly, it allows the integration of inputs emerging out of social environment, business understanding and empirical data to come up with a comprehensive strategy.

“Markets are the source of change, disruption and possibility today. Markets change at a far greater pace than companies. Therefore, the best opportunities, the best strategies and best performance are typically arrived at by responding to external change” (Fisk; 2006: 115).

We will apply the five forces model to the distribution challenges in our study to understand them and guide towards a better recommendation at the conclusion of the study.

Of course, it will also provide a somewhat unique testing ground for the universality of Porter's model when applied in the context of townships like that of South Africa. Although these townships are not unique in the world, one could hazard a guess that Porter did not have this kind of context in mind when he developed the model. It will therefore be interesting to see just how useful the model proves to be.

Chapter three deals with the factors affecting physical distribution, popular distribution channels, key factors influencing distribution strategies which will then assist in the study of the research problem.

CHAPTER THREE: FACTORS AFFECTING PHYSICAL DISTRIBUTION

3.1 Introduction

In this chapter the concepts of physical distribution will be discussed. Since the subject is very comprehensive, we will restrict ourselves to those concepts, which will impact on the scope of the study. Thereafter, we will also try and see these concepts through the framework of Porter's Five Forces model on competitive strategy. This will enable a better understanding of the study undertaken and will subsequently help us with the formulation of the recommendations.

I will take Drummond and Ensor as the point of reference in the definition of marketing and the role of distribution in marketing as this is a textbook widely prescribed and as such deals with a wide range of key issues in a standardised and accessible manner. After laying the foundation of marketing and distribution strategy issues, I then explain and define key aspects of ... from the practice of distribution in the environment in which the study was done.

3.2 Distribution: A key point of success at the market place

"Distribution channels, sometimes referred to as marketing channels, are vital to an organization's success, whether it is involved in consumer, industrial, or service products,.... Distribution has been one of the most neglected aspects of marketing, so much so that Drucker's claim that it was marketing's 'dark continent' still has some relevance"(Drummond & Ensor; 2005: 163).

“Peter Drucker predicted that in the twenty first-century businesses, the biggest change will not be in new methods of production or consumption, but in distribution channels” (Doyle; 1998: 325).

“Distribution channels are the structures by which groups of related organizations transfer goods or services from the initial producer to final domestic customer or business user.

The organizations that operate within these channels are called middlemen” (Drummond & Ensor; 2005: 163). The consumer price of any product or service includes the margins paid to these middlemen. Therefore it is often thought that if you can cut out these middlemen the price of a product charged to the end consumer can be reduced. This argument however overlooks the efficiencies middlemen bring to the distribution process.

“Middlemen fulfil three major roles, each improving the efficiency of the channel of distribution” (Drummond & Ensor; 2005: 163). Drummond and Ensor list and describe these as:

1. *Breaking bulk*: Middlemen buy from producers in large quantities, and break these down into smaller unit volumes for the end customer. ..., customers can purchase in smaller quantities from middlemen releasing the consumer’s capital as it does not require to be tied up in large inventory of unnecessary stock”(2005: 163). Unlike an organization, middlemen will be more flexible and will be open at a time consumers wish to purchase. A good example is that nowadays many cars in South Africa are produced overseas and middlemen provide the showrooms, test drive facilities and after sales services that consumers require in order to make a purchase.
2. *Specialization*: “Many middlemen specialize in distributing specific types of product. This specialization can allow them to create economies of scale to the distribution channel. ...Rather than the producer having to replicate these skills,This allows the

3. *Transactional efficiency*: “It is not uncommon for middlemen to assemble a range of products from different producers. This allows them to offer the end customer an appropriate assortment for their needs” (2005: 164).

The main focus of distribution is on availability. Cost of making the product available, nature of the product and the company’ objective have to dovetail to maximise the opportunity.

A conventional distribution channel is shown in the Figure 2 below.

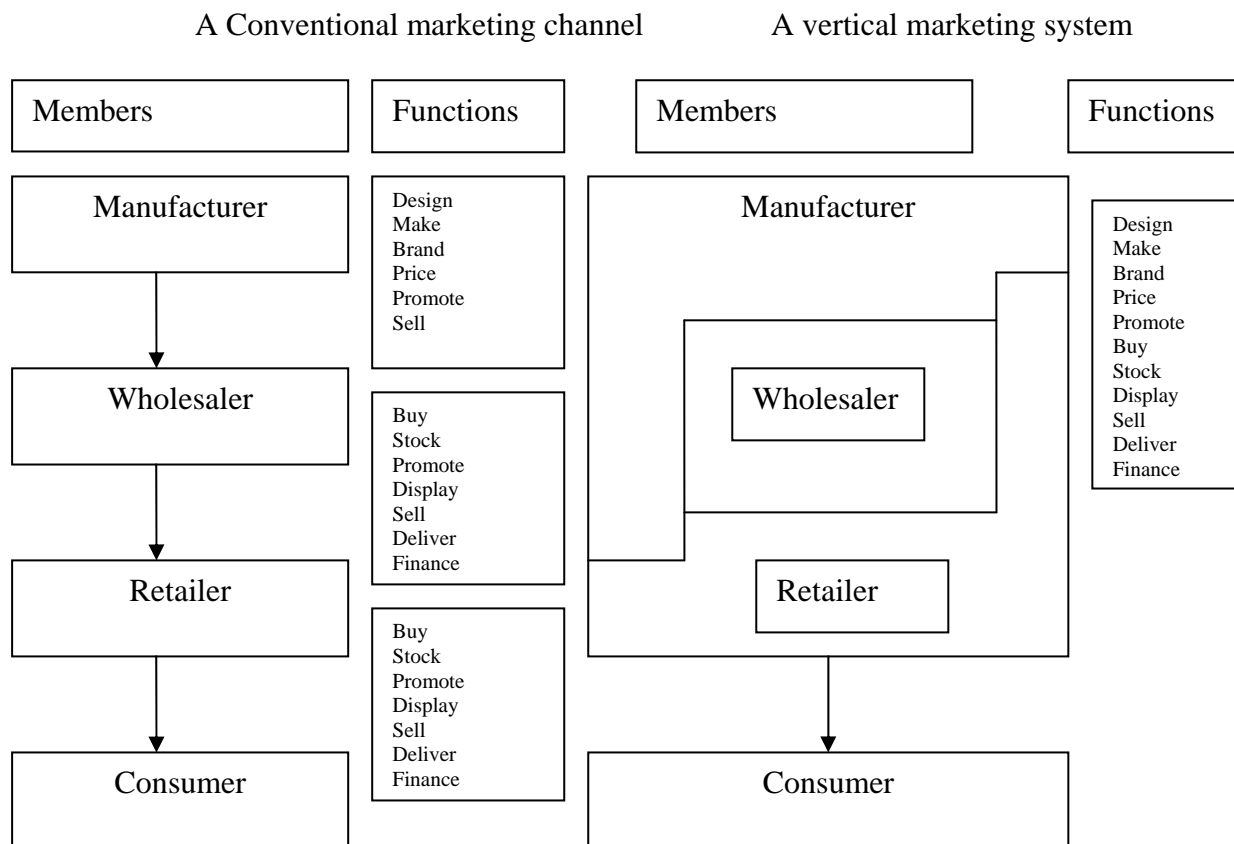


Figure 2. (Doyle, 1998: 341)

In this conventional channel the goods are re-distributed through from the manufacturer via various intermediaries. In this type of situation the categories seek to optimise their own buying and selling policies, often at the expense of those above or below them in the channel. Here each one in the channel pursues his own individual goals.

In recent years such channels have been replaced by vertical systems in which these activities are managed and integrated by one member of the channel. They have three advantages over conventional marketing channels. First, they reduce channel costs by avoiding replication of functions. Second, they minimize conflict among channel members by laying out clear goals and programmes. Thirdly, they maximize the experience and expertise of the channel members. An example of vertical marketing system is also shown in the Figure 2.

These intermediaries or middlemen as they are often called, have important distinctions between their roles and characteristics. “The most common among them are:

- *Agents*: Agents differ from other middlemen in that they do not take ownership or physical possession of the products they represent....They will act on a producer’s behalf and take a commission on any sales they negotiate with a third party....
- *Producers’ agents*: Producers’ agents tend to work for a number of different producers and deal with non-competitive or complementary products in a specific area....
- *Sales agents*: Generally sales agents only deal with one producer and deliver a full range of marketing activities for this specific client....
- *Brokers*: Brokers endeavour to bring potential buyers and sellers together by negotiating specific deals. Brokers usually do not have long-term relationship with either party involved in a negotiation....

- *Wholesalers:* Wholesalers differ from agents in that they take title to the goods they handle and are involved in the physical distribution of these products. They sell principally to other middlemen or directly to other middlemen or directly to other industrial, commercial or institutional customers rather than individual consumers....
- *Retailers:* Retailers sell goods and services directly to the end consumer. Retailers take title to the goods they stock which, ..., is a crucial factor in their relationship with their suppliers....

There are a number of other, less common middlemen. These include:

- *Purchasing agents:* These agents usually have a long-term contract with an organization on whose behalf they will act. Their responsibilities may be wider than merely purchasing on behalf of the company but may also include receiving, inspecting, storing and shipping the goods to their client....
- *Resident buyers:* Resident buyers are found in sectors such as clothing industry. ...They provide essential information to small retailers and will buy merchandise on behalf of these clients” (Drummond & Ensor; 2005: 165).

3.2.1 Developing a distribution strategy

To design and operate a physical distribution system that will deliver products and services to customers efficiently and effectively is a big challenge. This is a complex problem because management have to reconcile two conflicting objectives. First, they want to keep distribution costs low. According to Doyle, “Typically, distribution costs (transportation, inventory, warehousing, order processing, etc.) account for up to 20 percent of sales. Since trading profits often account for only 5 percent, there is often a major incentive for managers to cut distribution costs. On the other hand, distribution is a major source of competitive advantage. Companies that can offer immediate availability

and fast service can get better prices and win new customers” (1998: 342). The trade off is illustrated in the Figure 3. Management have to estimate how much customer orders will increase with better service and how many out of stock conditions will be avoided.

However, several qualifications need to be added to such analyses. The method should be applied on a segmented basis and an appropriate price service balance has to be established. This principle is illustrated below in figure 3:

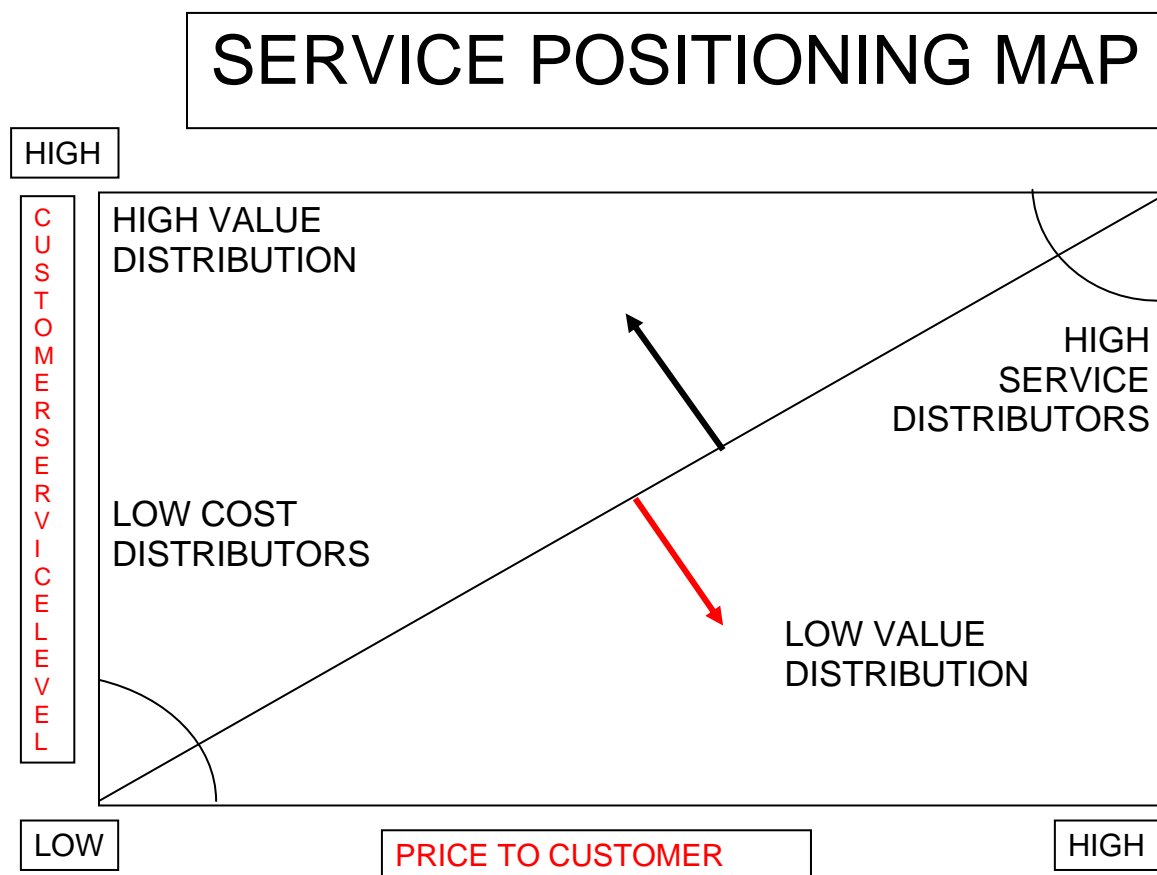


Figure 3. (Doyle, 1998: 346)

“Companies can offer either high or low service levels as long as they are offering price combinations which place them to the left of the diagonal. If they fall to the right, either the price is too high or the service level combination is too low to offer value to any market segment” (Doyle; 1998: 345).

Selling direct involves establishing a high fixed-cost operation. By contrast, selling through a distributor’s sales force involves a minimum fixed cost but a high variable cost element because of the discounts paid. Selling direct normally requires a higher resource commitment. Finally the choice of channels is influenced by the firm’s positioning strategy of its brands or products. In particular how intensive is the geographical coverage required? Three options can be distinguished in this regard:

Intensive distribution:

For low priced, convenience or impulse products, companies will generally want to maximise the number of outlets carrying them. The more places carry the product; the more likely it is to be bought. The more intensive the distribution required, the greater the efficiencies offered by the intermediaries. To do this the company will use many wholesalers and retailers and therefore will lose a lot of control in terms of the service given to the customer by the retailer. “This strategy is deemed to be appropriate when distributing products that are impulse purchases such as chocolates. It is also suitable for convenience products like bread. In both these cases consumers brand loyalty is likely to be low. They will be prepared to buy the nearest substitute product rather than going to another distribution outlet” (Drummond & Ensor; 2005: 167).

Exclusive distribution:

For high priced, luxury products, the manufacturer will often limit distribution to a very small number of intermediaries. The intermediary normally gains better margins and the

exclusive right to sell the product in a specific area. The manufacturer hopes to achieve in return a greater control of pricing and selling practices, and a superior brand image.

“This type of strategy would be employed by exclusive brands found in markets such as the fashion industry or specialist sport cars” (Drummond & Ensor; 2005: 167).

Selective distribution:

Manufacturers of speciality goods will often look for a compromise between intensive and selective distribution. Here the manufacturer aims to have a sufficient cover, but to restrict it sufficiently to be able to select motivated, knowledgeable dealers. “Selective distribution is more likely to be used when buyers are willing to shop around when choosing products. This means that it is not necessary for a company to have its products available in all outlets. Products such as audio and video equipment, cameras, personal computers and cosmetics may be sold in this way” (Jobber; 2004: 644).

The producer could also decide to pursue a multi-channel strategy to achieve his objectives. This could be complementary or competitive in nature. Competitive channel arrangements obviously have the potential to provoke conflict. Currently many financial institutions are offering their products not only through independent financial advisors, but also through direct telephone and internet operations. From time to time channel conflicts may also arise due to incompatible goals, unclear rights and responsibilities or misconceptions and poor communication. These must be kept to a bare minimum in order to maximize sales.

3.3 Product characteristics

Product characteristics play a very important role in determining the options for distribution. Frozen foods for example will require investment in refrigerated vans for whoever wants to transport the product and hence ad hoc transport may not be available.

This will call for adequate backup during breakdowns. Similarly if a company wants to outsource this service, a long term contract will be asked for by the person who plans to invest in the infrastructure.

Some of the characteristics which will become relevant in this study are highlighted below:

For short shelf life products the following is significant:

- i) Time is of essence as any inefficiency could lead to the whole consignment becoming unconsumable.
- ii) The larger the distribution chain, the more efficient the system must be. It must be able to respond timeously to exceptions as and when they occur.
- iii) If the product can get damaged easily, each loading and offloading will impact on its quality.

Similarly, the volume and weight of the product also will play a determining role in distribution options. Higher volume and weight not only make the loading and offloading a more professional and often expensive exercise but can also restrict the trading areas, partners and type of options available. “Many companies now differentiate their products on the service element that accompanies the tangible physical product” (Drummond & Ensor; 2005: 108).

3.4 Pricing

The price of the product has an important bearing on the management thinking in deciding the optimum distribution strategy. Lower unit price is likely to push up the distribution cost as a percentage of the selling price, thus putting more pressure on the management to look for the most efficient option.

Further channel control also becomes critical in such cases because even a small price abuse in money terms will reflect as a huge overpricing as a percentage. This may make the consumer unhappy and probably encourage him to start looking for alternate brands. As explained earlier in this chapter that for low priced, convenience or impulse products, companies will generally want to maximise the number of outlets carrying them. This while on one hand increases the chances of the product being bought due to higher availability, it also generally results in the company losing control over the price and service to the consumer thereby risking to lose the consumer.

3.5 Promotion

A marketing policy where the product is regularly supported by promotions, which affect the packaging, volume, and so forth or have a spurt of increase in sales, will affect distribution planning. This needs to be provided for in the plans because a well optimised distribution chain may run into capacity constraints during such times resulting in loss of sales from stock outs. Normal stacking procedures may not be applicable during such times thus posing another challenge.

Further, if the company does not have a strong sales and merchandising team, launching of new products can be an uphill task. Their dependence on a distribution team to promote and merchandise the product may not yield the desired results. The reason for the same is that their delivery team whether it is in-house or outsourced, may not have the ability and/or the time to engage in promotions because of a packed delivery schedule. There also could be a competence problem that may surface as a good delivery person may not be a competent promoter.

The company may have to consider outsourcing all the promotions at the retail outlets at a high cost. In such cases also managing them would still be a challenging job in itself.

Alternately, they may hire employees for a limited duration for this job. Here also commitment of such employees may be lacking. Lastly, a good marketing support may go waste if the consumer does not have access to the product or service as promised in the marketing campaign.

3.6 Depots

Depots are intermediate storage points between the factory and the retailer. These could be company owned or outsourced. Where they are located close to the consuming markets, they serve as a place for breaking bulk and making secondary distribution more effective and economical. Where companies deal with products coming from different factories they also serve as locations where product sorting takes place.

3.7 Delivery options

Regardless of whether the company, the distributor, sales agent or the wholesaler delivers to the retailers, the delivery men can be categorized in the following way:

Drivers:

They are regarded as staff in the employ of their owner (company, distributor, etc.) who works on a fixed salary. They also, in most cases, have fixed hours of work. Generally though their performance is judged by their selling objectives but no reward or penalty is associated with their success or failure at the market place. The vehicle in this case is owned and maintained by the employer. The assistants if provided are also paid by the employer. The product is sold at a prescribed price.

Driver salesmen:

They are staff in the employ of their owner as above. Their fixed salary may vary from a very low percentage of their average income (around 25%). They supplement their salary

with commission or incentives which are earned based on pre agreed terms on volumes of the product sold. They generally only have fixed days of working and do not have specified working hours. It is obvious that the more this person sells, the more he and the employer both gain financially. In this instance also the ownership and maintenance of the vehicle lies with the employer. The assistants if required in this case are also paid by the employer either directly or through a contractor. The product is sold at a prescribed price.

Owner-driver / Vendor:

In this instance the delivery vehicle belongs to the driver. He distributes the product in a set geographical area. He either buys the product upfront and sells it for a fixed margin to the retailers or enjoys credit and pays the owner of the product when he has delivered the product and collected cash for it. The individual must provide for assistants at his/ her own cost if required to load/ offload the product at the retail outlets. Other, performance linked incentives may also be applicable to him. He is actually an entrepreneur.

3.8 Trading environment

Generally it is assumed that the trading environment in which business is being conducted or studied, allows any business activity which the company wants to involve itself, provided it is legal and the company is willing to take the financial risk involved to itself, its brands and its value.

Some of the factors which are assumed to be in place under normal trading conditions but are likely to influence our study are mentioned below:

Safety of the vehicle:

It is assumed that the vehicle is safe from any stealing or high jacking under normal circumstances.

Safety of the driver and his assistants:

Since they are attending to their normal job duties and are working during the day, their personal safety is assumed.

Cash in the vehicle:

Though cash in a vehicle is always a risk, normal theory assumes that if basic precautions like fitting a safe in the vehicle are put in place, no restrictions apply to the trading needs of an organization.

Appointing of distributors / wholesalers:

It is generally assumed that based on commercial decision terms and without violating any existing legal agreements in place, an organization is at liberty to appoint any number of people as its distributors and / or wholesalers who it deems will benefit the distribution and hence sales of its product.

Discipline among drivers/ driver sales men/ owner drivers (vendors):

In many cases the driver of the vehicle and the organization benefits from the former's personal geographical knowledge of the area by getting good and quick penetration of the market and hence prefer such local candidates. This also allows the vehicle more time at the market place since less time is spent commuting. It is also assumed that if such an individual is found to be ineffective/ inefficient then the organization can replace him/ her by following its legal performance evaluation/ human resource policies.

3.9 Leasing of vehicles

Leasing the vehicle is an option if the company or the vendor cannot afford or does not want to incur large cash outflows, which probably would be better utilised in other aspects of the business. The lease of delivery vehicles generally runs for a period of four to five years. At the end of this period the vehicle belongs to the lessee. In most instances, the

vehicle by this time is already incurring high maintenance costs and has a high downtime. Most businesses prefer replacing the vehicle at this juncture to lease another new vehicle. This also gives the company or the individual a chance to revisit if the vehicle needs have changed in terms of size in which case, the new vehicle is of a more suitable specification. Some of the main responsibilities for the lessee to consider are:

- The lessee has a choice to go for a full maintenance lease or a normal lease. The cost of the former is higher but it protects the lessee from any normal maintenance costs including service costs in many cases. The difficulty however is that most companies do not cover the lessee for vehicle abuse which is one of the main reasons for high maintenance costs.
- The lessee must provide for the insurance of the vehicle. If an 'excess' option is exercised, then monies can be saved in monthly payments provided the driver does not abuse the vehicle.
- Membership for road side assistance is also to be considered if the vehicle goes onto bad roads because on the spot assistance is more expensive in most cases.
- Lastly, along with the vehicle comes the responsibility of planning for a backup alternative when the vehicle in question either breaks or goes for planned service or maintenance. In a business which is spread out and operates from many locations, this cost can be sometimes as high as 10% to 25% of their vehicle lease cost.

Concluding comments

Having laid out these concepts of physical distribution which are relevant to our research study, we want to now understand the concepts on competitive strategy for distribution through the framework of Porter's Five Forces model. This will allow us to see the complexity existing around our area of study. It will also assist in pinpointing those

factors that are critical to competition in the area as well as to identify those strategic innovations that would help improve the business by determining its long term attractiveness.

1. *Competitive rivalry*: It would be appropriate to establish if other companies whose products offer direct or indirect competition to UNB are servicing the market. If so, what is their size, and have they invested in infrastructure to service the market or outsourced this service.
2. *Threat of substitutes*: How serious is the threat of UNB products getting substituted due to non availability, lack of control of price, etc.
3. *Threat of potential entrants*: Is this threat a practical possibility in the near future? It will depend on how easy it will be for a potential entrant to gain access to appropriate distribution channels, achieve economies of scale in distribution as compared to UNB, availability of service providers to distribute their product if they do not wish to outlay the cost of putting up a company owned distribution infrastructure, UNB' ability to react to such potential entrants' entry.
4. *Threat of buyers' growing bargaining power*: Currently are there few large customers selling most of UNB product. Is UNB dependent on a few large distributors who can manipulate UNB' position, are there other companies offering similar products which are relatively undifferentiated, effectively lowering barriers of alternate supply.
5. *Threat of suppliers*: Is there ant threat existing from any suppliers of services which can have negative impact on the company' distribution plans?

Further, are there other new and creative ways to compete in the township which is the research study area, to improve distribution thereby offering UNB long term business attractiveness?

All the above concepts play an important part on the scope of our study. Chapter three lays down the theoretical framework for this study. In chapter four, the research methods chapter, factors that may influence the development of a distribution strategy for short shelf life products in high crime township of KwaMashu will be examined.

CHAPTER FOUR: METHODOLOGY

4.1 Introduction and aims

In this study the primary aim is to examine the factors that influence the development of a strategy for the distribution of short shelf life products in a high crime area, namely, KwaMashu. To test the research question, a multi-method research design incorporating both quantitative and qualitative components, was used. The research process involved conducting interviews with the various stake holders consisting of the company personnel, vendor drivers, distributors and retailers. Sales and pricing data for both the companies were obtained and analysed. The trading environment was also evaluated with respect to crime.

4.2 Contextualizing the study

4.2.1 Geographical area of focus: KwaMashu

It is important to understand the environment within which the study is located. This understanding will assist us in the analysis of issues at a later stage. KwaMashu is one such township that has been through unique times during apartheid era. “Just as local black communities in urban areas were struggling for recognition from white municipal authorities, the pioneers of black business and commercial interests within them, whether wealthy entrepreneurs or bread-line street vendors, had to struggle to establish their right to trade in towns and locations. Although the levels of political activity each group could sustain differed, it was not until local authorities chose to grant full licences and other concessions to fixed traders in their locations that the interests of fixed and itinerant traders, and of ‘legal’ and ‘illegal’ traders, began to diverge decisively.

Although poor facilities in the locations hampered their activities, it was the discretionary powers of the local authorities in the granting of licences to trade that most severely damaged the growth of a legitimate African trading class in South Africa”(Cobley; 1990: 143). Consequently, when the study results are analysed, more valuable practical suggestions and strategies will emerge.

Understanding crime in KwaMashu

Conducting business in an area such as KwaMashu, known for its increased prevalence of crime as compared to other townships in the country and falling under the highest crime category (Annex 3-6), poses a challenge for companies such as UNB and BBB. It is important, therefore, to get a sense of enabling factors that will facilitate business operations in high crime areas.

A more detailed discussion regarding the crime statistics and categories of crime will be presented in the results chapter, chapter five. As per the Director of Police for Durban North under which KwaMashu falls, KwaMashu has been designated as one of the five presidential focus police stations in South Africa (this was done to demonstrate the government’ serious resolve to tackle crime and to have increased focus on the five highest crime townships the progress report of which goes right up to the President himself) . Towards this official data for the area was obtained and compared with that of the region. This was be done for the categories of crime that influence business most (Annex 2-14).

Feedback on criminal activities obtained from the Kwa Mashu Police

To compliment and validate the existing information with respect to the crime statistics in the KwaMashu, a senior police officer in charge of the Durban North region, of which

KwaMashu forms part, was interviewed. The feedback provided by the police officer included the South African Police Services (SAPS), as well as the government's view on the relationship between business and crime. This feedback was invaluable because it helped to create a foundation for business operations in the area (Annex 15).

Feedback obtained from the KwaMashu community policing forum

The community policing forum set up in KwaMashu is a statutory legislative body which is elected by its constituents and represents the citizen's social concerns to the police. This forum allows the police to articulate their concerns to the citizen' as well, and as such a two-way communication channel is established. The chair-holders of the forum have been elected from and by the community and therefore enjoy a high level of respect and trust. Their role is deemed as important by the state to bring about transformation on many issues confronting the society.

The chair of the community forum was interviewed and his views on crime and business opportunities in the area were obtained (Annex 16). The value of this feedback was similar to that of the feedback obtained from the police officer. It helped in formulating a business plan with respect to operations in the area.

Transport of money

Given the high level of crime in KwaMashu, a serious concern relates to the manner in which payments take place for transactions at various levels of the business chain. The safe transportation of the money is always a primary concern. It is important to establish whether business shares this concern.

Business concerns were explored in two ways. Firstly, the way in which the companies are paid by their customers was verified. Secondly, interviews with 16 distributors (Annex

24) and 50 retailers (Annex 27) were conducted to establish existing transportation practices with respect to the monies. During the interviews the following information was obtained:

- (i) Percentage of cash transactions.
- (ii) Availability of alternate methods to transact.
- (iii) Whether the distributors and retailers were familiar with alternate methods.

Competitive rivalry and threat of substitutes:

UNB faces threat from homebrew and clear beer. If sorghum beer is not available at the retailer who stocks clear beer then there is possibility of substitution taking place.

Feedback from such outlets was obtained. Alternately, if the retailer does not have sorghum beer and there exists a shebeen nearby which sells home brew and or clear beer the retailer and UNB may lose the customer to the shebeen. This was done by questioning customers at each retailer about their alternate preference if sorghum beer was not available at the outlet (Annex 30). All retailers who were interviewed were also asked about the service offered by competitors to them in terms of delivery and after sales service to evaluate the status of rivalry prevailing at the market place. This was captured in Annex 31. Further, details on the existing threat of retailers opting to purchase another brand of sorghum beer if offered by another company was also obtained and shown in Annex 32.

Banking facilities in KwaMashu

The banking opportunities available in the area were investigated. Other factors, including banking convenience in respect of distance from the place of trading and banking hours

were established (Annex 24). The retailers were also interviewed about their current banking usage and proposed banking plans (Annex 27-28).

Specific questions regarding the following were also asked in the interview:

- (i) How many banks operate in the area?
- (ii) The average distance of the bank from sample customers.
- (iii) Customers' competency in handling banking.

Existing business opportunities

The extent of business opportunities available at the market place to do additional business was explored. This was done by attempting to identify at least ten customers in the areas who are willing to trade on the company's terms but do not get access to the product (Annex 28). This will also allow us to understand the possibility of an existing threat of any potential entrants' entering the market to offer competition to UNB. The following questions were asked during the interview to assess prevailing constraints which prevented the company and the retailer trading with each other:

- (i) Did the company trade with you earlier?
- (ii) Do you know the reason for not being supplied?
- (iii) How much do you think you can sell?
- (iv) How will you pay?

4.2.2 Business profile of UNB, BBB, and their customers in KwaMashu

Information pertaining to UNB's and BBB's staffing, distribution structure and other support provided, which impact on their business in the area was obtained. Towards this, we obtained details of the infrastructure that they have to manage their business and their

sales trends (Annex 23). This was accompanied by qualitative feedback from two role players each from UNB and BBB who are involved in the delivery of the product, namely UNB distributors and BBB vendor drivers to get an insight into the constraints and opportunities facing them (Annex 25 -26). This would also assist in evaluating if the large distributors of UNB have enough business strength and hence bargaining power to possibly offer a threat to UNB if opposition companies came on the scene. This was done on a standardised interview format which will cover the following information:

- (i) Qualification
- (ii) Working days (holiday and weekend plan)
- (iii) Working hours
- (iv) Number of customers serviced
- (v) How new customers are found
- (vi) Back up plans for vehicle breakdowns
- (vii) Back up plans for staff absence
- (viii) How are consumer complaints/ feedback handled
- (ix) How are new products introduced
- (x) Any additional feedback obtained during the interview

Understanding UNB' and BBB' existing customer base

An understanding of the cross section of the customer base was obtained to ascertain the nature of the customer that is serviced by both companies. This was done by interviewing and studying a cross section of current informal customers and seeing their trading premises to form a picture of the trading environment (Annex 23).

The parameters of the interview are listed below:

- (i) Availability of VAT number

- (ii) Infrastructure of the outlet (formal/ tuck shop)
- (iii) Trading hours
- (iv) Convenience of access for the delivery vehicle
- (v) Any additional service needs
- (vi) Any concerns / opportunities

Cost of distribution

The existing distribution costs of both the companies were obtained without going into their efficiencies. This assisted in having a better understanding their operations. The graph in Figure 4 below depicts that depending on the load of the consignment the cost of distribution can vary immensely. “When firms subjected their distribution activities to close scrutiny, often for the first time, many discovered that it was unprofitable to distribute” (McKinnon; 1989: 56). In this instance it applies to the efficiency of distribution at the market place.

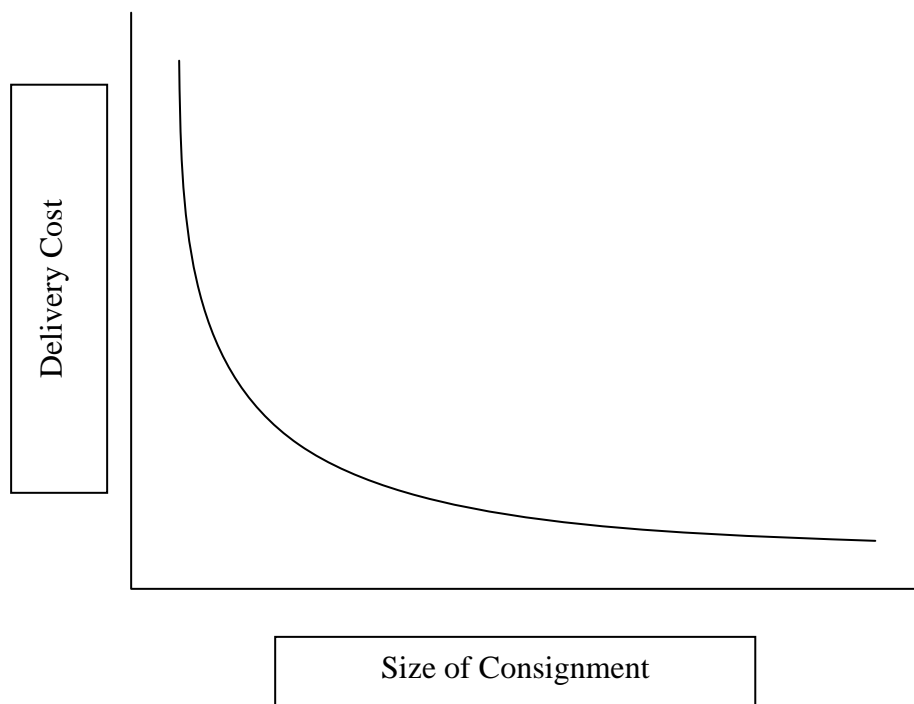


Figure 4. (McKinnon, 1989: 56)

The impact of high and unmanaged distribution cost on the profits is illustrated in the graph depicted in Figure 5. Hence some feedback on vehicle utilisation opportunities will be obtained. It is in the interest of each member of the distribution chain to make it efficient as higher distribution cost will eventually get passed along the chain. Inefficiency in this can seriously affect the viability of not only the vendor driver and the distributor but the company itself.

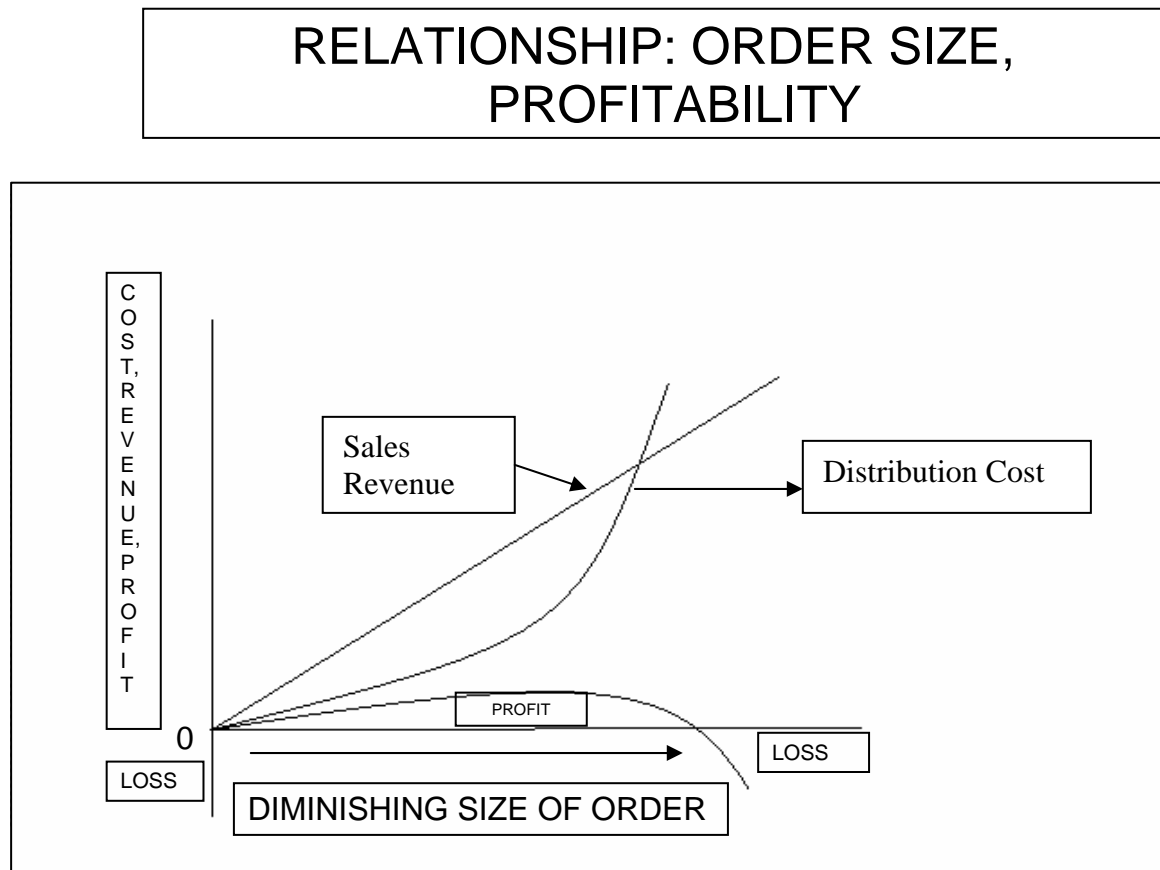


Figure 5. (McKinnon, 1989: 57)

Price through the supply chain

The pricing through the chain was studied to understand the possible abuse of margins by the chain. This was done by randomly meeting each category of the supply chain and obtaining the information. The focus was on obtaining the prices prevailing at each level of the chain and comparing them with the recommended prices by the organizations (Annex 20-22).

The following information was obtained from the retailers:

- (i) Correctness of the buying price
- (ii) Is overcharging taking place. If it is, why?
- (iii) How are margins calculated?
- (iv) Is there an understanding that overpricing can result in a reduced customer base?
- (v) Is there an understanding of overheads?

Concluding comments

A three dimension approach has been used by the researcher in an endeavour to study the problem. Firstly, we study the factors which have a significant impact on business in the township of KwaMashu. Secondly, we study how the two companies operate on all important parameters within the existing constraints. Thirdly, we also bring in Porter' Five Forces model to enable us to study the competitiveness/ attractiveness of such an area. This multi method design will assist the researcher to achieve the objective. The outcome of all the investigations is highlighted in chapter five.

CHAPTER FIVE: RESULTS

5.1 Introduction

The data collected through both quantitative and qualitative research methods are analysed and presented in this chapter. More specifically, the social environment (including an analysis of criminal activities) and how it impacts the business operations of UNB and BBB in the KwaMashu area is highlighted.

5.2 Relevant socio-economic information on KwaMashu

KwaMashu is located north of Durban in the province of Kwa-Zulu Natal (K-ZN), which is the most populous province of South Africa with almost 21.0 % of South Africans living in K-ZN.

According to Statistics South Africa, Census 2001 (Census in brief, Second edition,), the predominant indigenous language of the province is IsiZulu and 84.9 % of the people who stay in the province are black South Africans. About 21.9 % of the inhabitants have no formal education in K-ZN as compared to the national average of 17.9 %.

The 2001 census also indicates that 45.7 % of the working age population (15-65 years) is economically inactive as compared to the national average of 42.3 %. According to the Labour Force Survey 2001, the unemployment rate among those aged 15-65 years in K-ZN is 48.7 % as compared to the national average of 41.6 %. Among them black Africans is the highest. A large percentage of the population (43.4%) of people in K-ZN reside in informal or traditional dwellings as compared to the national average of 36.2 %. Only 73.2 % of K-ZN residents have access to piped water as compared to the national average of 84.5 %.

Concluding comments

Based on the above information it can be said that the province of K-ZN currently lags behind in comparison to the national average in South Africa in terms of social development.

5.2.1 Crime statistics in KwaMashu: a regional and national comparison

In order to establish a fair understanding of the magnitude of the problem prevailing in the township of KwaMashu, the data pertaining to the total number of reported crimes, for the year 2001, at police stations across the region, province and the country was obtained and analysed.

The map in Annex 3 shows the total number of crimes reported in South Africa in 2001.

The frequency of crimes is depicted by the colouring in of the affected areas. Dark red denotes the police stations where the most number of crimes were reported. In 2001 the highest total number of reported crimes was 2101 to 19058. It is evident that KwaMashu falls in the highest crime category (indicated on the map by an arrow).

Total robbery with aggravated circumstances reported at police stations across the country is shown in annexure 4. This crime category includes carjacking, truck hijacking, robbery of cash in transit, bank robbery, house robbery and business robbery. All the components of this category of crime, except house robbery have a direct adverse bearing on business activities. One can deduce that KwaMashu, which is highlighted and pointed out by an arrow, falls in the most aggravating category which is from 501 to 1950 crimes reported in 2001.

Annex 5 depicts total robbery with aggravated circumstances reported at police stations across Kwa-Zulu Natal. This crime category is the same as that discussed with reference

to Annex 4. It is clear that compared to other areas of KwaZulu Natal, KwaMashu still has the highest crime statistics in the region. Annex 6 shows robbery with aggravated circumstances reported at police stations across the greater Durban area. Yet again KwaMashu is found to be the highest crime ridden area.

5.2.2 Crime trends in KwaMashu

KwaMashu crime statistics based on reported criminal activities from 1996 to 2001 at the township's police stations is shown in a table contained in Annex 7. It is clear from the table that for the period 1996 to 1999, there is a general increase in crimes reported in Kwamashu. In the year 2000, though overall crimes have increased, murders and attempted murders have reduced. In 2001, there is a distinct decline in crime and it has gone back to 1996 levels. It still as was indicated in the Annex, ranks amongst the highest crime affected areas of South Africa.

The following categories of crime were reported at police stations in KwaMashu:

- (i) Murder,
- (ii) Attempted murder,
- (iii) Assault with intent to inflict grievous bodily harm,
- (iv) Burglary at business premises,
- (v) Burglary –residential premises,
- (vi) Theft of motor vehicles and motor cycles,
- (vii) Theft out or from motor vehicle,
- (viii) Total robbery with aggravated circumstances

It is important to note that the category of 'total robbery with aggravated circumstances' was introduced in 2001. For the purpose of this report, similar categories have been compared to present a fair comparison. The category of 'burglary- residential premises'

has been included because in my experience a significant number of people operate their businesses from home. Furthermore, many more individuals carry their cash from their businesses to their homes.

Concluding comments

It is evident from the crime data presented that KwaMashu is amongst the most high risk areas in South Africa. While there has been a reduction in crime during 2001, for the purposes of planning business activity it will be reasonable to assume that this township must be treated as a high crime area for the next five to ten years.

5.2.3 Police opinion regarding business and crime in KwaMashu

In order to get a better insight into the existing social conditions prevailing in the township, the Director of Police for Durban North, Mr. A R Harry was interviewed. Extracts of the interview are included in Annex 15. The main points that emerged from the interview were:

(1) KwaMashu police station had been designated as a presidential focus police station.

There are five such police stations in South Africa. This helps keep the concerns of the area in sharp focus as the President of the country has formally shown keen interest in monitoring the improvement of crime in this police station jurisdiction.

(2) The police were aware that crime is under-reported at the KwaMashu station. This applies to other areas as well which forces police to work on the existing crime data.

(3) Though the categories in which crime is reported were changed in 2001, it did not affect the analysis of the crimes committed to study their trends.

(4) Even if the businesses were willing to pay for the cost of deploying police personnel in the proximity of the business as a deterrent to crime, police would not be able to accede to the request. The reason for this is that police services have to adhere to constitutional principles and as such were obliged by law to protect all the citizens, and not one more than the other.

(5) The police provided valuable social insight that will help to facilitate business success in the area. Essentially, it was their opinion that one of the primary ways to run an effective, efficient, and successful business venture in KwaMashu is to empower the local people. The following were recommended:

- Employing as many local people as possible to demonstrate that there was a genuine intention to help the community while doing business in the area.
- To make it explicit to potential employees that business can only succeed if the environmental and social factors, namely low crime rate, good work attendance and employer reliability, is facilitated by the community and maintained by themselves.
- Potential employees need to fully understand that if the environmental factors referred to above are not in place, then business cannot succeed and may be forced to close down and re-locate to another depriving the KwaMashu residents employment opportunities.
- Business needs to agree that a certain percentage of the profits will be invested in socially uplifting the community by providing funds and donations for education and sport. Potential employees and other key stake-holders need to know and understand in order for this to happen they must try to support the business activity.
- Potential employees must be given the assurance that they will not be paid less and that the company respects the work conditions as stipulated by the prevailing labour law.

5.2.4 Community forum representative opinion on business and crime in

KwaMashu

Extracts of the interview with the community forum leader are presented in Annex 16.

The following points emerged from the deliberation:

The community policing forum had the backing of the majority of the elders in the community. Further, the forum is treated as an elected body and respected as such. It has access to the community and can arrange feedback sessions and meetings to discuss any important issues.

- The community is aware of the existing crime situation.
- They were willing to help business by communicating business views, needs and offers of help to the community.
- They also reiterated for the business to be transparent in terms of paying the locally hired employees in line with the principles of fair business practices.
- They also reiterated the recommendation by the police to contribute a portion of the business proceeds to the welfare of the community to win long term support.

Concluding comments on the crime situation

A crucial issue that emerged from the interview conducted with the Director of SAPS and the Chairman of the KwaMashu policing forum is that business must be conducted transparently. This will facilitate a greater degree of trust between potential employees, the community as a whole, and business. Another pertinent issue that emerged is the need for business to demonstrate its commitment to the socially uplifting the community by investing in, among other sectors, education and sport.

5.3 Current distribution set-up and sales trend for UNB and BBB in KwaMashu

UNB

KwaMashu is an important business area for the company. The sales trends of UNB indicate that the company is not making desirable in roads into the business despite significant efforts. These trends are provided in Annex 17. A summarized analysis follows:

- (i) UNB sales declined by 26% between 2000 and 2003. This downward trend has been continuing for the last ten years.
- (ii) The company managed to almost arrest negative growth for the first time in 2003.
- (iii) For the period January-April 2004 the company has registered a growth of 7.8%.
- (iv) Up until 2000 the company had only three distributors. This year, 2005, there are six main and eighteen small distributors. Many distributors like Inkululeko and Crown were unsuccessful and had to close down.
- (v) All new distributors only deliver in the section of the township near their operating place and hence are afraid to expand to other sections of the township.
- (vi) The new distributors do not have the professional competence to plan maintenance of their vehicles and hence sales are lost on a regular basis due to this lapse. Despite efforts UNB has not succeeded in identifying such businessmen who have the capacity and competence to redistribute to be appointed as its distributors.
- (vii) The company opened a depot in KwaMashu in September 2002, and has been operating a delivery vehicle to supplement its business. According to their management, there has not been much progress due to this. Only local people were appointed as driver salesmen for this job. There have been six incidences of robbery

on this vehicle. Due to being forced to change driver salesmen, and regular robberies the company delivery vehicle has not been able to operate on a regular basis. All distributors and driver salesmen work six days per week.

(viii) The total number of customers serviced by all the distributors put together and the company directly are about one thousand two hundred.

(ix) Except one distributor, Rattan, who has a spare vehicle and a driver no other distributor, has a back up either in terms of vehicle or driver should they become unavailable. Rattan, though reliable does not do a milk route for fear of vehicle hijacking.

BBB

They have been operating in this market for many years. They had a bakery in KwaMashu which was closed due to operational reasons and decreasing volumes in 1999. The depot was also closed at the same time. BBB has been servicing KwaMashu exclusively through nine vendor drivers since 2001. The information used, including the last three years sales trend, to conduct the analysis is provided in Annex 18. An analysis of the data indicates the following:

(i) The company did not do well in 2002 when the sales declined. However, they are doing well since 2003. Generally each vendor area is growing in sales. The given areas appear to have taken the viability of each vendor into account as each one of them is selling at least around fifty thousand loaves which as per the company is a viable volume.

(ii) All vendor vehicles were financed by the bank based on agreements of distribution signed with the company. In all cases these vehicles had a service and a maintenance agreement for a period of five years. An independent company was providing a

management service to manage and maintain these vehicles for these vendors at a fixed cost.

- (iii) In case of a breakdown on the vehicle a short-term hire was done to assist in market coverage. In case of a vendor being unavailable, other vendors tried and helped after they had finished their routes. In some instances the vendor assistants were used to drive the truck on such occasions.
- (iv) Consumer complaints were brought in by the vendor and the bakery management acted on this information in an attempt to resolve the difficulties. Not many complaints were recorded by the company.
- (v) The vendors felt that a new product would have to sell on taste and were willing to spend extra time to allow for the retailer to taste and order the product. On the query as to how would the consumer get to taste the product from the retailer, they felt that if the retailer bought the stock from them then he had enough hold on the consumer to sell it to them. They were uncomfortable to let the company representative go around from outlet to outlet doing promotions and offering target based incentives. They did acknowledge that they were less competent to launch the product in a professional way.
- (vi) They all worked for six days every week and their work timings varied between different vendors. The earliest one worked from 01h00 to 10h00 and some worked from 05h00 to 12h00. For twenty five customers out of a total of two hundred customers covered by the two interviewed vendor drivers, the vendors have the keys to the shop/ storeroom, and in most of these shops the money is lying in the closed shop along with the order for the following day. In other instances they just drop the stock on good faith without getting acknowledgement of delivery from the retailer

whose shop is closed. The money is collected on their way back after having delivered to all the customers.

(vii) They believe they cover all the customers in their areas as they know the area well.

The current coverage is not totally based on geographical segregation because of personal relationships prevailing between vendors and retailers. Hence there is an overlap in market coverage.

Concluding comments

There are of course similarities and differences between UNB and BBB in the way they operate in KwaMashu. Both companies are largely dependent on either the distributors or the vendor drivers for sales. In both cases, the distributors or vendor drivers are not professional enough to compile, maintain and analyse customer data.

Sales structure of BBB appears more organized in coverage because they have more knowledge of the customer base. BBB has access to some of the lists of the vendor' large customers and their sales trends, as all the vendors are based at the bakery and operate from the bakery premises. In the case of UNB the information is more difficult to control as all distributors operate from their own locations. Both companies have struggled to find professional business partners to service the area.

Maintenance of vehicles is a challenge in the absence of skills at either the distributor or the vendor driver level. Though the cost of a full maintenance lease on a vehicle is very expensive, when it is being managed by a third party who charges a separate service fee in addition to the service provider, it is seen to be working in terms of the maintenance aspect at BBB. This is possible in the case of BBB because of all vendors being located at the same premises.

The common location also helps BBB vendors to have access to back up drivers and rental trucks at short term notice in the event of absenteeism or vehicle breakdowns. It is practical and commercially viable to maintain a pool of drivers at the BBB premises to cater for absenteeism because nine trucks operate from the same premises. The UNB distributor system does not have access to this facility because each distributor operates from separate premises.

The knowledge of the area and being a resident of KwaMashu has emerged as an important factor towards selecting the right person to represent for delivering the products. However, despite being a pre-requisite it does not provide guaranteed security to the driver because the local based UNB drivers have been robbed four times and the second vendor had experienced five incidents of being robbed. Further, it appears that within KwaMashu also one has to carefully select and place people in certain sections where they are comfortable operating. This is also visible from the vendor areas in the case of BBB overlapping each other geographically.

5.4 Price of the product through the supply chain

UNB

The company in its price list provides for transportation cost at each recognised trade level, namely, the company itself and the distributor. However, the company recommended price assumes that the distributor and the wholesaler will sell the product to the retailers. It does not take into account the possibility of an additional layer of trading through the runners, who when involved must also make a profit margin for themselves. At the distributor level, as evident from Annex 19, there was 100 % compliance to the company price recommendations and no abuse was seen. In fact the large distributor was selling product to his key customers and runners at lower prices than recommended by the

company for retail thus preventing large scale abuse through the chain. Even smaller distributors were diligently complying with the recommendations.

All outlets demonstrated price abuse at the retail level. Among the retail outlets covered, as stated in Annex 20 for the one litre pack, which is the most popular pack sold, this abuse was almost standardised. 100% of the retailers were charging higher prices than recommended. Instead of the recommended margin of 22 % , they were charging 33 %. The second most popular pack sold, the two litres, 100 % of the retailers were charging higher prices than recommended (Annex 21). Instead of the recommended margin of 17 %, all of them were charging a margin of 21 %. While the abuse existed almost universally, it was distinctly less in the two litre pack than the one litre pack.

During informal discussions, nine out of ten retailers gave the feedback that can be summarised as follows:

- They generally rounded off the prices of all their products to either the nearest rand value or the nearest fifty cents value.
- They applied this regardless of the low value of the daily consumables and its huge positive impact on their margins and negative impact to the consumer.
- All of them were confident that their customers knew them very well and they did not think this would affect the loyalty of their customers.
- Seven of them also legitimised their answer with reference to the additional cost incurred by the customer or his family on transportation should they choose to go to the big outlets to buy such items.

Five of the retailers had a clear understanding of their business overheads. The rest worked on how much money was required for weekly household expenses and worked around it.

The information obtained from the retailers gives a better understanding of prevailing consumer prices and some of the reasons, which impact on consumer prices. Price abuse was restricted to the retail level only and neither the distributors nor the runners were party to it.

Though the company had not provided the pricing for the category of runners, it really does not emerge as a major opportunity in pricing terms. The company was not pricing its products in line with the behaviour of the retail trade in KwaMashu. The retailers were confident that in the short term the dependability of their customers would continue. Only half of the retailers were aware of the minimum business needs of overheads and cash-flows.

BBB

The company expects all retailers to get the product at the recommended price. It assumes that all vendor drivers will supply its products at the correct prices. It also does not take into account any additional layer of trading if runners who are involved must make some margin for themselves.

All the outlets were selling the product at the recommended prices or below them. There is no price abuse at the retail level. Though the recommended price list for the consumer was not available, the company personnel maintained that a price of five rand per loaf or less was a good price. This is illustrated in Annex 22.

Concluding comments

The following were observed with respect to the similarities and differences of the price of the product of UNB and BBB. UNB has an excellent recommended price compliance at

the distributor level in the sense that there is no over charging happening to the retailers at this level. In the case of BBB the price compliance at the vendor level is also satisfactory. However, at the retail level there is a distinct overcharging taking place in the case of UNB. The UNB distributors are not able to manage the prices at the retail level. This is due either to lack of focus or the ability to manage the retailers. Further, since UNB driver salesmen have not been effective at the market place they have not been much help in this issue. BBB clearly has an advantage over UNB due to better communication and control. In many instances personal relationships existed between the vendor drivers before the business relationships formed. This could also be a reason resulting in their better control over retailers in BBB.

Poor understanding of profit margins and overheads will also continue to pose a challenge for the retailer to subscribe to a proper margin calculation. They will continue to depend on outside influence to help them determine their selling prices.

5.5 A comparative analysis of UNB and BBB: cost of distribution

Overall since both companies deal in high volumes and their products are priced low per unit, cost of distribution plays a critical role in their current and future plans.

UNB

UNB on average has a six percent cost of distribution for KwaMashu if compared to turnover. This is in comparison to the brewery spending thirteen percent on distribution costs for its total service area, which covers most of KwaZulu Natal. It must be kept in mind that the brewery is located in Durban and is about twenty five kilometres from KwaMashu. The distances travelled are therefore short. The company also operates a depot from within KwaMashu and its running cost is in the range of around three percent

of the turnover for the area. Therefore UNB' total cost of distribution will be in the range of around ten percent of its turnover.

BBB

Though it has been difficult to get precise details, BBB does not have a depot and operates exclusively through vendor drivers in KwaMashu. Based on informal feedback from the outsourced distribution service provider, BBB's estimated cost of distribution is in the range of around twenty percent of turnover.

From the preceding discussion, it appears obvious that the cost of outsourcing is higher for BBB because there are more stake holders sharing money. However, BBB has the advantage of having a professional managing the fleet on behalf of vendor drivers who are good at selling. Overall, the trade-off between service and cost seems to be in the favour of BBB.

5.6 Evaluating presence of informal retailers among the current retailer base

UNB distributors service approximately one thousand outlets amongst them in KwaMashu. For our study, the best performing route of each of the top five distributors by volume was selected and the outlets visited in the geographical sequence of delivery.

- A total of ninety outlets had to be visited to identify fifty retailers who did not possess a vat number.
- Only ten out of these fifty outlets had a service counter to attend to their customers. This gives us an indication of the infrastructure of these outlets.
- At ten outlets, the delivery vehicle had to be parked at least ten metres away to arrange delivery.

- Despite being within the township and close to the community, two out of five outlets operated from dawn to dusk.
- Though vendors of BBB are delivering bread from 0100 in the morning, only one outlet claimed to open at 0500 the rest all opened from 0600 onwards.

Concluding comments

It is quite evident that a significant portion of the retailers are operating at an informal level. This position is likely to continue in the short term period of three to five years and hence must be taken into account when planning business opportunities.

5.7 UNB and BBB: a comparison of the movement of monies

UNB

Distributor level

UNB currently has eighteen distributors in KwaMashu. All of them have bank accounts but pay cash for the product they purchase (Annex 24) and collect beer from the company depot and pay money for the beer in cash. The company does not have a credit limit for any of them. The distributors prefer collecting beer to save on the delivery charge levied by the company, though the company feels it would cost them the same to collect the beer anyway.

There were three reasons given by the distributors for dealing in cash:

- (1) They felt that the risk of carrying cash everyday was there whether to carry money to the bank or to the company. They would rather pay the company.
- (2) The working hours of the company depot were more favourable than the bank. The depot operated from 07h00 to 15h30. As a result they bought their product early in the

morning and paid immediately. As a result they had to keep less money at their outlet during the day, thus making it safer for them.

- (3) Dealing in cash saved them money in terms of cash deposit charges which was as high as 1 % of the amount deposited. Using cash collection service was unaffordable at R 2000 per month in addition to the cash deposit fees.

Among these distributors, 50% cited all the three reasons for their preference in dealing in cash.

BBB

Vendor driver level

All vendor drivers in BBB had active bank accounts but paid cash for the stocks.

The two vendors interviewed (Annex 25 & 26) still felt that despite the risks involved in the handling of cash they still thought that this was the best option. One of them mentioned that one disadvantage of using the bank is that it was often over-crowded and hence he felt unsafe. The vendors felt safer on the company premises. Neither of the vendors were aware that there were bank charges involved in depositing cash in their or the customer accounts.

Since they operated from the company premises the cash pick up option was not relevant.

They also indicated that in the case of bank transfers where both parties dealt with different banks, it took an extra day for the monies to reflect in the receiving account. In such instances additional cash was required to deal with the company which they did not possess.

Concluding comments

As we have observed, first line customers of both the companies, i.e. distributors of UNB and vendors of BBB are dealing totally in cash. It does not appear that this situation will change in the near future because of the following reasons:

- There is not enough banking infrastructure in the area.
- Those who know the high cost of banking are not willing to part with their profits for higher bank charges.
- Since quite a few businesses are small in nature, the overlapping of banking hours with trading hours will continue to be a concern.
- Tight cash flows make banking a less attractive option.
- There is merit in the argument that the risk involved in carrying money to the bank is equivalent to taking it to the lender and paying him. Further, it offers more convenience.
- Most customers operate without a VAT number.

The chances of any change filtering through at the retail level are very low in the next two to three years. This is because the retailers have a higher level of comfort in handling cash, most of them do not have excess cash flows, and dealing in cash gives them more latitude to change their orders till the end, and their lower level of understanding of banking as compared to that at the distributor and vendor level further leads to their dealing in cash.

5.8 Banking opportunities in KwaMashu

It was established that there is only one bank, Ithala Bank, available in the township of KwaMashu. Further, only three ATM's could be located. The average distance of the respondents interviewed from their place of business to the bank was 8.5 kilometres.

Fifty percent of the retailers did not have a second competent partner/ family member as a back-up to manage the outlet in their absence. To these respondents banking option becomes cumbersome as their trading hours overlapped with those of the bank. Moreover, 60 % of the respondents were not comfortable transferring money into the company accounts.

Fifty retailers dealing in UNB and BBB or both companies were approached to get this feedback. The reports indicated that 92% of the respondents interviewed at the retail level have active bank accounts. At the retail level 100 % of the payments for deliveries were made by cash. Further, the payments were made at the time of delivery where call and collect was not involved (Annex 27).

At least 80 % of the customers were not happy exploring any other way if it was going to be an additional cost to them. Fifty percent of the retailers believed that cash was the cheapest way to transact with the company. Forty percent of the respondents further highlighted that with the cash system they could alter their order at the last minute depending on the stocks. This was permissible even if an advance order was placed with the company as long as it did not feel that the retailer was exploiting the facility.

Concluding comments

From the above responses it is evident that in the short term, over the next five years, cash will continue to be the primary mode of money transfer between the trade and the company.

5.9 Additional business opportunities

The best volume route of each of the five UNB distributors and the same for the top five vendors of BBB were short listed. An attempt to find customers new customers on these

routes was made. In the case of UNB the current customers on these five routes put together were one hundred fifty five. In BBB' case, the total number of customers serviced on these routes was one hundred seventy.

- Seventeen new customers were identified on UNB distributor routes which equates to almost 10% additional customers.
- Twenty nine new customers were identified on BBB vendor routes which equates to almost 17% additional customers.

Concluding comments

It is clear from the above analysis that both companies have substantial opportunities which can be converted into additional business. A significant portion of this business will be in the form of cash only.

5.10 Understanding possible threats based on Porter' Five Forces model

All the research study based on Porter' five forces model is restricted to UNB only.

Threat of competitive rivalry

At the retail level, the fifty informal outlets which were identified as not possessing vat numbers were used for this study. These outlets were chosen with a view that chances of either not servicing such outlets or providing them with poor service were higher than other outlets. It was observed that only twenty four out of them (48%) were getting serviced by a competitor through wholesalers and runners (Annex 30).

Threat of substitutes

Upon studying the same fifty outlets it was also noticed that there was a 90% chance that UNB product would easily be substituted by an opposition product (Annex 30).

Threat of potential entrants

For this study, the seventeen identified outlets that were not being serviced currently and the forty five outlets from those which were studied for UNB' products pricing through the chain were used.

- Out of the seventeen outlets which were not being serviced by UNB, fourteen (82%) were willing to experiment a new opposition product if delivered to them (Annex 31).
- Out of the forty five outlets which were purchasing UNB products, thirty (84%) were willing to experiment a new opposition product if delivered to them (Annex 32).

Threat of buyer's bargaining power

Towards this study, the volumes of the top four of the sixteen distributors of UNB in KwaMashu were studied. The largest distributor on its own contributed a significant 53% of the total volume. The next three distributors added up to another 19% of the total volume. This highlights the underlying threat that exists on this account.

Threat of suppliers power

Since the study is related to secondary distribution, and the stocks are transported to the depot by an outsourced distribution company from the brewery to the depot and distributors, the same was evaluated. There were enough alternate service providers available to do this service on behalf of UNB at six hours notice. All distributors and the depot keep one day stock on average.

Concluding comments

Based on our study, four out of the five forces influence the competitive environment in varying degrees which are briefly outlined. The threat of competitive rivalry does exist as 48% of the 50 outlets studied were receiving competitors' stock. The threat of potential entrants was above 80% in the case of the retailers being serviced by UNB as well as those not currently being serviced. The possible threat of substitutes reflected a very high 90% and the bargaining power of the buyers stood at 72%. The threat of supplier power however does not exist.

The next chapter, chapter six, highlights the main insights gained from this investigation on the factors that influence the development of a strategy for the distribution of short shelf life products in a high crime township in South Africa. Recommendations are made based on the insights gained.

AN INTEGRATED STRATEGIC APPROACH - CONCLUSION

6.1 Introduction

In this chapter we will attempt to integrate the findings with respect to the distribution challenges faced in distributing short shelf life products in high crime areas. Based on the findings, recommendations are made towards finding a solution to the challenges experienced by UNB and BBB. As Michael J. Rouse, in his paper on “Rethinking Research Methods for the resource-Based Perspective: Isolating Sources of Sustainable Competitive Advantage” points out “by shifting the focus from adapting, to leveraging and developing resources for sustainable advantage, managers can reconceptualize what businesses are, do, and can be”(1999: 492).

In terms of the De Wit and Meyer framework, a tension exists between strategy approaches on the business level that are oriented to markets or to resources (De Wit & Meyer, 1999:16). The difference is not alignment between business and the outside world but ‘their way of achieving such a fit’ (1999:191). Porter is often seen as a proponent of the so-called ‘outside-in’ perspective but he does see a strong role for the development of business processes in order to be able to benefit from market position advantages(1999: 205).

6.2 Contextualising crime in KwaMashu

The crime statistics presented in chapter five provides a good indication of the seriousness of all categories of crime in the country. Incidences of ‘Robbery with aggravating circumstances’ which have increased from 84,785 in 1994-1995 to 126,905 in 2002-2003, go on to reinforce not only the seriousness of the situation but also the opportunity that

lies ahead if the problem is tackled successfully. The statistics given are from 1996 to 2001 which is during the post-apartheid period. One may surmise that during the apartheid years the true level of crime was not divulged by the regime.

K-ZN is lagging behind in social development as compared to the national average for formal education, employment opportunities and acceptable living conditions. These factors contribute to increased crime levels. KwaMashu in K-ZN has been officially described as having the highest crime statistics in the province. KwaMashu has been designated as one of the five presidential focus police stations in South Africa.

Given the high rate of crime in KwaMashu, companies such as UNB and BBB have ventured to do business in the area. This fact has prompted the researcher to investigate and explore the challenges faced by these two companies in conducting their operations in the area. In order to fully understand the difficulties that business faces in crime infested areas, it is prudent to discuss the factors that facilitate business in a normal environment.

6.3 Factors influencing normal trading

For business to flourish, certain facilities are taken for granted in an organised environment. However, when some of these factors themselves pose challenges, they affect the dynamics of doing business in such an environment in unique ways. A few such factors which influence normal trading are stated below:

- i) Security
- ii) Banking backup and safe movement of money
- iii) Easy transportation access
- iv) Competition
- v) Reasonably knowledgeable retail set up
- vi) Manageable crime rate

- vii) Adequate social service (police, schooling)
- viii) Adequate household income (employment, social grants)
- ix) Affordable distribution access

When factors like security, banking, high crime rate, inadequate social service become challenges in themselves it leads the researcher to explore if opportunities also lay in the management of social structures and environment. These issues would have to be tackled and overcome to give business an opportunity to survive in a high crime environment.

6.4 Trading in high crime environment

As has been observed from points 6.2, KwaMashu is a high crime area. The following categories of crime, namely, murder, attempted murder, robbery with aggravating circumstances, assault with intent to inflict grievous bodily harm, burglary at business premises, burglary at residential premises, shoplifting, theft of motor vehicles, theft out of or from motor vehicles, affect business directly. They drain the resources of the entrepreneur, restrict him from operating freely, affect his/ her personal safety, increase his cost of doing business significantly and thus act as variables which are equally powerful and need to be tackled to enable trading. Further, from 6.3, issues of personal and business security, safe movement of money and having access to adequate banking facilities, manageable crime rate etcetera which underlie normal trading environment cannot be taken for granted in high crime areas. The need to tackle these social issues becomes crucial for business because they affect the business itself if not tackled adequately. The community policing forum acknowledges the high crime prevalence in the KwaMashu township. The interview with the community policing forum indicates that despite theirs being an elected body to support development of the community and containing crime, they have an advisory role. They expect the business not only to be fair

to towards local employment but to also invest socially in the development of the community. The interview with the police also reinforces the fact that the researcher is dealing with a high crime area. While police is taking all steps to tackle crime, it cannot provide additional securities to business. They also expect the business to make a social commitment to the community if it expects to function with some certainty in such areas.

6.4.1 UNB and BBB trading in KwaMashu environment

UNB and BBB have both been trading in KwaMashu for a significant number of years and were keen to not only continue but also grow. Both companies wanted to use the knowledge and experiences gained in this township to help them do better business in other areas facing similar challenges. This would give their business an advantage over competitors most of whom were either not trading in such high crime areas or were struggling with similar challenges. The companies believed that there existed sizeable business opportunities through regularly servicing of such outlets that were currently not being serviced by UNB. The researcher found it easy to identify fifty such outlets which were willing to purchase the products of these two companies at company prices and expressed difficulty in obtaining stocks on a regular basis thus confirming this opportunity.

The most noticeable constraints experienced by both companies were the safety of their staff, delivery vehicles and monies, poor road infrastructure restricting them from servicing a significant number of customers, being forced to deal mostly in cash with their customers due to poor banking infrastructure and less educated retailers, and price abuse at the retail level. The companies also realised that unique solutions would be required to tackle this challenge.

6.4.2 Distribution challenges

Both companies, UNB and BBB as earlier researched, have been trying to overcome the distribution challenges faced by them in KwaMashu market. Both companies have used local residents to assist them in growing their business. UNB has hired local residents as employees and distributors whereas BBB has used them as entrepreneurs who work as owner drivers. In both instances the companies realised that these distributors and owner drivers required sustained support to manage their vehicles and administrative issues because they had no earlier training or experience in managing independent businesses successfully.

The BBB model appears to have more merits in researcher's viewpoint as all the entrepreneurs are operating from the company premises thus making it possible for the company to keep a close control and watch over their activities but to also provide them outside professional help where ever and when ever required, albeit at a high cost. BBB has made distribution expertise available to the owner driver' at their expense, thereby assisting owner drivers' in managing their vehicles. This though expensive has proved to be the determining factor of their success when compared to UNB. It has been possible in the case of BBB because all its owner drivers operate their vehicles from the common company premises whereas in the case of UNB each distributor operates from his separate premises.

Further in the case of BBB, since all vendors operate from the company premises they could buy the company products by paying cash without having to carry the additional risk, whereas in the case of UNB, the distributors have to still go to the company to buy the product or to keep the money till the next delivery. The passion and success has also been more prominent in the case of BBB where these owner drivers are actually starting

their routes at very early hours on their own initiative and are reaping the positive results through additional sales and margins respectively. However, both companies did not have enough contact with their retailers.

The BBB model however will make it extremely difficult to successfully introduce new products due to the unwillingness of their vendors to let the company have free access to their retailers and their limited ability to launch the products themselves. In the case of UNB, the launch is likely to be more successful; however the subsequent service will get compromised.

6.4.3 Pricing of the product through the chain

Managing price abuse through the product chain is always high on the agenda for most of the companies as price abuse can have an adverse influence on the consumption and vice versa. In the case of UNB and BBB, it is obvious that BBB has managed this important variable much better. There appear to be two reasons for their success. Firstly, in the case of BBB most of the contact with the retailers is through the vendor drivers who operate from the company premises and are probably seen as company representatives and secondly due to their personal relationships they have been able to exercise significant influence over the retailers to make the price control manageable. In the case of UNB, most of the retailers buy from the distributors who operate from their own premises and hence are seen as individual businessmen and not company representatives to distribute the products.

However, the attitude of the retailers in terms of attempting to overcharge the customer is likely to stay for quite some time. This is due to existence of captive clientele and retailers' poor knowledge of business fundamentals, namely, margins, overheads, profits

etc. There also appears to be a trend of more overcharging on smaller packs which are more easily affordable to the consumer though not economical.

6.4.4 Retail environment

The existing retail environment and its expected behaviour affect business and its planning. The retail environment existing in KwaMashu consists mainly of rural entrepreneurs. Most of these retailers cannot foresee any significant changes in the near future, in either the environment around them in terms of development, nor to their consumer. They continue to expect that the consumers staying close to their outlets will not have easy or cheap access to the products offered by them in the near future. They also do not see increased opposition in terms of more outlets opening around them which may affect their business adversely.

As a result no effort seems to have emerged either individually or through the community to groom them in learning to manage their businesses on a more professional footing. This however is not the view of the researcher. As is obvious from Annexure 33, large retail houses are planning to enter townships in a big way to use these consumers as their main vehicle to sustain growth over the next few years. A likely result could then be the decline of such small outlets at the cost of large retail chain outlets being made available to the consumer offering better services at more competitive prices. However this transformation is likely to take five to ten years and hence companies will have to make plans to improve their business in the current environment instead of waiting for the transformation to occur at the retail level. Furthermore, lessons learnt in this context can be applied in other semi- rural contexts where conditions will not change in the foreseeable future. However, some factors like having easy access to outlets through better roads are likely to continue posing challenge in the near future. Due to this challenge, there exist many

outlets which both the companies are not able to service through their current structures. Hence there exists a distinct opportunity for both the companies to improve their sales through better market penetration.

6.4.5 Cost of distribution

Since both companies are dealing in low price per unit products, cost of distribution affects profitability and viability of the business significantly. In the comparison between the two companies, BBB has a significantly higher cost of distribution. This high cost is mainly due to the presence of a third party in the trading chain which provides professional service to vendors in managing their vehicle leases and maintenance and charges a fee for this service. While this arrangement has the advantage of serving the purpose of a having a high level of reliability and dependability of service to the retail trade, there does not exist a plan to manage this variable in the future differently or more cost effectively. In the case of UNB, though the cost of distribution is low their distribution method is less effective. It would therefore be prudent to consider implementing BBB' model though planning must be done to ensure better efficiencies are obtained in the future.

6.4.6 Movement of monies

In a high crime environment managing money safely becomes a more important activity than otherwise. In the case of both the companies, the distributors and the vendors are dealing with the respected companies in cash only though all of them have active bank accounts. Among the reasons the following appear practical and pertinent.

1. The company depots were open for longer trading hours than the bank.

2. For UNB distributors the risk of carrying money to the bank was the same as carrying it to the company depot and hence they opted for the latter. In the case of BBB the vendors operated from the company depot, hence it made sense for them to use it instead of the bank.
3. Depositing cash directly with the company saved BBB vendors' cash deposit charges at the bank.
4. It could take one working day for the monies deposited by the distributor or the vendor into the company account to reflect as payment received by the company if both dealt with different banks. This would result in additional cash flow requirement on behalf of the distributors and the vendors which was not easily available.
5. Not all distributors and vendors were comfortable in dealing with the bank on a daily basis because of their poor understanding of the way banks operate, despite having active accounts.

It appears that the current arrangement is convenient and effective. This arrangement also allows for minimum cash flow requirements and is the most economical way to trade currently. Till such time most of the retailers continue to pay for their purchases in cash to the distributors and vendors this also appears to be the most practical way.

6.4.7 Banking infrastructure and banking behaviour

At the time of the research, only one branch of Ithala bank was operating in the township of KwaMashu. In addition to this branch three ATM's were located. The average distance of the bank from the retailers who were interviewed was 8.5 kilometres. Since most retail outlets were informal and were operated by one member of the family, it was difficult for the owner to go to the bank leaving his business unattended. Hence the researcher is of the

viewpoint that cash will continue to constitute a major portion of transaction in such forms of trading.

An understanding of the attitude of the retailers towards banking is important to gear the companies to position their businesses accordingly. Though most retailers were aware of banking and were using it sparingly, the language of trading was only cash. It not only made the retailers feel comfortable to conclude the transaction instantly, it prevented from paying advance for their goods since both the companies did not want to deal in credit. It also gave the retailers the option to change their orders at the last minute, thus allowing for more flexibility.

6.5 Evaluating results through Porter' five forces model

Results obtained through qualitative and quantitative research form the basis of understanding of the business parameters of conducting business in such areas and their long term attractiveness to business.

- a) High crime and poor banking infrastructure posing risk to security of personnel and monies poses an entry barrier for a new entrant. Hence the segment appears attractive to UNB which is already present in this area for a few years. No new entrant having entered the market to compete with them reiterates the high entry barrier and hence the segments attractiveness. However, if a new entrant does emerge, it will have good support of the trade because currently there exists the possibility of a high level of substitution at the retail level. A new company would be welcomed by almost all retailers, those who are being currently serviced by UNB and those who are not on UNB' customer list. This would then pose a distinct threat to UNB in that it may lead to intense rivalry.

Further, investing in social infrastructure to gain more support from the community and consumer as recommended by the police and the community policing forum may not be known to new entrants and secondly they may not know the importance of this activity to focus on it. This unique knowledge and head start over developing social relationships with the community will be an entry barrier and hence attractive to UNB.

- b) The retail sector is not organised because most retailers are small and hence do not possess bargaining power. As a result the servicing company does not have the threat of buyer' bargaining power and hence will not have to shell out heavy discounts eroding its margins. This makes the segment attractive for UNB. However, the same cannot be said about UNB distributors where the largest distributor on its own contributes 53% of UNB' business. If an opportunity enables them to have alternate product options there is a distinct threat that they will use their bargaining power against UNB.
- c) Since the number of brands being delivered by companies to the retailers are limited (in the case of sorghum beer, UNB is the only company delivering its product in its category) and it is not practical for an informal retailer to keep purchasing and fetching a short shelf life product from far located wholesalers, the threat of intense segment rivalry is not existing and will be limited in the near future. This makes the segment attractive for UNB.
- d) The complexity of the way business is conducted will require any possible competitor to plan a proper operation which would require sizeable cost and effort. This may result in competitive rivalry not an immediate threat, but when rivalry will surface it will be intense.

- e) High distribution costs and recruiting competent and willing staff also pose a high entry barrier for competitors to enter the market. This challenge however is also continuously faced by UNB as well.
- f) As discussed earlier, there does not appear any distinct threat of suppliers at this stage to UNB.
- g) Though there is no direct competition to UNB in terms of another sorghum beer company, the threat of its product being substituted by other competitors' products is very high. This is because a customer does not mind substituting a low price product of regular use if availability is compromised. Hence non availability of its product is the largest threat of substitution.

6.6 Recommendations

Based on the analysis of the information gathered and analysed to determine the long term attractiveness of servicing this segment of the market after evaluating the threat posed by Porter's five forces, it is evident that the segment offers long term attractiveness. However, a high level of threat of substitutes at the retail level and high level of possible threat in terms of buyers' power from its distributors have to be contended with. UNB must form better business relationships with its distributors in line with vertical marketing systems whereby each member of the chain offers his strength to the other members up or down the chain thereby collectively possessing the strength of manufacturing, distribution and service efficiencies. This significantly reduces the threat of being exposed to the buying power threat of the opposition when it enters the fray at the market place.

Further, UNB has no option but to improve its distribution footprint if it wants to be in a position to ward off any possible future threat from a new entrant because upon a new entrant emerging, the rivalry is most likely to be intense. As has also emerged through

recommendations of various stake holders, transparency in conducting business at the local level, contributing to the social upliftment of the people in the township, offering local employment, paying its employees fairly as per existing policies could well become the strategic innovations for this business which will continue to give UNB mileage and will change the landscape of business needs for other companies to follow. After having researched and studied the various challenges being faced by both the companies and indeed possibly by other companies as well, the following actions are recommended to assist in overcoming them.

The companies must have a social involvement plan highlighting the employment being provided to the community in terms of employment, vendors, distributors etc. This plan must be submitted to the police and the local community forum and then must be publicised through them and other means of communication e.g. Advertisement in the local community paper, community radio station etc. Retailers' and consumers' may also display a higher loyalty as a result of this initiative which may act as an attempt to raise a barrier to tackle the possible threat of substitutes. The police may also be requested to share their safety and security plans for the area with the policing forum and indeed such businesses who share their concern as currently a business forum does not exist.

Such employees or business relationships should be paid fairly in salaries, commissions or margins and the company should demonstrate its fairness upfront. This will be the first step to demonstrate fairness and willingness on part of the company to forge long term relationships and allay any fears of this nature.

There must also be a transparent investment as a percentage of turnover by the company towards education and or sport. Practical training on how to manage your business and how to manage your vehicle could be two such options which will also bring direct rewards to the company by improving its business prospects. These benefits may also be

advertised on the delivery vehicles in the hope that it will make them safer. This strategic initiative may also shift the rules of competition whenever it surfaces because opposition will then face the uphill task of not only competing with UNB on the business front, but will have to overcome the strength of the social bonds built between UNB and the local residents of the township.

Such township is best serviced through a local depot which must also generate employment. Vendors and distributors must be encouraged to operate through this place so that business and vehicle management services can be provided. The company can consider providing in-house assistance in managing the distribution fleet for such vendors/distributors on a no profit basis thereby reducing this cost. There must also be a two to three year time-frame to enable all existing vendors and distributors to become self sufficient in both the above mentioned competencies. Such an interdependent relationship will reduce the threat of buyers' bargaining power for UNB' thus creating a winning team. In order to improve the product availability, opening of small sub depots spread across the township can be considered. These must be able to sell products to small retailers around the area at the company recommended prices. It will be advisable that such sub depots do not sell to consumers to avoid possible friction between them and their retailers. They must operate on a commission basis with a minimum income ensured thereby giving this project the time to succeed. This will also provide employment or business opportunities for locals depending on the model that is used. These will also be of tremendous help if a situation of intense rivalry does surface.

Vendors must be convinced or given incentives to provide and maintain updated retailer information. This must be used by the company to visit retailers separately to improve upon existing business and to introduce new products. If the company faces resistance from the vendors, a trial area should be chosen after negotiating with the vendors and the

company must demonstrate to them through this project the benefits that can be brought to all through such an initiative.

To control price abuse at the retail level seminars should be conducted by social agencies that are respected, highlighting the future image of competition. In addition, putting recommended prices on all the packs of the company products may also be considered on a trial basis. This may force the retailer to become answerable to the consumer and hence act as a catalyst to reduce price abuse. If successful the same may be implemented in all the areas.

Though in the short term cash will continue to be the only mode of transaction, an initiative to expose the vendors and retailers to small seminars conducted by banks on a regular basis would be useful. This will expose them to the benefits of banking.

Finally, “A sound strategic analysis is only as good as its last assessment” (Miller, Heiman & Tuleja ; 2005: 284) hence continuous review of these initiatives and prompt corrective actions based thereupon will be the success pillars on which the business of the future in such townships will thrive on. This then could result in ‘differentiation’, in this case by means of distribution strategy, which is one of the three potentially successful generic competitive strategies, as mentioned by Eli Segev in his research paper in the Strategic Management Journal (1989: 487). Further, Peter Wright says, “For select product-market scopes, a predominant intensity in any one or several of the functional supports may be the primary reason(s) for the successful implementation of the differentiation and/or the differentiation focus strategies”(1987: 97) and “firms identified with at least one generic strategy outperformed firms identified as “stuck in the middle””(Dess & Davis; 1984: 467).

6.7 Conclusion

The five forces model has proved to be an effective tool on this somewhat unique testing ground and has enabled the researcher to arrive at a meaningful conclusion. Based on the study it is clear that being successful in conducting business in a high crime township is based on the support being offered by the community. While many organizations would consider insulating themselves to protect their business, we propose them to open up to the community to get their total buy in. Consequently, such open support can be expected only if the company earnestly invests in the benefit of the community on a sustained basis to the extent that the community finds its progress being measured by the success of the company. Such support must not only be transparent but also be publicised for both to take advantage of such investments and use them to demonstrate and attempt to change the minds of the more radical thinking citizens of the township. Similar transparent and mutually beneficial relationships will have to be forged with other stakeholders, namely, distributors, vendors and also retailers where each others' success is linked thereby tackling all existing and possible future threats to each other together. Such a mutually beneficial association which is continuously reassessed would be a significant step to forge capitalist business and socialist poor sections of society to realise and respect each others values and needs and help each other to help themselves.

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Annexure 1

INTRODUCTION

By 1994 the S.A. Advertising Research Foundation's "Living Standards Measure" (LSM) had become the most widely used marketing research tool in Southern Africa. Research conducted by CCV-established however that what most marketers wanted was more detail and insight into "the hearts and homes" of their consumers. To meet this need CCV produced their 1994 "Consumerscope", which was designed to bring the LSM data "to life" by cross-tabulating it with psychographic and lifestyle data.

The consumerscope proved to be so successful that SABC TV was persuaded to produce an updated 1995/6 edition. This, the second edition of the Consumerscope invites you to take a closer look at "our world", and at the reality of the lives of our 42 million fellow South Africans.

What are the LSM groups and how were they developed?

In the 1980's a majority of S.A. marketers were defining their target group by a combination of a few demographic variables e.g. AB income white or CD income urban black. Management of the S.A. Advertising Research Foundation were becoming increasingly concerned that conventional demographics (like race or income) used in isolation were insufficiently discriminatory and could often be misleading. It was therefore agreed that it would be useful to develop an overall index, based on a broad range of variables contained in the All Media and Product Survey (AMPS), that would provide a better explanation of the dynamics of the Marketplace than standard demographics.

A list of 22 possible or so called "candidate" factors was compiled, which included for example household size, the ownership of specified durables, level of education, work status and occupation, community size, media consumption, household facilities, shopping habits, and employment of domestic servants.

To facilitate a statistical analyses, these 22 factors were "turned into 71 indicator variables". Basically what this means is that the factors were all made comparable by simple classification of whether an individual fell into a category or not.

A principle components analysis was then completed on the data files of all AMPS respondents on the 71 variables. Principal Component Analysis is defined as follows:

"A popular approach to factor analysis; uncovers dimensions that are linear combinations of the original attributes rating as possible".

"Marketing Research in a Marketing Environment "
Dillon, Madden and Firtle.

Despite the text book definition P.C.A. is however not really a type of "factor analysis" per se. It's a mathematical technique, without any statistical assumptions, which aims to identify the principle Axes in a data set – or, in the words of Dr. Jacky Galpin, the statistician who completed the LSM analysis – "the direction of the major spread data".

The computer printout of the first or principal Axis identified by the analysis appeared as "a cigar shaped" cluster of interrelated variables, which explained or accounted for 30%

of all the variation in the AMPS data set. (The second axis, by comparison explained, less than 6% of variation). It was this principal axis that provided the basis for the LSM “Living Standards” continuum.

Because deriving the index from 71 variables was a cumbersome process, a shortlist, or subset, of 13 variables was identified. These variables centered around the ownership of appliances like a fridge, TV set, washing machine, Hi-fi and microwave but also included other factors like where people lived (Metro vs. Rural areas), where they did their shopping and whether or not they had access to running water, electricity, a motor vehicle or to domestic help.

While race, income and education were not amongst the shortlist of variables the LSM never the less correlated closely with such variables illustrating an upward continuum from poor rural have-nots to educated and predominantly white urban ‘affluents’.

*The shortlist of 13 key variables was found to be accurate in reproducing or approximating the overall principal axis continuum. (And although the variables are re-evaluated annually, the overall composition of the subset has remained remarkably stable over the years.)

*The 13 variables resulted in or generated over 6 000 possible living Standard scores, but given the close correlation or interrelationship between many of the variables and the actual number of score options was closer to 1 000. Rather than using a continuum of 1 to 1 000, the LSM axis or continuum was categorized or divided (Fairly arbitrarily) into eight groups of roughly equal number of people. This was done simply to facilitate utilisation of the LSM “tool”.

*The LSM categories were then cross-tabulated by standard demographic to produce a “portrait” of each of the groups. Later the LSM shortlist was carried on other surveys enabling researchers to crosstab the LSM groups by new data (e.g. psychographics), thereby adding depth and dimension to the portrait of the groups.

On its own however, the LSM was and is NOT a lifestyle typology or a “psychographic” segmentation tool. It’s simply a fairly basic-robust indicator of the “principal axis” of the S.A consumer market – an axis or index which is essentially a reflection or measure of “standard of living” “wealth” or “affluence”. SABC TV’s hope is that by crosstabulating the LSM axis with more “qualitative” data they will have assisted you in bringing the LSM information to life.

How do you read these charts?

The following pages refer to each of the eight LSM groups, and to a “supergroup” which combines LSM groups 4 to 7 – the “core” group into which the bulk of CCV viewers fall. At first the pages might look a bit crowded and intimidating but they are in fact fairly easy to read. The subjects are arranged in the self-same order on each of the LSM pages, and the figures provided usually represent either the percentage (%) or occasionally the number (No.) of people age 16+ within each of the particular LSM groups.

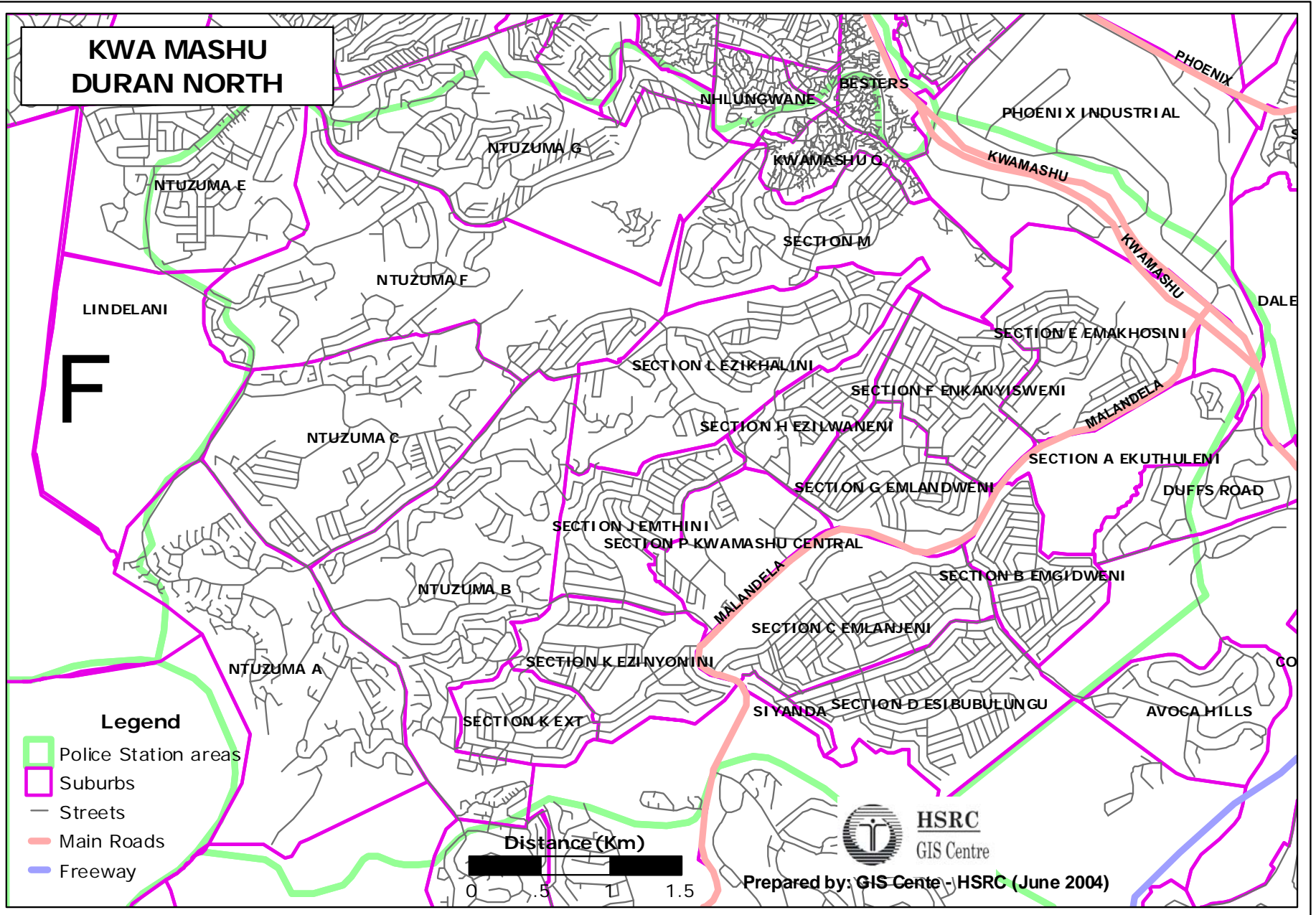
The media section of the Consumerscope was compiled by SABC TV. It provides detailed media data by province. Where there are gaps in the data this is because the

“base” or number of respondents interviewed in that region was too small to provide accurate results.

All the information provided in this document derives from the AMPS survey and the Eskom Omni-panel, as well as from the additional source described below. There was obviously a great deal more data that could have been included had space permitted. In the product usage category for example only a dozen of the eighty or so products measured by AMPS were selected for inclusion. Contact details are provided should you require more information from particular source.

(reproduced from page G37 of ‘The decision Maker’s Encyclopaedia of the South African consumer Market, 1996 Edition).

KWA MASHU DURAN NORTH

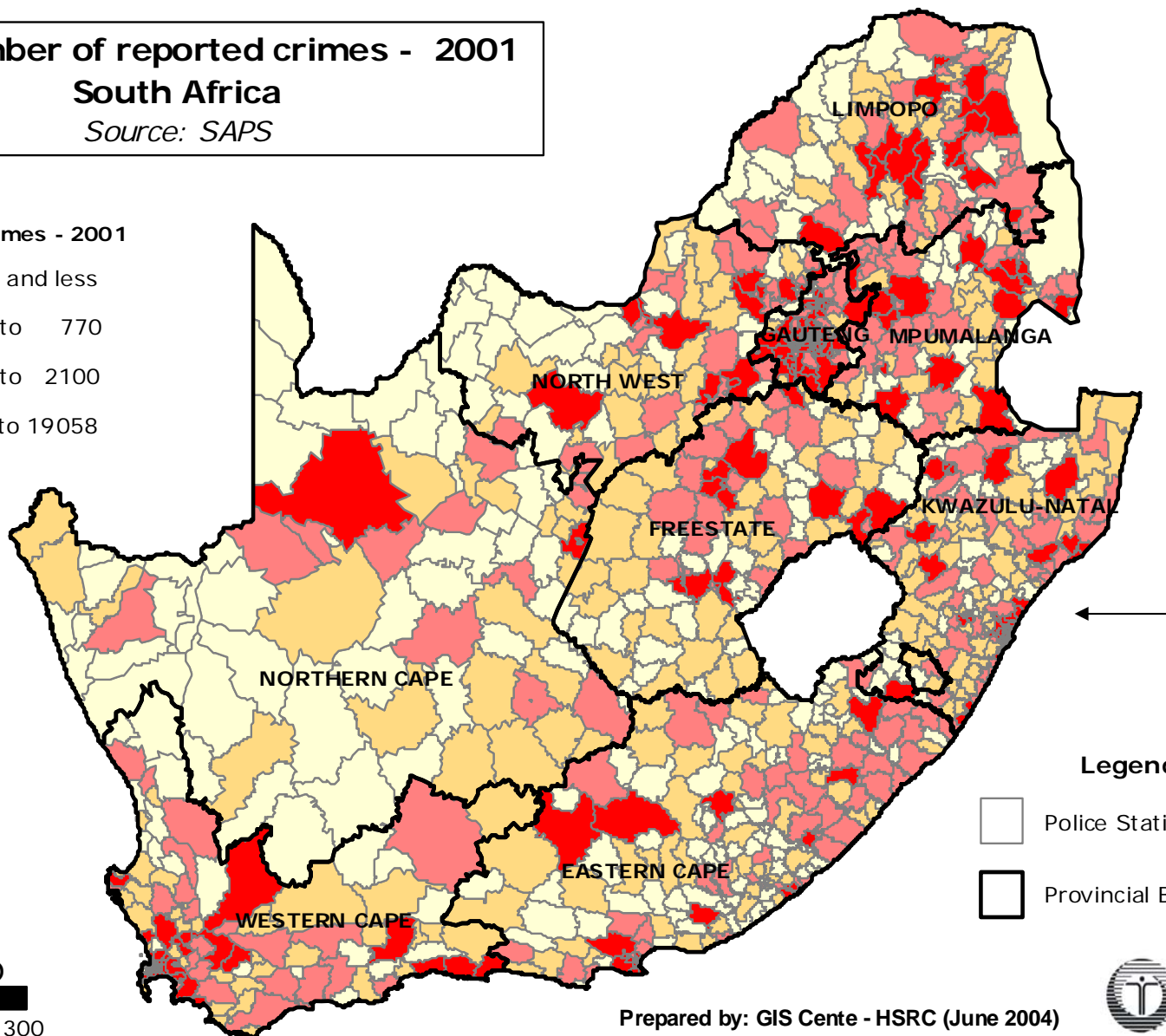
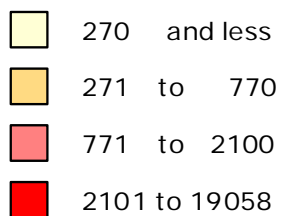


Total number of reported crimes - 2001

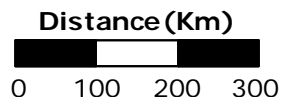
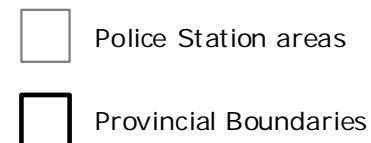
South Africa

Source: SAPS

Total Crimes - 2001



Legend










Prepared by: GIS Centre - HSRC (June 2004)

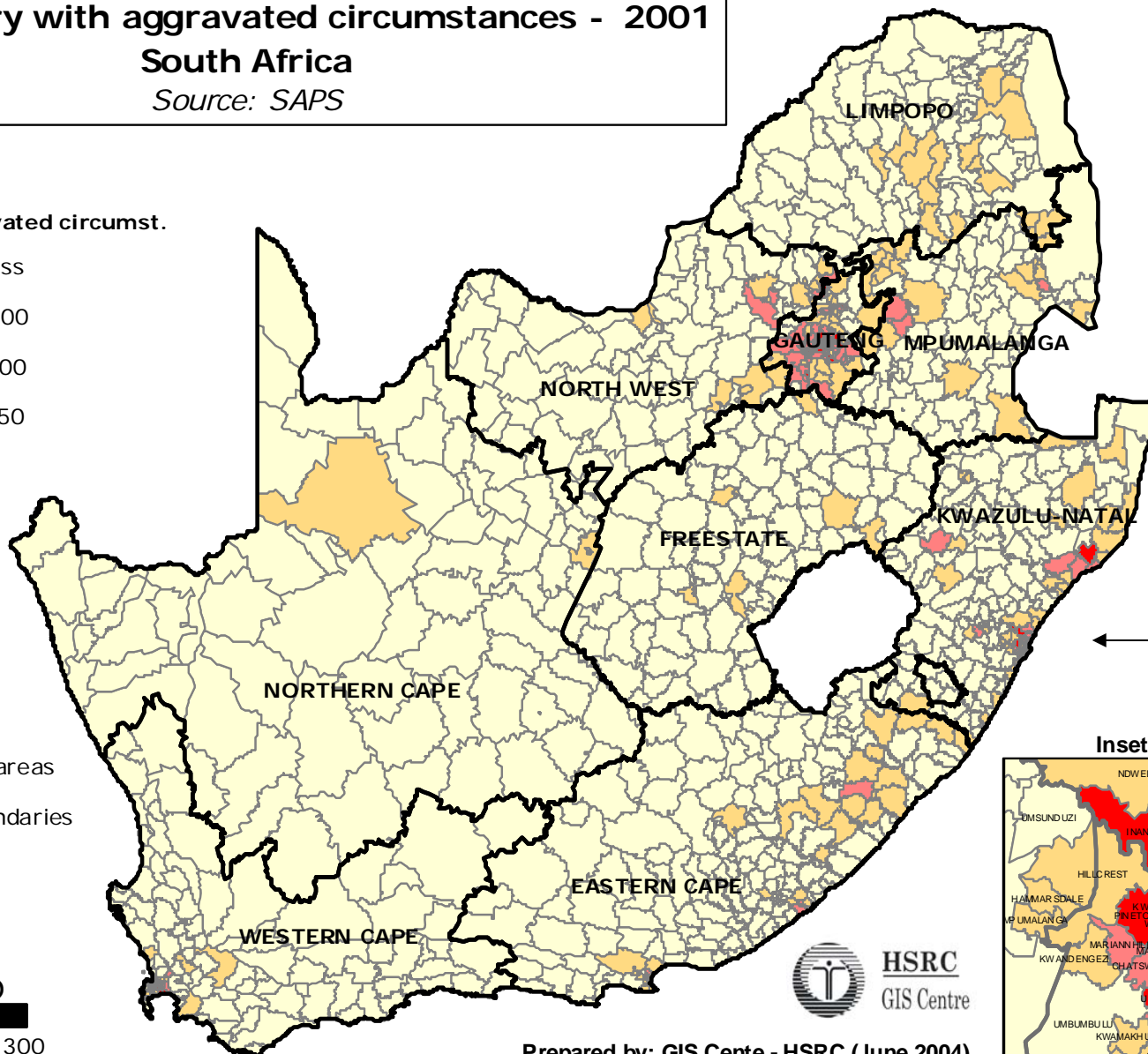


Source: SAPS

Source: SAPS

	50 and less
	51 to 200
	201 to 500
	501 to 1950

 Police Station areas
 Provincial Boundaries
 Police Districts



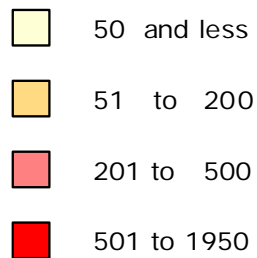
Prepared by: GIS Cente - HSRC (June 2004)

Total Robbery with aggravated circumstances - 2001

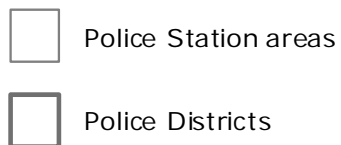
KwaZulu-Natal

Source: SAPS

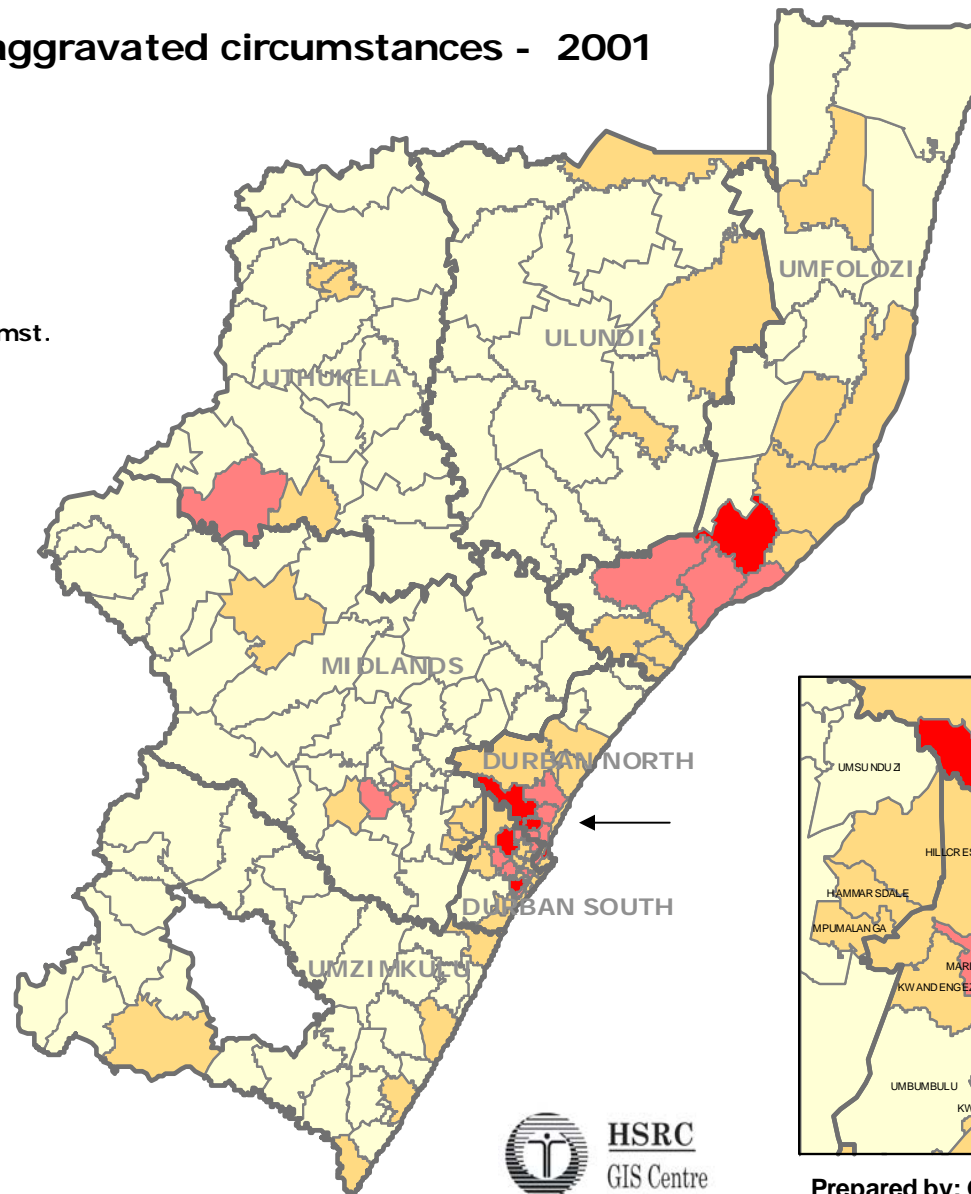
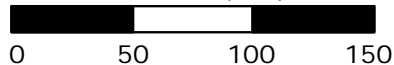
Robbery aggravated circumst.



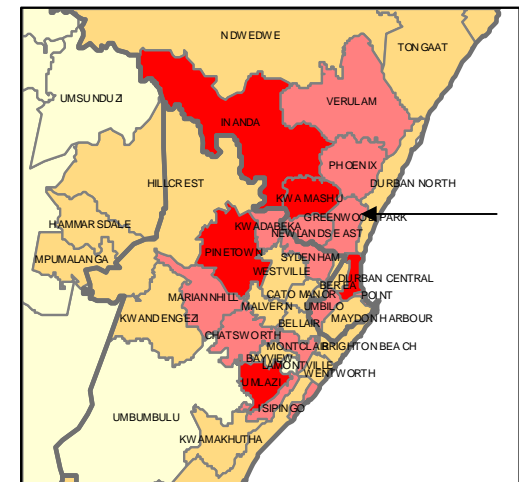
Legend



Distance (Km)



Inset: Greater Durban



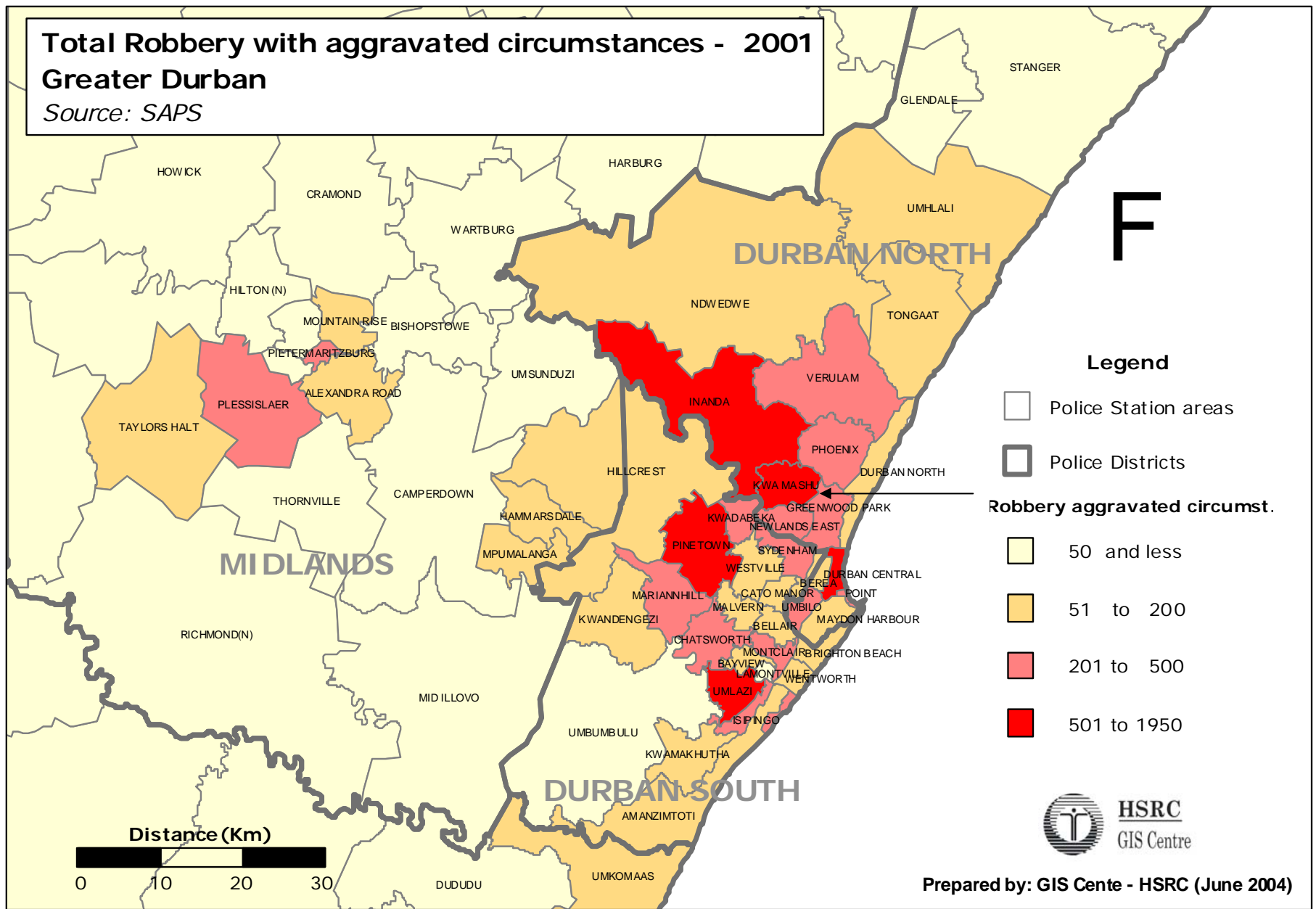
HSRC
GIS Centre

Prepared by: GIS Cente - HSRC (June 2004)

Total Robbery with aggravated circumstances - 2001

Greater Durban

Source: SAPS



KWAMASHU CRIME STATISTICS

EXTRACT FROM HRSC DATA FROM 1996 - 2001

Year	Murder	Attempted Murder	Robbery with aggravated circumstances	Assault with intent inflict grievous bodily harm	Burglary - Business premises	Burglary- Residential premises	Shoplifting	Theft of Motor vehicles & Motorcycles	Theft out of or from motor vehicles	KwaMashu Total	Durban North Total	KwaMashu as % of Durban North	Total KZN	KwaMashu as % of KZN
1996	391	298	709	802	47	529	17	157	167	3117	43872	7.10	173028	1.80
1997	440	240	995	774	79	579	14	122	158	3401	44458	7.65	174955	1.54
1998	429	272	1138	850	98	700	24	183	170	3864	49174	7.86	193055	2.00
1999	448	271	1297	1064	63	721	76	135	146	4221	49456	8.53	195595	2.16
2000	341	219	1507	1287	49	878	245	94	189	4809	51122	9.41	198766	2.42
2001	154	124	864	1046	59	632	105	95	129	3208	51454	6.23	197248	1.63
											51277			

CRIME VARIABLES (1996-2000)

CODE	DESCRIPTION
1	Murder
2	Attempted murder
3	Culpable homicide
4	Robbery - with aggravated circumstances: firearm
5	Robbery - with aggravated circumstances: without firearm
6	Other robbery
7	Public violence
8	Illegal strikes
9	Rape: 0-17 years
10	Rape: adults
11	Intercourse with a girl under the prescribed age and/or female imbecile (statutory rape)
12	Indecent assault
13	Crimen injuria
14	Cruelty towards and ill-treatment of children (excluding sexual offences, assault and murder)
15	Kidnapping: children 0-17 years
16	Kidnapping: adults
17	Abduction (for sexual or marriage purposes)
18	Assault with the intent to inflict grievous bodily harm
19	Common assault
20	Burglary - business premises (including attempts)
21	Burglary - residential premises (including attempts)
22	Stock theft (including poultry)
23	Shoplifting

24	Theft of motor vehicles and motorcycles
25	Theft out of or from motor vehicles
26	Other thefts (not mentioned elsewhere)
27	Arson
28	Malicious damage to property
29	All fraud, forgery, malappropriations, embezzlements, etc.
30	Drug related crime
31	Driving under the influence of alcohol or drugs
32	Illegal possession of firearms and ammunition
33	Explosives act
34	Carjacking
35	Hijacking of trucks
36	Robbery of cash in transit
37	Bank robberies

METADATA:



HSRC
RGN
 GIS Centre

CODE	DESCRIPTION
CRIME_1	Murder
CRIME_2	Attempted murder
CRIME_3	Culpable homicide
CRIME_4	Robbery with aggravated circumstances : with firearms
CRIME_5	Robbery with aggravated circumstances : other weapon
CRIME_6	Robbery with aggravated circumstances : all weapons
CRIME_7	Other robbery
CRIME_8	Public violence
CRIME_9	Illegal strikes
CRIME_10	Rape and attempted rape : 0-17 years
CRIME_11	Rape and attempted rape : 18 years and older
CRIME_12	Rape and attempted rape : all ages
CRIME_13	Intercourse with a girl under the prescribed age and/or intellectually challenged female
CRIME_14	Indecent assault
CRIME_15	Crimen injuria
CRIME_16	Cruelty towards and ill-treatment of children (excluding sexual offences, assault and murder)
CRIME_17	Kidnapping : 0-17 years
CRIME_18	Kidnapping : 18 years and older
CRIME_19	Kidnapping : all ages
CRIME_20	Abduction
CRIME_21	Assault with the intent to inflict grievous bodily harm
CRIME_22	Common assault
CRIME_23	Burglary and attempted burglary : business premises
CRIME_24	Burglary and attempted burglary : residential premises
CRIME_25	Stock-theft
CRIME_26	Shoplifting
CRIME_27	Theft of motor vehicles and motorcycles
CRIME_28	Theft out of or from motor vehicles
CRIME_29	Theft not mentioned elsewhere
CRIME_30	Arson
CRIME_31	Malicious damage to property
CRIME_32	All fraud, forgeries, malappropriations, embezzlements, etc
CRIME_33	Drug related crime
CRIME_34	Driving under the influence of alcohol or drugs
CRIME_35	Illegal possession of firearms and ammunition
CRIME_36	Explosives act

CRIME_37	Carjacking (accounted for under robbery with aggravating circumstances)
CRIME_38	Hijacking of trucks (accounted for under robbery with aggravating circumstances)
CRIME_39	Robbery of cash in transit (accounted for under robbery with aggravating circumstances)
CRIME_40	Bank robbery (accounted for under robbery with aggravating circumstances)

Annexure 10

A COMPARISON OF THE 1994, 1995, 1996, 1997, 1998, 1999, 2000 AND 2001 JANUARY TO SEPTEMBER INCREASE/DECREASE IN THE CRIME RATIOS (PER 100 000 OF THE POPULATION) RELATED TO SPECIFIC CRIME CATEGORIES (ONLY THOSE CATEGORIES OF CRIME 20 >= PER 100 000 OF THE POPULATION ANNUALLY)										
FIGURES BASED ON ESTIMATES CALCULATED FROM THE 1996 CENSUS RESULTS										
		RATIO PER 100 000 OF THE POPULATION								
		1994	1995	1996	1997	1998	1999	2000	2001	
VIOLENT CRIMES										
1	Murder	50.9	48.5	46.2	43.0	42.4	40.3	35.0	33.3	↓
2	Attempted Murder	52.0	48.8	51.8	49.8	50.7	47.9	45.6	47.0	↔
3	Robbery with aggravating circumstances	162.8	152.9	125.0	122.3	150.6	164.2	180.3	194.0	
SOCIAL FABRIC CRIMES										
4	Rape	76.1	83.9	89.6	91.9	83.3	83.5	85.1	83.5	↔
5	Assault GBH (serious)	381.9	394.1	403.4	404.5	390.5	410.9	436.8	418.4	↔
6	Common Assault	355.4	373.6	369.6	354.6	338.9	360.4	410.3	403.3	↔
PROPERTY RELATED CRIMES										
7	Housebreaking - Residential	434.8	453.7	457.4	444.5	461.9	491.3	501.6	493.9	↔
8	Housebreaking - Business	173.7	163.8	162.8	158.9	164.5	160.8	154.3	149.0	↓
9	Other Robbery	60.5	69.3	94.4	91.8	104.4	118.0	139.3	145.6	
10	Stock-theft	84.1	85.3	77.2	77.7	70.9	72.8	69.7	67.9	↓
11	Shoplifting	129.8	117.3	114.2	115.7	109.1	113.4	114.3	110.0	↔
12	Theft - Motor vehicle	200.4	194.1	177.8	180.6	190.2	180.2	169.2	164.5	↓
13	Theft - Out of/from vehicles	352.2	361.5	339.4	315.8	330.6	335.4	333.8	335.0	↔
14	Other Thefts	734.7	729.9	709.5	693.5	742.1	815.0	916.1	943.5	
COMMERCIAL CRIME										
15	Commercial Crime	122.5	117.7	117.4	117.4	110.2	113.3	117.5	103.2	↓
VIOLENCE AIMED AT PROPERTY										
16	Arson	22.3	18.6	19.0	17.8	18.4	17.3	14.8	14.7	↓
17	Malicious damage to property	231.2	234.6	236.4	225.8	219.3	223.4	228.2	229.2	↔
CRIMES HEAVILY DEPENDENT ON POLICE ACTION FOR DETECTION										
18	Illegal possession of	20.9	21.5	24.4	22.8	25.5	26.2	25.3	24.9	↔

	firearms									
19	Drug related crime	93.7	80.0	74.7	79.9	71.8	72.2	79.7	81.4	↔
20	Driving under the influence of alcohol or drugs	50.7	43.0	42.4	43.5	43.7	41.9	41.7	41.6	↔
	Total of all (20) specific crimes	3790.8	3792.4	3732.6	3651.6	3719.1	3888.4	4098.7	4083.9	↔
	CRIMES ACCOUNTED FOR UNDER ROBBERY WITH AGGRAVATING CIRCUMSTANCES									
	Carjacking	*	*	24.3	23.9	26.5	26.9	25.4	24.8	↔
	Hijacking of trucks	*	*	6.9	7.6	10.0	9.8	8.2	6.3	↓
	Robbery of cash in transit	*	*	0.8	0.4	0.4	0.3	0.4	0.2	↓
	Bank robbery	*	*	1.2	0.9	0.8	0.8	0.7	0.7	↔

INCREASED

STABILISED ↔

DECREASED ↓

[CIAC Index](#)



Annexure 11

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Crime in the RSA for the financial years 1994/1995 to 2002/2003									
Province : RSA Total									
Area : RSA Total									
The financial year consists of the months of April, May, June, July, August, September, October, November and December of a given year and the months of January, February and March of the following year.									
Crime Category	April 1994 to March 1995	April 1995 to March 1996	April 1996 to March 1997	April 1997 to March 1998	April 1998 to March 1999	April 1999 to March 2000	April 2000 to March 2001	April 2001 to March 2002	April 2002 to March 2003
Murder	25,965	26,877	25,470	24,486	25,127	22,604	21,758	21,405	21,553
Attempted murder	26,806	26,876	28,576	28,145	29,545	28,179	28,128	31,293	35,861
Culpable homicide	12,560	13,885	13,679	13,492	13,004	11,706	10,635	10,944	11,202
Robbery with aggravating circumstances	84,785	77,167	66,163	73,053	92,630	98,813	113,716	116,736	126,905
Other robbery	32,659	45,683	50,676	54,932	64,978	74,711	90,215	90,205	101,537
Public violence	917	993	891	1,102	1,107	1,195	1,038	907	1,049
Rape	44,751	49,813	51,435	51,959	49,679	52,891	52,872	54,293	52,425
Indecent assault	4,009	5,127	5,224	4,920	4,968	6,106	6,652	7,683	8,815
Crimen Injuria	33,381	35,262	36,500	39,373	41,291	49,510	57,611	60,919	63,717
Child abuse	3,070	2,634	2,264	2,297	2,173	2,497	2,487	2,648	4,798
Kidnapping	4,101	4,174	4,091	4,036	4,267	4,902	4,916	4,433	3,071
Abduction	2,802	2,175	2,057	2,951	3,147	3,372	3,302	3,132	4,210
Assault with the intent to inflict grievous bodily harm	215,671	223,097	231,497	234,819	237,818	261,804	275,289	264,012	266,321
Common assault	200,248	206,006	203,023	201,317	203,678	232,024	248,862	261,886	282,526

[illegible]

Crime in the RSA for the financial years 1994/1995 to 2002/2003									
Province : KwaZulu-Natal									
Area : Provincial Total									
The financial year consists of the months of April, May, June, July, August, September, October, November and December of a given year and the months of January, February and March of the following year.									
Crime Category	April 1994 to March 1995	April 1995 to March 1996	April 1996 to March 1997	April 1997 to March 1998	April 1998 to March 1999	April 1999 to March 2000	April 2000 to March 2001	April 2001 to March 2002	April 2002 to March 2003
Murder	7,686	7,611	6,434	6,211	6,513	6,041	5,515	5,371	5,405
Attempted murder	8,249	7,761	7,347	6,891	7,615	7,462	7,087	7,203	8,498
Culpable homicide	2,620	2,739	2,643	2,637	2,619	2,496	2,214	2,236	2,284
Robbery with aggravating circumstances	17,407	17,608	15,560	16,630	20,802	22,216	23,893	24,115	26,575
Other robbery	4,889	7,131	7,389	7,791	9,757	11,511	14,041	14,623	16,827
Public violence	137	130	95	85	99	94	77	78	78
Rape	7,308	8,372	8,926	8,579	8,618	9,365	9,196	9,346	9,489
Indecent assault	646	816	727	749	791	926	1,051	1,169	1,405
Crimen Injuria	4,236	4,444	4,538	4,299	4,798	5,388	6,274	7,198	8,044
Child abuse	324	320	266	294	200	227	225	227	519
Kidnapping	795	872	751	812	796	927	977	851	678
Abduction	472	396	381	473	543	566	485	445	628
Assault with the intent to inflict grievous bodily harm	24,027	24,939	26,218	26,391	28,135	32,373	34,237	33,642	35,909
Common assault	27,297	27,858	26,671	25,816	26,649	29,842	32,984	35,575	39,266
Burglary at non-	16,506	16,766	15,769	15,838	16,565	14,789	14,946	14,008	12,007

[illegible]

Crime in the RSA for the financial years 1994/1995 to 2002/2003									
Province : KwaZulu-Natal									
Area : Durban South									
The financial year consists of the months of April, May, June, July, August, September, October, November and December of a given year and the months of January, February and March of the following year.									
Crime Category	April 1994 to March 1995	April 1995 to March 1996	April 1996 to March 1997	April 1997 to March 1998	April 1998 to March 1999	April 1999 to March 2000	April 2000 to March 2001	April 2001 to March 2002	April 2002 to March 2003
Murder	1,470	1,397	1,125	1,138	1,241	1,142	1,056	1,094	1,070
Attempted murder	1,568	1,423	1,389	1,349	1,369	1,468	1,505	1,560	1,883
Culpable homicide	456	515	488	454	487	476	420	422	433
Robbery with aggravating circumstances	4,691	4,518	4,103	4,284	5,869	6,055	6,876	6,910	6,824
Other robbery	1,080	1,724	1,321	1,651	1,996	2,244	2,766	2,976	3,508
Public violence	9	12	16	25	23	15	13	8	20
Rape	1,549	1,752	1,739	1,761	1,791	1,819	1,820	1,854	1,919
Indecent assault	178	200	181	214	214	281	280	294	388
Crimen Injuria	943	1,081	1,102	1,011	1,081	1,087	1,153	1,164	1,520
Child abuse	81	89	71	60	38	49	53	43	117
Kidnapping	238	214	171	211	181	244	239	210	201
Abduction	84	76	72	87	102	106	80	101	114
Assault with the intent to inflict grievous bodily harm	4,155	4,197	4,468	4,395	4,725	5,389	5,710	5,829	6,703
Common assault	6,479	6,581	6,421	6,129	6,411	6,540	6,277	6,808	7,914
Burglary at non-	3,036	3,027	2,870	3,151	3,203	2,868	2,652	2,344	2,144

[illegible]

Crime in the RSA for the financial years 1994/1995 to 2002/2003									
Province : KwaZulu-Natal									
Area : Durban North									
The financial year consists of the months of April, May, June, July, August, September, October, November and December of a given year and the months of January, February and March of the following year.									
Crime Category	April 1994 to March 1995	April 1995 to March 1996	April 1996 to March 1997	April 1997 to March 1998	April 1998 to March 1999	April 1999 to March 2000	April 2000 to March 2001	April 2001 to March 2002	April 2002 to March 2003
Murder	1,343	1,347	1,161	1,220	1,305	1,212	1,099	1,038	1,093
Attempted murder	1,506	1,328	1,171	1,174	1,248	1,196	1,187	1,292	1,455
Culpable homicide	466	481	450	522	463	453	414	400	457
Robbery with aggravating circumstances	5,140	5,057	4,164	4,447	5,724	6,058	7,116	7,566	8,670
Other robbery	1,329	2,396	2,660	2,733	3,206	3,686	4,671	4,984	5,725
Public violence	26	26	24	15	24	22	28	28	23
Rape	1,533	1,752	1,851	1,724	1,828	1,894	1,874	1,902	1,946
Indecent assault	174	228	207	233	227	283	350	338	378
Crimen Injuria	1,234	1,268	1,187	1,113	1,439	1,633	2,259	3,073	3,112
Child abuse	93	52	44	71	60	52	61	77	149
Kidnapping	221	233	212	220	219	252	295	203	192
Abduction	109	84	85	90	125	146	123	79	161
Assault with the intent to inflict grievous bodily harm	3,725	4,097	4,257	4,220	4,444	5,482	5,907	5,693	5,619
Common assault	7,186	7,050	6,513	6,152	6,603	7,174	8,401	9,621	10,050
Burglary at non-	3,959	3,786	3,674	4,052	4,062	3,538	3,715	3,799	3,021

[illegible]

**Excerpts of interview with the Director of SAPS Mr. Mzikayifani Zondi held on
12.04.2004 at KwaMashu Police Station**

1. Mr. Mzi confirmed that KwaMashu was a high crime area and was listed as a presidential police station from around 1995- 1996.
2. KwaMashu had only one police station till now with around 450 police. There were plans to put up another police station in the area.
3. The change in the reporting system of crime categories from 2001 was to improve focus on critical areas and had no impact on the reporting quality.
4. Each police station should have a community policing forum. This forum is selected through elections among the community and is enshrined in the constitution. The duration of office is two years. It is a voluntary organization and its office bearers are not paid for their work. Their work includes compiling of community safety plans, projects to help the community, social crime prevention projects, etc. They command a high level of respect from the residents.
5. The police is keen to help businesses but it is not practical or possible to provide special security for business. However if there is a tip off, the police can be called in for assistance.
6. The police felt that businesses must involve the community by
 - telling them of its existence,
 - must have a small awareness campaign to inform the community
 - must create local jobs to help the local society,
 - must consider participating in the social upliftment of the local people.

7. Plans were there to start a business watch unit to help protect business. CCTV cameras were also planned to be installed at strategic points which will be operated by the police. Specialised 'area crime combating units' were also planned.

Annexure 16

Excerpts of interview with Mr. Bhekisisa Ngwane (chairman) and Mr. Mbuso Shobede (secretary) of the KwaMashu Policing Forum held on 12/04/2004 at KwaMashu Police Station

1. The community policing forum is a truly representative legislative body. It enjoys wide support and respect amongst the resident community. It however plays an advisory role.
2. They have their representatives in each ward of the township to ensure free and effective communication. Once every three months the forum addresses the community on all important issues. Though these gatherings are well attended, there are many young citizens who ignore such efforts. However, as and when important issues arise they hold their gatherings at a short notice.
3. The main focus of the forum is to bridge the gap between police and the community and focus on social crime prevention. This is done through promoting sports against crime, poverty alleviation projects, etc. They also concentrate on promoting awareness towards preventing violence towards women and children.
4. As per the forum members, most of the crime in KwaMashu in their view is non organized and involves young citizens.
5. Businesses can assist in helping the community through either investing in sports which would release energy of the youngsters in a constructive manner, offering employment to local residents on fair terms, promoting against social abuse especially against women and children, etc. In turn the forum could assist the business by communicating to the community the constructive role being played by the organization in assisting the community. This would bring about positive sentiments about the company in the minds of the community and would hopefully prevent crime against the company. The forum was also willing to specify to the community that if the businesses who were contributing to the benefit of the community would not be welcome, such assistance would cease to continue.

UNB Khangela
Sales Trend - Litres

Territory 10 - Kwa Mashu

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	Total
2000/01	631380	658010	583165	606643	558465	552680	540,750	508,405	590,820	473,305	554,895	561,100	6,819,618
2001/02	521,610	529,070	452,100	521,073	480,203	420,685	438,497	405,620	450,310	425,485	390,530	402,925	5,438,108
2002/03	420,175	437,460	427,865	427,960	450,955	399,970	399,415	387,405	378,135	372,668	394,256	375,372	4,871,636
2003/04	440,617	425,638	436,565	465,647	423,555	452,290	406,415	422,970	440,430	388,530	383,310	392,225	5,078,192

BB Bakeries Natal								
KwaMashu Distributors								bread units
Date	Route A	Route B	Route C	Route D	Route E	Route F	Route G	Route H
Jan-03	48,710	37,337	48,880	37,230	50,632	48,894	39,143	37,409
Feb-03	53,440	47,461	54,696	44,008	56,997	53,075	46,538	56,345
Mar-03	60,203	51,909	62,732	46,107	64,217	59,951	53,516	77,118
Apr-03	56,143	60,542	57,238	50,705	61,542	62,795	49,574	76,702
May-03	55,275	63,931	57,425	52,039	63,091	66,983	54,668	94,326
Jun-03	53,181	70,629	57,386	48,537	63,654	64,285	49,338	100,070
Jul-03	56,333	64,771	59,317	48,097	63,583	64,978	52,434	116,563
Aug-03	54,132	50,060	58,018	46,213	64,400	60,914	53,401	118,248
Sep-03	54,149	54,718	57,405	45,448	65,772	59,783	53,820	113,392
Oct-03	54,386	69,110	58,787	43,932	69,551	61,532	53,017	94,563
Nov-03	65,445	59,034	60,964	48,955	68,593	73,156	55,427	93,976
Dec-03	73,969	62,044	66,058	55,946	70,854	83,638	66,527	92,011
Jan-04	70,951	56,912	63,573	53,871	70,204	80,630	62,863	91,310
Feb-04	66,890	56,253	59,731	53,782	65,532	78,508	57,624	86,003
Mar-04	73,594	64,177	69,354	60,625	70,565	85,882	63,777	86,846
Apr-04	72,704	64,229	71,069	59,531	66,530	85,363	62,640	79,398
Total	969,505	933,117	962,633	795,026	1,035,717	1,090,367	874,307	1,414,280
Average	60,594	58,320	60,165	49,689	64,732	68,148	54,644	88,393

SORGHUM BEER DISTRIBUTION STATUS

Serial Number	Wholesaler name (Wholesaler)	Avg. sale in Litres	No. of vehicle used	Avg. sale by them	No. of vehicle Coming to collect for self (Retailer)
1	AMATATA BEER DISTRIBUTOR	3195	2	800	4
2	CUTTER DISTRIBUTOR	37727	1	37727	0
3	EMAKHELENI	2257	1	2257	4
4	ETHEMBENI BOTTLE STORE	13131	3	2188	15
5	INKULULEKO BOTTLE STORE	16558	1	6623	6
6	CROWN LIQUOR STORE	12938	1	10350	3
7	MAVELA SUPERMARKET	3560	1		
8	MABOMVU DISTRIBUTOR	9650	1	5790	6
9	NANAS TAVERN	3152	1		
10	NTOKOZWENI BOTTLE STORE	22807	2	18246	4

SORGHUM BEER DISTRIBUTION STATUS

Serial Number	Wholesaler name (Wholesaler)	Avg. sale in Litres	No. of vehicle used	Avg. sale by them	No. of vehicle Coming to collect for self (Retailer)
11	INANDA MARKET	35131	2	10539	15
12	QALAKANCANE	3342	1	2005	6
13	RATTAN	228151	17		20
14	NGOMANE BOTTLE STORE	22592	1	22592	
15	THANDOKUHLE BOTTLE STORE	12700	2		12
16	VUMAGOGO		1	10000	

PRICE THROUGH THE CHAIN (RUNNERS)

CASE LOT PER 1 LITRE

S. No	NAME OF CUSTOMER	BUYING PRICE (R)	SELLING PRICE (R)	MARGIN (R)	RECOMMENDED MARGIN (R)
1	MZIWENSIZWA BEERHALL	39.45	3.50	0.87	0.57
2	NANA TAVERN	39.45	3.50	0.87	0.57
3	MVUYANE STORE	39.45	3.50	0.87	0.57
4	PHINDAMZALA STORE	39.45	3.50	0.87	0.57
5	MTUNGWA BEERHALL	39.45	3.50	0.87	0.57
6	SPECIAL TAVERN	39.45	3.50	0.87	0.57
7	EMGAZINI BEER HALL	39.45	3.50	0.87	0.57
8	MUNTU TAVERN	39.45	3.50	0.87	0.57
9	TYSON TUCK SHOP	39.45	3.50	0.87	0.57
10	GUGU TUCK SHOP	39.45	3.50	0.87	0.57

PRICE THROUGH THE CHAIN (RUNNERS)

CASE LOT PER 1 LITRE

S. No	NAME OF CUSTOMER	BUYING PRICE (R)	SELLING PRICE (R)	MARGIN (R)	RECOMMENDED MARGIN (R)
11	MBALI TRADING STORE	39	3.50	0.87	0.57
12	MAZAMBANE RESTAURANT	39	3.50	0.87	0.57
13	SIXAXA TAVERN	39	3.50	0.87	0.57
14	NONHLANHLA'S TAVERN	39	3.50	0.87	0.57
15	DUBE TUCK SHOP	39	3.50	0.87	0.57
16	ENTANDWENI TAVERN	39	3.50	0.87	0.57
17	SHANGASE TUCK SHOP	39	3.50	0.87	0.57
18	NGCOBO TAVERN	39	3.50	0.87	0.57
19	MAVELA SUPERMARKET	39	3.50	0.87	0.57
20	KWAMASHU BOTTLE STORE	39	3.50	0.87	0.57
21	NANA'S TUCK SHOP	39	3.50	0.87	0.57

PRICE THROUGH THE CHAIN (RUNNERS)

CASE LOT PER 1 LITRE

S. No	NAME OF CUSTOMER	BUYING PRICE (R)	SELLING PRICE (R)	MARGIN (R)	RECOMMENDED MARGIN (R)
22	JEZA'S TAVERN	39	3.50	0.87	0.57

PRICE THROUGH THE CHAIN (RUNNERS)

CASE LOT PER 2 LITRE

S. No	NAME OF CUSTOMER	BUYING PRICE (R)	SELLING PRICE (R)	MARGIN (R)	RECOMMENDED MARGIN (R)
1	TOP OF THE ROCK	49.50	6.00	1.05	0.85
2	MAAS BANK LIQUOR	49.50	6.00	1.05	0.85
3	LATE NITE	49.50	6.00	1.05	0.85
4	EMGAZINI BEERHALL	49.50	6.00	1.05	0.85
5	NANA TAVERN	49.50	6.00	1.05	0.85
6	DLUDLU TAVERN	49.50	6.00	1.05	0.85
7	MTHEMTHWA TUCK SHOP	49.50	6.00	1.05	0.85
8	MUNTU TAVERN	49.50	6.00	1.05	0.85
9	EMZINIWENSIZWA	49.50	6.00	1.05	0.85

PRICE THROUGH THE CHAIN (RUNNERS)

CASE LOT PER 2 LITRE

S. No	NAME OF CUSTOMER	BUYING PRICE (R)	SELLING PRICE (R)	MARGIN (R)	RECOMMENDED MARGIN (R)
10	MHLONGO TUCK SHOP	49.50	6.00	1.05	0.85
11	MBALI TRADING STORE	49.50	6.00	1.05	0.85
12	MAZAMBANE RESTAURANT	49.50	6.00	1.05	0.85
13	SIXAXA TAVERN	49.50	6.00	1.05	0.85
14	NONHLANHLA'S TAVERN	49.50	6.00	1.05	0.85
15	SPECIAL TAVERN	49.50	5.80	0.85	0.85
16	DUBE TUCK SHOP	49.50	6.00	1.05	0.85
17	ENTANDWENI TAVERN	49.50	6.00	1.05	0.85
18	SHANGASE TUCK SHOP	49.50	6.00	1.05	0.85

PRICE THROUGH THE CHAIN (RUNNERS)

CASE LOT PER 2 LITRE

S. No	NAME OF CUSTOMER	BUYING PRICE (R)	SELLING PRICE (R)	MARGIN (R)	RECOMMENDED MARGIN (R)
19	MNTUNGWA BEERHALL	49.50	6.00	1.05	0.85
20	NGCOBO TAVERN	49.50	6.00	1.05	0.85
21	MAVELA SUPERMARKET	49.50	6.00	1.05	0.85
22	KWAMASHU BOTTLE STORE	49.50	6.00	1.05	0.85
23	TYSON TAVERN	49.50	6.00	1.05	0.85
24	JEZA'S TAVERN	49.50	6.00	1.05	0.85

PRICE THROUGH THE CHAIN (RETAIL) BBB

SERIAL NO.	NAME OF CUSTOMER	BUYING PRICE (RANDS)	SELLING PRICE (RANDS)	DELIVERY FREQUENCY	QUANTITIES
1	MAZAMBANE RESTAURANT SHOP 1 NTOKOZO ROAD, KWAMASHU	3.99	4.20	DAILY	15 LOAVES
2	GUGULETHU SELF SERVICE KHOLWA ROAD, MENSHOSTEL CENTRE	4.10	5.00	DAILY	40 LOAVES
3	MPUMALANGA RESTAURANT THULA ROAD, KWAMASHU HOSTEL	4.10	5.00	DAILY	15LOAVES
4	SHENGES SUPERMARKET NO. 1 THULA ROAD, KWAMASHU, MENSHOSTEL	4.10	5.00	DAILY	30 LOAVES
5	SIZABANTU SUPPLY STORE KHOLWA ROAD KWAMASHU MENSHOSTEL	4.10	4.40	DAILY	20 LOVES
6	THUTHUKANI MAJOLA SUPPLY STORE KHOLWA ROAD, KWAMASHU MENSHOSTEL	3.99	4.50	DAILY	20 LOAVES

PRICE THROUGH THE CHAIN (RETAIL) BBB

SERIAL NO.	NAME OF CUSTOMER	BUYING PRICE (RANDS)	SELLING PRICE (RANDS)	DELIVERY FREQUENCY	QUANTITIES
7	SINAMUVU SUPPLY STORE NO 1 ZULU ROAD, KWA-MASHU	3.99	4.50	DAILY	15 LOAVES
8	THEMBALIHLE STORE MALANDELA ROAD, KWA-MASHU	3.99	4.50	DAILY	15 LOAVES
9	AFRICA SUPERMARKET SIGWEGWE ROAD, KWAMASHU	4.10	4.85	DAILY	30 LOAVES
10	AFRICA TRADING STORE ROAD, KWAMASHU	4.10	4.50	DAILY	20 LOAVES
11	MAVELA SUPERMARKET 8 ISIPHINGO RD KWA-MASHU	4.10	4.50	DAILY	30 LOAVES
12	INGABADE TUCK SHOP D1671NTABANKULU ROAD, KWAMASHU	3.99	4.70	DAILY	15 LOAVES

PRICE THROUGH THE CHAIN (RETAIL) BBB

SERIAL NO.	NAME OF CUSTOMER	BUYING PRICE (RANDS)	SELLING PRICE (RANDS)	DELIVERY FREQUENCY	QUANTITIES
13	MZONELI SUPERMARKET AMANZIMTOTI ROAD, KWAMASHU	4.10	4.50	DAILY	20 LOAVES
14	WISEMAN GENERAL DEALER 10 ISIPHINGO ROAD, KWAMASHU C	4.10	4.50	DAILY	30 LOAVES
15	LINDA TUCK SHOP 244 ROAD, KWAMASHU F	4.10	4.50	DAILY	30 LOAVES
16	ONE STOP SUPERETTE 509 INGOME ROAD, KWAMASHU D	4.10	4.80	DAILY	20 LOAVES
17	SOMPISI SUPPLY STORE MNCACA ROAD, KWAMASHU	3.99	4.50	DAILY	20 LOAVES
18	JABULANI RESTURANT SERVICE STATION MALANDELA RD BP	3.99	4.50	DAILY	25 LOAVES

PRICE THROUGH THE CHAIN (RETAIL) BBB

SERIAL NO.	NAME OF CUSTOMER	BUYING PRICE (RANDS)	SELLING PRICE (RANDS)	DELIVERY FREQUENCY	QUANTITIES
19	MTHEMBU TUCK SHOP 1598 SIBHUDENI ROAD, KWAMASHU D	3.99	4.70	DAILY	15 LOAVES
20	EMAKHEHLENI GENERAL DEALER F1378 MAKHATHINI ROAD, KWAMASHU	4.10	4.50	DAILY	30 LOAVES
21	AMANGWANE CASH BUTCHERY L SECTION MAFUKUZELA ROAD, KWAMASHU	4.20	4.70	DAILY	20 LOAVES
22	SHAYIZANDLA GENERAL DEALER J68 MNCACA ROAD, KWAMASHU	4.10	4.50	DAILY	30 LOAVES
23	MTHUMENI TUCK SHOP H28 NOGWAJA ROAD, KWAMASHU	3.99	4.50	DAILY	15 LOAVES
24	NGCOBO TUCK SHOP G157 UFELAPHAKATHI ROAD, KWAMASHU	3.99	4.70	DAILY	20 LOAVES

PRICE THROUGH THE CHAIN (RETAIL) BBB

SERIAL NO.	NAME OF CUSTOMER	BUYING PRICE (RANDS)	SELLING PRICE (RANDS)	DELIVERY FREQUENCY	QUANTITIES
25	SIFISO SUPERMARKET KWAMASHU TOWNSHIP CENTRE	4.10	4.50	DAILY	30 LOAVES
26	SHANGASE TUCK SHOP F596 NGCOBO ROAD, KWAMASHU	4.10	4.50	DAILY	20 LOAVES
27	MANDISA TUCK SHOP F860 NTOMBELA ROAD, KWAMASHU	3.99	4.50	DAILY	15 LOAVES
28	SIBONISIWE TUCK SHOP E1160 NDABUKO ROAD, KWAMASHU	3.99	4.60	DAILY	15 LOAVES
29	MAKHEHLA TUCK SHOP E86 SILILO RAOD, KWAMASHU	3.99	4.50	DAILY	20 LOAVES
30	SIBA RESTAURANT F (1) ZULU ROAD, KWAMASHU	4.10	4.50	DAILY	20 LOAVES

PRICE THROUGH THE CHAIN (RETAIL) BBB

SERIAL NO.	NAME OF CUSTOMER	BUYING PRICE (RANDS)	SELLING PRICE (RANDS)	DELIVERY FREQUENCY	QUANTITIES
31	EKUJABULENI BUTCHERY H8 MPUNZI ROAD, KWAMASHU	4.10	4.50	DAILY	30 LOAVES
32	SIYETHEMBA TUCK SHOP L890 NYALA ROAD, KWAMASHU	4.10	4.60	DAILY	20 LOAVES
33	KING SIZE TUCK SHOP M517 NTUTHANE ROAD, KWAMASHU	4.10	4.70	DAILY	15 LOAVES
34	MIYANES TUCK SHOP M84 SIHLANGU ROAD, KWAMASHU	4.10	4.50	DAILY	20 LOAVES
35	OBISINI TUCK SHO M690 MPUKANE ROAD, KWAMASHU	4.10	4.50	DAILY	15 LOAVES
36	POLY CLINIC TUCK SHOP P79 BHEJANE ROAD, KWAMASHU	4.10	4.50	DAILY	20 LOAVES

PRICE THROUGH THE CHAIN (RETAIL) BBB

SERIAL NO.	NAME OF CUSTOMER	BUYING PRICE (RANDS)	SELLING PRICE (RANDS)	DELIVERY FREQUENCY	QUANTITIES
37	GOBS SERVICE STATION P120 BHEJANE ROAD, KWAMASHU	4.10	4.50	DAILY	25 LOAVES
38	SPECIAL SPAZA SHOP SIYANDA A KWAMASHU	4.10	4.50	DAILY	20 LOAVES
39	DUBE TUCK SHOP SIYANDA (B) KWAMASHU	4.10	4.50	DAILY	30 LOAVES
40	AMAGAMA AMABILI TUCK SIYANDA (B) KWAMASHU	4.10	4.50	DAILY	20 LOAVES
41	EMGAZINI TUCK SHOP F86 MFOLOZI ROAD, KWAMASHU	3.99	4.50	DAILY	15 LOAVES
42	MANQOBA TUCK SHOP C1290 MFOLOZI ROAD, KWAMASHU	4.10	4.50	DAILY	20 LOAVES

PRICE THROUGH THE CHAIN (RETAIL) BBB

SERIAL NO.	NAME OF CUSTOMER	BUYING PRICE (RANDS)	SELLING PRICE (RANDS)	DELIVERY FREQUENCY	QUANTITIES
43	GABISA TUCK SHOP C1075 MFOLOZI ROAD, KWAMASHU	4.10	4.50	DAILY	20 LOAVES
44	MAKHANYA'S TUCK SHOP C795 USUTHU ROAD, KWAMASHU	3.99	4.50	DAILY	25 LOAVES
45	SINAMUVA TUCK SHOP C795 USUTHU ROAD, KWAMASHU	4.10	4.50	DAILY	20 LOAVES
46	NEL (1) FORTUNE TUCK SHOP C910 UMTWALUMI ROAD, KWAMASHU	3.99	4.50	DAILY	15 LOAVES
47	ZAMA ZAMA TUCK SHOP B750 SIKHINDA ROAD, KWAMASHU	4.10	4.50	DAILY	20 LOAVES
48	MKHULUSHANE STORE B (1) ISIHLABELELO ROAD, KWAMASHU	4.10	4.50	DAILY	30 LOAVES

PRICE THROUGH THE CHAIN (RETAIL) BBB

SERIAL NO.	NAME OF CUSTOMER	BUYING PRICE (RANDS)	SELLING PRICE (RANDS)	DELIVERY FREQUENCY	QUANTITIES
49	G H TUCK SHOP B156 UMBANDO ROAD, KWAMASHU	4.10	4.50	DAILY	20 LOAVES
50	DUMAS TUCK SHOP D1350 MKHAMBATHI ROAD, KWAMASHU	4.10	4.50	DAILY	20 LOAVES
51	DLAMINI TUCK SHOP D1311 MPOFU ROAD, KWAMASHU	4.10	4.60	DAILY	15 LOAVES
52	SIMUNYE TUCK SHOP D-SECTION, RESERVOIR, SIYANDA	3.99	4.50	DAILY	20 LOAVES
53	TIGER TAVERN & GENERAL DEALER SECTION, RESEVOIR SIYANDA	4.10	4.70	DAILY	25 LOAVES
54	MPUMES TUCK SHOP D1628 NTSENTSE ROAD, KWAMASHU	4.10	4.70	DAILY	10 LOAVES

INFORMAL TRADE FEEDBACK (50 CUSTOMERS)

S. No	NAME AND ADDRESS	VAT NO.	HAS A SERVICE COUNTER	TRADING HOURS	CONVIENCE OF ACCESS TO DELIVERY VEHICLE
1	MBALI TRADING STORE SHOP 2 NTOKOZO ROAD, KWAMASHU MENSHOSTEL	NIL	NO	6H00-18H00	6 METRE FROM TRUCK TO THE SHOP
2	MAZAMBANE RESTAURANT SHOP NO. 1 NTOKOZO ROAD, KWAMASHU MENSHOSTEL	NIL	YES	6H00-18H00	ABOUT 5 METRE
3	SIXAXA TAVERN SHOP NO. 1 MUSA ROAD, KWAMASHU MENSHOSTEL	NIL	NO	6H00-19H00	ABOUT 8 METRE
4	INKULULEKO BEERHALL SHOP NO. 2 KHOLWA ROAD, KWAMASHU MENHOSTEL	NIL	YES	5H00-20H00	ABOUT 8 METRE
5	HOSTEL LIQUOR STORE NO. 3 KHOLWA ROAD, KWAMASHU MENSHOSTEL	NIL	YES	6H00-19H00	ABOUT 7 METRE
6	SIZABANTU STORE NO. 19 KHOLWA ROAD, KWAMASHU MENSHOSTEL	NIL	YES	6H00-20H00	ABOUT 6 METRE

S. No	NAME AND ADDRESS	VAT NO.	HAS A SERVICE COUNTER	TRADING HOURS	CONVIENCE OF ACCESS TO DELIVERY VEHICLE
7	EMASHUMINI LIUORS NO. 26 BANTABAHLE ROAD, KWAMASHU	NIL	NO	6H00-19H00	ABOUT 6 METRE
8	IMBALI BOTTLE STORE NO 1 ISIHLABELELO ROAD, KWAMASHU	NIL	YES	9H00-18H00	ABOUT 7 METRE
9	MAVELA SUPERMARKET NO. 8 ISIPINGO ROAD, KWAMASHU	NIL	YES	6H30-18H00	ABOUT 10 METRE
10	NONHLANHLA TAVERN MALANDELA ROAD, KWAMASHU STATION	NIL	NO	6H00-18H00	ABOUT 4 METRE
11	SPECIAL TAVERN 890 SIYANDA (A) C/O KWAMASHU	NIL	NO	6H00-21H00	ABOUT 3 METRE
12	DUBE TUCK SHOP 1106 SIYANDA (B) C/O KWAMASHU	NIL	NO	6H00-20H00	ABOUT 8 METRE
13	AMAGAMA AMABILI TAVERN 1180 SIYANDA ROAD, KWAMASHU	NIL	NO	6H00-20H00	ABOUT 6 METRE
14	BEAUTY TAVERN D89 NANGENI ROAD, KWAMASHU	NIL	NO	7H00-20H00	ABOUT 12 METRE
15	ENTANDWENI TAVERN F515 ZULU ROAD, KWAMASHU	NIL	NO	6H00-21H00	ABOUT 12 METRE

S. No	NAME AND ADDRESS	VAT NO.	HAS A SERVICE COUNTER	TRADING HOURS	CONVIENCE OF ACCESS TO DELIVERY VEHICLE
16	MANDISA TUCK SHOP F860 NTOMBELA ROAD, KWAMASHU	NIL	NO	6H00-20H00	ABOUT 13 METRE
17	SHANGASE TUCK SHOP F630 NGCOBO ROAD, KWAMASHU	NIL	YES	6H00-20H00	ABOUT 4 METRE
18	KWAMASHU BOTTLE STORE F64 MGOBHOZI ROAD, KWAMASHU	NIL	YES	8H00-18H00	ABOUT 6 METRE
19	EMGAZINI BEERHALL F86 MGOBHOZI ROAD, KWAMASHU	NIL	YES	8H00-18H00	ABOUT 4 METRE
20	EMAKHEKHLINI STORE F1378 MKHWANAZI ROAD, KWAMASHU	YES BUT UNKONWN	NO	6H00-21H00	ABOUT 4 METRE
21	MTUNGWA BEERHALL P2 KWAMASHU CENTRE	NIL	NO	7H00-21H00	ABOUT 6 METRE
22	SHAYIZANDLA GENERAL DEALER J68 MNCACA ROAD, KWAMASHU	NIL	NO	7H00-21H00	ABOUT 8 METRE
23	NGCOBO TAVERN K248 NSINGIZI ROAD, KWAMASHU	NIL	NO	7H00-21H00	ABOUT 4 METRE
24	FUZE BOTTLE STORE L25 MZONJANI ROAD, KWAMASHU	NIL	YES	8H00-18H00	ABOUT 5 METRE

S. No	NAME AND ADDRESS	VAT NO.	HAS A SERVICE COUNTER	TRADING HOURS	CONVIENCE OF ACCESS TO DELIVERY VEHICLE
25	SINAMUVA SUPPLY STORE F (1) ZULU ROAD, KWAMASHU	NIL	NO	7H00-18H00	ABOUT 5 METRE
26	MAZULU TAVERN D1304 UBOMBO ROAD, KWAMASHU	NIL	NO	7H00-19H00	ABOUT 12 METRE
27	NGIDI TAVERN F750 MQANDULI ROAD, KWAMASHU	NIL	NO	6H00-20H00	ABOUT 8 METRE
28	NGIBANE TAVERN F76 LUTHULI ROAD, KWAMASHU	NIL	NO	7H00-21H00	ABOUT 10 METRE
29	GATSHENI TAVERN G620 UBHEJENE ROAD, KWAMASHU	NIL	NO	6H00-21H00	ABOUT 7 METRE
30	MA MHLONGO TAVERN F318 MZILIKAZI ROAD, KWAMASHU	NIL	NO	6H00-20H00	ABOUT 10 METRE
31	GUG'S TAVERN F920 MOLOLO ROAD, KWAMASHU	NIL	NO	7H00-20H00	ABOUT 11 METRE
32	MNOTHO TAVERN G207 HLOBANE ROAD, KWAMASHU	NIL	NO	6H00-22H00	ABOUT 9 METRE
33	MTHUMENI TUCK SHOP H28 NOGWAJA ROAD, KWAMASHU	NIL	NO	6H00-21H00	ABOUT 8 METRE

S. No	NAME AND ADDRESS	VAT NO.	HAS A SERVICE COUNTER	TRADING HOURS	CONVIENCE OF ACCESS TO DELIVERY VEHICLE
34	DLAMINI TAVERN K102 NTENGU ROAD, KWAMASHU	NIL	NO	6H00-20H00	ABOUT 7 METRE
35	TYSON TAVERN 811 B5, KWAMASHU	NIL	NO	7H00-19H00	ABOUT 7 METRE
36	ZUNGU'S TAVERN 970 B5, KWAMASHU	NIL	NO	6H00-19H00	ABOUT 7 METRE
37	RADEBE TAVERN M LWEMBU ROAD, KWAMASHU	NIL	NO	6H00-20H00	ABOUT 5 METRE
38	MSOMI TAVERN G111 SANDLWANA ROAD, KWAMASHU	NIL	NO	6H00-20H00	ABOUT 8 METRE
39	MAKHEHLANA TAVERN K613 MSWEMPE ROAD, KWAMASHU	NIL	NO	7H00-19H00	ABOUT 10 METRE
40	NGCOBO TUCK SHOP G157 UFELAPHA KATHI ROAD, KWAMASHU	NIL	NO	6H00-20H00	ABOUT 10 METRE
41	MANZAMA TAVERN G978 SANDLWANA ROAD, KWAMASHU	NIL	NO	6H00-21H00	ABOUT 7 METRE
42	MNGOMEZULU TAVERN 1176 MANCINZA (B 5) C/O KWAMASHU	NIL	NO	6H00-20H00	ABOUT 5 METRE

S. No	NAME AND ADDRESS	VAT NO.	HAS A SERVICE COUNTER	TRADING HOURS	CONVENCE OF ACCESS TO DELIVERY VEHICLE
43	MANKUKHWANA SHEBEEN 1296 MANCINZA , C/O KWAMASHU	NIL	NO	6H00-20H00	ABOUT 8 METRE
44	MAGWALA TAVERN 148 (B5) MANCINZA , C/O KWAMASHU	NIL	NO	6H00-21H00	ABOUT 6 METRE
45	MTHEMBU TAVERN J860 MKHOVOTHI ROAD, KWAMASHU	NIL	NO	6H00-20H00	ABOUT 5 METRE
46	MOLLY'S TAVERN J1360 AMANZIMTOTI ROAD, KWAMASHU	NIL	NO	6H00-21H00	ABOUT 8 METRE
47	NANA'S TUCK SHOP E892 NDINGISWAYO ROAD, KWAMASHU	NIL	NO	6H00-20H00	ABOUT 7 METRE
48	JEZA'S TAVERN G1264 UMCIJO ROAD, KWAMASHU	NIL	NO	6H00-19H00	ABOUT 6 METRE
49	INGABADE TUCK SHOP D1689 NTABANKULU ROAD, KWAMASHU	NIL	NO	6H00-19H00	ABOUT 4 METRE
50	MAJOLA TUCK SHOP M860	NIL	NO	6H00-20H00	ABOUT 5 METRE

PAYMENT MODE PREVAILING (DISTRIBUTOR)

SERIAL NO.	NAME OF CUSTOMER	HAS BANK A/C	CURRENT PAYMENT MODE	ARE YOU COMFORTABLE WITH ALTERNATIVE IF AVAILABLE	IF THE COMPANY OFFERED LOAD OVER LOAD FACILITY WILL YOU SWITCH TO BANK TRANSFER	DO YOU HAVE A BACK UP MEMBER AT THE SHOP ALL THE TIME
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1	AMATATA BEER DISTRIBUTOR	YES	CASH	NO	NO	NO
2	CUTTER DISTRIBUTOR	YES	CASH	NO	NO	NO
3	EMAKHELENI	YES	CASH	NO	NO	NO
4	ETHEMBENI BOTTLE STORE	YES	CASH	NO	NO	NO
5	INKULULEKO BOTTLE STORE	YES	CASH	NO	NO	NO
6	CROWN LIQUOR STORE	YES	CASH	NO	NO	YES
7	MAVELA SUPERMARKET	YES	CASH	NO	NO	NO
8	MABOMVU DISTRIBUTOR	YES	CASH	NO	NO	NO
9	NANAS TAVERN	YES	CASH	NO	NO	NO

SERIAL NO.	NAME OF CUSTOMER	HAS BANK A/C	CURRENT PAYMENT MODE	ARE YOU COMFORTABLE WITH ALTERNATIVE IF AVAILABLE	IF THE COMPANY OFFERED LOAD OVER LOAD FACILITY WILL YOU SWITCH TO BANK TRANSFER	DO YOU HAVE A BACK UP MEMBER AT THE SHOP ALL THE TIME
10	NTOKOZWENI BOTTLE STORE	YES	CASH	NO	NO	NO
11	INANDA MARKET	YES	CASH	NO	NO	NO
12	QALAKANCANE	YES	CASH	NO	NO	NO
13	RATTAN	YES	CASH	NO	NO	NO
14	NGOMANE BOTTLE STORE	YES	CASH	NO	NO	NO
15	THANDOKUHLA BOTTLE STORE	YES	CASH	NO	NO	NO

First BBB vendor driver Interview

Date of interview: 24/05/04, in the presence of Mr. Mias Venter, General Manager, BBB and Mr. Sherwin from Bench Mark Services. His firm has helped these vendors secure bank loans on their vehicles based on the agreement between them and the company. They continue to assist all the vendor drivers with managing their vehicles and business. They work on fixed cost per vehicle. The interview took place at the BBB premises in Durban.

Name of vendor driver: Mr. Alford Zondo

How long have you been distributing BBB products?

I have been involved with bread for 15 years. In 1999 when BBB closed its bakery at KwaMashu, I was working there as a supervisor. I have been distributing bread since 1999.

Do you distribute BBB products only or do you deal in other products also?

I am allowed to distribute only BBB products as that is part of the agreement signed between me and the company.

Does BBB sell their products through any other medium (other vendor drivers, distributors, etc.) in the area serviced by you?

No. The area belongs to me and the company cannot sell the product in the area unless I breach any terms of the agreement signed between me and the company.

Do you have a monthly target which you are expected to achieve? If yes, how much is it?

Yes I do have a monthly target to achieve. However I am always above it. I do not remember it off hand.

How many routes do you operate?

I operate two trucks and with them I service two routes.

How many customers do you have on each route?

On one route I have about 80 customers and on the second truck I have about 60 customers.

Do you deliver bread daily or on alternate days to your customers?

I deliver bread daily to all my customers and in the past I tried to sell to them three times a week and it did not work out.

Do you drive yourself or you have drivers?

Earlier I used to drive myself when I started with one truck. When the other route became available I took it. Now I hire two drivers and I make sure that they deliver properly on the route.

What do you do when the driver is sick or on leave?

Generally if one driver is not available, I do the route myself. However if I cannot go or there is a problem with both the drivers then a hired driver is arranged out of a pool of standby drivers. This pool is of people who are looking for jobs and have driving license and know KwaMashu very well.

What happens if the vehicle has a breakdown?

In such a case, mostly the other drivers may help out after finishing their routes. Alternately, we arrange a hired truck and use it to deliver. Obviously there is a delay in deliveries on such occasions.

What if the company serviced the market on such occasions to ensure that the customers do not get the bread late?

There is no need for the company to go to the market because we are capable of making alternate plans.

What are your delivery timings?

My vehicles start their delivery from about 0130 hours. This is because all customers want their bread when they open their shops and the same is required by their customers by 0600hours because people and children leave home by 0630 hours.

Is it not unsafe to drive around in KwaMashu at that time with paid up stock?

Not for me. I know the area very well and so do my drivers.

Do you leave bread outside the shop and go?

No. For each shop I have an arrangement for the bread to be delivered. For some shops, I have the key to their store where I keep

the bread, lock up the store and leave. For some, I have the key to their shop and I put the bread in and then close the shop and go. For others, I leave the bread where I am told to leave.

How do your customers pay for the product ?

They all pay cash. Either when I go to the store the money is kept at a set place which I collect when I deliver the stock. Alternately at the shop the same arrangement is there and I pick up the money when I deliver the stocks. For some shops, I have to come and collect the money on my way back after completing all the deliveries. However, even if two shops are nearby, we are instructed to put the money in the safe after collecting it from one outlet before proceeding to the next outlet.

How safe is it?

Well, I belong to KwaMashu and I know the area and me and my drivers are always careful.

Have you or your vehicles been robbed in the last one year?

Not even once.

Do you have instances where either the product quantity or the cash differs between what was left for each other and what was received?

Initially a couple of times some customers tried. I told them that they either pay or I will stop delivering to them. I have full faith in my drivers. Since then no incidents have occurred.

Do your customers place advance orders?

Yes, all my customers place advance orders. They either leave it at their shops or their storerooms along with the cash. It is working well. You know in many cases I or my drivers do not meet the customer for months.

Do you get consumer complaints?

Yes we do get consumer complaints, though not on a regular basis. Small issues are not worth chasing because then we have to meet the dealer which is inconvenient for both of us.

How do you handle such consumer complaints?

I bring the product or the complaint back to the company. The company then checks the complaint and then when I receive the reply from the company I report back to the customer.

Would it not be better if you let the company representatives to go and attend to and resolve such complaints?

I know the customer better than any body else and hence am able to resolve these complaints with the help of the company. My customers trust me completely and hence the current system is working beautifully. There is no need for change.

In your opinion how should the company launch a new product in your area?

Well, they must give me some sample of the product. I will take this to the retailer and let him taste the product. If he likes the product he will place the order and the business will start.

In many instances, if the consumers get to taste a sample of the product would it not help because after all they are the ones expected to pay for and consume the product?

In my view if the retailer likes it and buys it then there is never a problem in selling it. He knows all the customers and his customers trust him so where is the problem?

Would you be happy if the company representative visited all the outlet and promoted the product on a regular basis?

I really do not see what else it can do except create confusion. The current system is working well.

If the company wanted to offer large stocks of the new product free to the consumers, the only way to make sure that it happens is if there is a company representative available at the retailer's outlet to prevent the retailer abusing the free stock by selling it. This mistake could seriously affect the future of a new product.

Yeah, I think we can look at something to resolve this problem.

Why does blue ribbon sell less than BB bread?

Our margin on blue ribbon is lesser than that of BB. The customers ask for BB because it is better bread.

But the company makes more profit on blue ribbon bread?

I cannot push this bread against BB and lose money. If the company wants to push the product they must look at every body's benefit.

Are your sales growing?

Yes. I am doing very well. I am always over my budget.

How much growth have you achieved over last year?

(Is not sure of what to answer).

Do your customers stock and sell opposition products?

Yes. Most of them sell opposition products. However, my service is the best and I am sure the company's product is also the best. They cannot do better than me.

How do you compete with opposition products?

The opposition products are cheaper. I keep supplying my product to the retailers even if they stock large amounts of opposition product. Sooner or later they struggle to continue with their supplies and then I get back my share quickly.

Are other companies also not affected by crime like in your case?

Depends. Sometimes they keep supplying regularly and in other instances they get robbed of their money or product and then the retailer begins to realise that I am a dependable service provider and hence keeps supporting me.

Any additional information that you want to give to make my understanding of your operation better?

I will not be able to buy beer cash if the company forces me to deposit money into its account because it will take an additional day for the money to be received by them.

Second BBB vendor driver interview

Date of interview: 24/05/04, in the presence of Mr. Mias Venter, general Manager, BBB and Mr. Sherwin from Bench Mark Services. The interview took place at the BBB premises in Durban.

Name of vendor driver: Mr. Max. Shelembe

How long have you been distributing BBB products?

This is my fifth year of distributing BB products.

Do you distribute BBB products only or do you deal in other products also?

Based on the agreement between me and the company I am allowed to distribute BB products only.

Does BBB sell through any other medium (other vendor drivers, distributors, etc.) in the area serviced by you ?

In my area nobody else can sell BB bread. The company's total sale comes through me. The company can appoint somebody else if I do not comply by the terms of the agreement.

Which area do you distribute your products?

I have a set area in KwaMashu which I cover.

Do other drivers try and steal your customers because the more they sell, the more they earn?

Initially there was a lot of customer poaching. Subsequently everybody realised that it would not help to do mischief and now the problem does not exist.

How many routes do you operate?

I operate one route and have one truck.

How many customers do you have on your route?

I have about 60 customers on my route. Though I have not counted them, I know all of them very well.

Are all your customers in the same area along a proper route plan?

We all have our customers who are not necessarily on a straight route. But we do not service each other's customers even if they fall on our route.

Do you deliver bread daily or on alternate days to your customers?

Like all driver vendors I deliver bread daily to all my customers.

Do you drive yourself or you have drivers?

I drive my truck myself.

What do you do when you are sick or on leave?

When I cannot drive I hire a driver from a pool of drivers. They charge R110/- per day or R 80/- per day if you hire their services for at least a month.

What happens if the vehicle has a breakdown?

If it breaks down it is my problem. Sometimes I request another vendor to cover my customers. Alternately, I have to hire a rental truck.

What are your delivery timings?

I start work at 0400 hours and finish between 1000 to 1100 hours every day.

Do you leave bread outside the shop and go?

In my case most of the shops start opening by the time I reach the area. However, in some case I have the keys to either the outlet or the store in which case I do not have to worry about the shop to be open.

Out of your sixty customers, how many have given you a set of keys of their shops or their store rooms?

I have keys to only three of my customers' premises.

How do your customers pay for the product?

All my customers pay cash without exception. Nobody wants to pay by cheque and anyway I also have to buy the product for the next day in cash.

How safe is it?

It is very unsafe. I am also scared of going out at night sometimes. Sometimes when I deliver, I do not collect cash even when the shop is open as it is dark. I then collect cash on my way back after making all the deliveries.

Have you or your vehicles been robbed in the last one year?

I have been robbed four times of money and once for stock in the last year. Due to this I lost a lot of money. Though the stock and cash is insured but I have to pay the company upfront and have to wait for the insurance claim to be processed. This can also cause accidents. In the case of accidents also I lose the initial amount and the no accident claim bonus. The company has no risk involved.

Do you have instances where either the product quantity or the cash differs between what was left for each other and what was received?

Not really. I do not cheat and my customers know that.

Do your customers place advance orders?

Yes. I need to place my order to the company when I come back from my route. I collect orders when I deliver stocks.

Do you get consumer complaints?

Not much. My customers mostly are able to handle their customers.

How do you handle consumer complaints when they come?

I bring the complaint or the stock to the company and when the company replies to the complaint, I revert back to the customer.

Would it not be better if you let the company representatives to go and attend to and resolve such complaints?

I am not sure, but I really do not have any complaint that has not been attended to.

In your opinion how should the company launch a new product in your area?

Oh, I am not sure. They can tell me about the product and I will go and tell my customers. If the company gives the samples then I will distribute the same among my customers and take their orders.

In many instances, if the consumers get to taste a sample of the product would it not help because after all they are the ones expected to pay for and consume the product?

I guess it will help. However, the margin on the product must be good.

Would you be happy if the company representative visited all outlets covered by you and promoted the product on a regular basis?

I am not sure, but if he wants to help my business then I guess it will be good for me.

Why does blue ribbon sell less than BB bread?

The customers like BB that is why it is selling more.

Is your margin same on all bread?

No. It is less on blue ribbon and more on BB.

But the company makes more profit on it?

Well, I give to the retailer what he asks for.

Are your sales growing?

Yes. My sales are increasing.

How much growth have you achieved over last year?

I do not know. (looks at Mr. Sherwin, who is from Benchmark management services not knowing what to answer).

Do your customers stock and sell opposition products?

Yes many of them do.

How do you compete with opposition products?

I cannot do much. If the bread is of good quality and my service is good then it will sell. Our product is the most expensive at the counter.

Any additional information that you want to give to make my understanding of your operation

No.

PAYMENT MODE PREVAILING (RETAIL)

SERIAL NO.	NAME OF CUSTOMER	HAS BANK A/C	DISTANCE FROM BANK (KM)	CURRENT PAYMENT MODE	ARE YOU COMFORTABLE WITH ALTERNATIVE IF AVAILABLE	IF THE COMPANY OFFERED LOAD OVER LOAD FACILITY WILL YOU SWITCH TO BANK TRANSFER	DO YOU HAVE A BACK UP MEMBER AT THE SHOP ALL THE TIME
1	FUTHI FAST FOOD	YES	6	CASH	NO	NO	YES
2	MAKATINI TAVERN	YES	11	CASH	NO	NO	YES
3	ONAKHO TUCK SHOP	YES	6	CASH	NO	NO	NO
4	GLEN TAVERN	YES	6	CASH	NO	NO	NO
5	NGOZA TUCK SHOP	YES	6	CASH	NO	NO	NO
6	SIBONISIWE TUCK SHOP	YES	11	CASH	NO	NO	NO
7	ESIHLAHLANI TAVERN	YES	6	CASH	NO	NO	YES
8	MAYIBUYE	YES	6	CASH	NO	NO	NO
9	MHLONGO TUCK SHOP	YES	11	CASH	NO	NO	NO
10	MAPHUMULO TUCK SHOP	YES	6	CASH	NO	NO	YES
11	MATHABA STORE	YES	6	CASH	NO	NO	NO
12	GH TUCK SHOP	YES	17	CASH	NO	NO	NO
13	DUBE TUCK SHOP	YES	6	CASH	NO	NO	YES
14	TIGER TAVERN	YES	11	CASH	NO	NO	YES

SERIAL NO.	NAME OF CUSTOMER	HAS BANK A/C	DISTANCE FROM BANK (KM)	CURRENT PAYMENT MODE	ARE YOU COMFORTABLE WITH ALTERNATIVE IF AVAILABLE	IF THE COMPANY OFFERED LOAD OVER LOAD FACILITY WILL YOU SWITCH TO BANK TRANSFER	DO YOU HAVE A BACK UP MEMBER AT THE SHOP ALL THE TIME
15	MAPHUMULO TUCK SHOP	YES	6	CASH	NO	NO	NO
16	MOLLUS TAVERN	YES	11	CASH	NO	NO	YES
17	GABISA TUCK SHOP	YES	17	CASH	NO	NO	YES
18	ENJABULWENI	YES	8	CASH	NO	NO	NO
19	WELCOME TUCK SHOP	YES	8	CASH	NO	NO	NO
20	GUMS TRADING	YES	13	CASH	NO	NO	YES
21	TSWELEPELE BOTTLE STORE	YES	21	CASH	YES	NO	YES
22	LINDA BOTTLE STORE	YES	22	CASH	YES	NO	YES
23	MOONLIGHT TUCK SHOP	YES	15	CASH	NO	NO	NO
24	NDABA TAVERN	NO	-	CASH	NO	NO	YES
25	BA SHINGA	YES	22	CASH	NO	NO	NO
26	ODAKENI TUCK SHOP	YES	15	CASH	NO	NO	NO
27	WOZANI TARVEN	YES	23	CASH	NO	NO	YES
28	SHABALALA TUCK SHOP	YES	17	CASH	NO	NO	NO
29	SIZAMELENI TUCK SHOP	YES	14	CASH	NO	NO	NO
30	FREEDOM SPAZA	YES	12	CASH	NO	NO	NO

SERIAL NO.	NAME OF CUSTOMER	HAS BANK A/C	DISTANCE FROM BANK (KM)	CURRENT PAYMENT MODE	ARE YOU COMFORTABLE WITH ALTERNATIVE IF AVAILABLE	IF THE COMPANY OFFERED LOAD OVER LOAD FACILITY WILL YOU SWITCH TO BANK TRANSFER	DO YOU HAVE A BACK UP MEMBER AT THE SHOP ALL THE TIME
31	MAJOLA STORE	YES	10	CASH	NO	NO	NO
32	ZAMOKUHLE STORE	YES	10	CASH	NO	NO	YES
33	MKHIZE TUCK SHOP	YES	10	CASH	NO	NO	NO
34	KWABHENGU SHOP	YES	10	CASH	NO	NO	YES
35	SAMORA	NO	-	CASH	NO	NO	NO
36	SK TAVERN	YES	9.5	CASH	NO	NO	YES
37	PHUNGULA	YES	10	CASH	NO	NO	NO
38	MUTI SHOP	NO	-	CASH	NO	NO	YES
39	PHUMZILE TUCK SHOP	YES	13	CASH	NO	NO	YES
40	CATHUZA TAVERN	YES	12	CASH	NO	NO	YES
41	RATTAN TRADING	NO	-	CASH	NO	NO	YES
42	NTOMBELA TUCK SHOP	YES	13	CASH	NO	NO	NO
43	KHUMALO TUCK SHOP	YES	12	CASH	NO	NO	NO
44	DLAMINI TUCK SHOP	YES	13	CASH	NO	NO	YES
45	SIHAMBI GENERAL DEALER	YES	12	CASH	NO	NO	YES
46	KHANYILE TUCK SHOP	YES	12	CASH	NO	NO	YES

SERIAL NO.	NAME OF CUSTOMER	HAS BANK A/C	DISTANCE FROM BANK (KM)	CURRENT PAYMENT MODE	ARE YOU CONFORTABLE WITH ALTERNATIVE IF AVAILABLE	IF THE COMPANY OFFERED LOAD OVER LOAD FACILITY WILL YOU SWITCH TO BANK TRANSFER	DO YOU HAVE A BACK UP MEMBER AT THE SHOP ALL THE TIME
47	STAN'S ENTERPRISE	YES	10	CASH	NO	NO	YES
48	PHINDAMZALA	YES	13	CASH	NO	NO	NO
49	MVUYANE TUCK SHOP	YES	13	CASH	NO	NO	NO
50	MKHIZE TUCK SHOP	YES	14	CASH	NO	NO	YES

PAYMENT & SERVICE FEEDBACK FROM UNSERVICED OUTLETS (UNB)

S. No	NAME OF CUSTOMER	EXPECTED FREQUENCY	DAY CHANGE ACCEPTABLE?	TIMINGS PROPOSED	PAYMENT MODE PROPOSED
1	FUTHI FAST FOOD, Ndabuko Road, KwaMashu	2ND DAY	YES	7H00	CASH
2	MAKATINI TAVERN, E1005 KwaMashu	2ND DAY	YES	8H00	CASH
3	ONAKO TUCK SHOP, E1091, Mazibuko Rd,	2ND DAY	YES	7H00	CASH
4	GLEN TAVERN, E873, KwaMashu	2ND DAY	YES	6H00	CASH
5	NGOZA TUCK SHOP, G101, KwaMashu	2ND DAY	YES	6H00	CASH
6	SIBONISIWE E Ndabuko Road, KwaMashu	2ND DAY	YES	7H00	CASH
7	ESIHLAHLENI, E1093, KwaMashu	2ND DAY	YES	7H00	CASH
8	MAYIBUYE, G141, KwaMashu	2ND DAY	YES	8H00	CASH
9	MHLONGO TUCK SHOP, G171, KwaMashu	2ND DAY	YES	7H00	CASH

S. No	NAME OF CUSTOMER	EXPECTED FREQUENCY	DAY CHANGE ACCEPTABLE?	TIMINGS PROPOSED	PAYMENT MODE PROPOSED
10	MAPHUMULO TUCK SHOP, Jabula Rd, Menshos.	2ND DAY	YES	8H00	CASH
11	MATHABA STORE, Duffs Rd, Mens Hostel	2ND DAY	YES	7H00	CASH
12	GH TUCK SHOP, B1058, KwaMashu	-	-	7H00	
13	TIGERS TAVERN, D1098, KwaMashu	2ND DAY	YES	6H00	CASH
14	DUBE TUCK SHOP, C1058, KwaMashu	2ND DAY	YES	6H00	CASH
15	MAPHUMULO TUCK SHOP, C1116, kWAmsHU	2ND DAY	YES	6H00	CASH
16	MOLLY'S TAVERN, C1041, kWAMashu	2ND DAY	YES	6H00	CASH
17	GABISA T/SHOP, C1450, KwaMashu, Umfolozi Rd.	2ND DAY	YES	6H00	CASH

PAYMENT & SERVICE FEEDBACK FROM 40 UNSERVICED OUTLETS - (BBB)

S. No	NAME OF CUSTOMER	EXPECTED FREQUENCY	DAY CHANGE ACCEPTABLE?	TIMINGS PROPOSED	PAYMENT MODE PROPOSED
1	NGXONGO TUCK SHOP D SECTION KWAMASHU	DAILY	YES	6H00	COD
2	THANDI'S TUCK SHOP D SECTION KWAMASHU	DAILY	YES	6H00	COD
3	DLAMINI TUCK SHOP D SECTION KWAMASHU	DAILY	YES	7H00	COD
4	MNTAMBO TUCK SHOP E SECTION NTOMBELA RD, KWAMASHU	DAILY	YES	6H00	COD
5	MANYONI TUCK SHOP K SECTION SOMI ROAD, KWAMASHU	DAILY	YES	6H30	COD
6	ENHLANHLENI GENERAL DEALER K SECTION SD KWAMASHU	DAILY	YES	07H00	COD

S. No	NAME OF CUSTOMER	EXPECTED FREQUENCY	DAY CHANGE ACCEPTABLE?	TIMINGS PROPOSED	PAYMENT MODE PROPOSED
7	HONOLULU TUCK SHOP K SECTION KWAMASHU	DAILY	YES	7H00	COD
8	MAQHUZU TUCK SHOP K SECTION, KWAMASHU	DAILY	YES	6H00	COD
9	UTITI TUCK SHOP J MNCACA ROAD, KWAMASHU	DAILY	YES	6H00	COD
10	BRA NKEBS TUCK SHOP J UDAKWAKUSUTHA, KWAMASHU	DAILY	YES	7H00	COD
11	MROMA'S TUCK SHOP G SECTION, KWAMASHU	DAILY	YES	6H30	COD
12	VUKUZAME TUCK SHOP G SECTION, KWAMASHU	DAILY	YES	7H00	COD
13	EMAMBATHENI SPAZA F MZILIKAZI ROAD, KWAMASHU	DAILY	YES	6H30	COD

S. No	NAME OF CUSTOMER	EXPECTED FREQUENCY	DAY CHANGE ACCEPTABLE?	TIMINGS PROPOSED	PAYMENT MODE PROPOSED
14	TIKVOVO TUCK SHOP F MNTUNGWA ROAD, KWAMASHU	DAILY	YES	6H30	COD
15	MABALENG SPAZA F LUTHULI ROAD, KWAMASHU	DAILY	YES	6H30	COD
16	NKOMO GENERAL DEALER D NTUNJAMBILI ROAD, KWAMASHU	DAILY	YES	6H30	COD
17	GAMA TUCK SHOP D MNYAYIZA ROAD, KWAMASHU	DAILY	YES	6H30	COD
18	LUNGELO SPAZA SHOP E MNYAMANA ROAD KWAMASHU	DAILY	YES	7H00	COD
19	FUTHI TUCK SHOP E MANYOSI ROAD, KWAMASHU	DAILY	YES	6H00	COD
20	MAKHATHINI TUCK SHOP E MANYOSI ROAD, KWAMASHU	DAILY	YES	6H00	COD

S. No	NAME OF CUSTOMER	EXPECTED FREQUENCY	DAY CHANGE ACCEPTABLE?	TIMINGS PROPOSED	PAYMENT MODE PROPOSED
21	NTANDO'S RESTAURANT EMAHAWINI KWAMASHU	ONE' S DAILY	YES	6H00	COD
22	VUKANATHI TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	7H00	COD
23	BUHLEBUYEZA TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	6H30	COD
24	NTSHEBEMNANDI TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	6H00	COD
25	MAGWAZA TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	6H00	COD
26	QALAKANCANE TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	8H00	COD
27	SIMELANE TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	7H00	COD

S. No	NAME OF CUSTOMER	EXPECTED FREQUENCY	DAY CHANGE ACCEPTABLE?	TIMINGS PROPOSED	PAYMENT MODE PROPOSED
28	MAPHUMULO TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	7H00	COD
29	MADLOKOVU TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	6H00	COD
30	FISHI TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	6H00	COD
31	DUMA TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	6H00	COD
32	SUNCITY TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	6H30	COD
33	NGCOBO TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	6H00	COD
34	MZOBE TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	7H00	COD

S. No	NAME OF CUSTOMER	EXPECTED FREQUENCY	DAY CHANGE ACCEPTABLE?	TIMINGS PROPOSED	PAYMENT MODE PROPOSED
35	BHEKIZAZI TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	7H00	COD
36	STICKS TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	6H30	COD
37	GASA'S TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	6H00	COD
38	TIKOLOSHE TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	6H00	COD
39	MAJOZI TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	6H00	COD
40	MPANZA TUCK SHOP KWAMASHU HOSTEL	ONE' S DAILY	YES	7H00	COD

TRADE FEEDBACK ON PREVAILING THREAT OF SUBSTITUTES AND RIVALRY

			IF SORGHUM BEER STOCK RUNS OUT WHAT WILL THE CUSTOMER BUY (%)			DO YOU GET DELIVERY OF CLEAR BEER	
S. No	NAME AND ADDRESS	STOCKS CLEAR BEER	CLEAR BEER	HOME BREW	OTHERS	YES / NO	IF YES BY WHOM
1	MBALI TRADING STORE SHOP 2 NTOKOZO ROAD, KWAMASHU MENSHOSTEL	YES	40	45	15	NO	
2	MAZAMBANE RESTAURANT SHOP NO. 1 NTOKOZO ROAD, KWAMASHU MENSHOSTEL	YES	25	60	15	NO	
3	SIXAXA TAVERN SHOP NO. 1 MUSA ROAD, KWAMASHU MENSHOSTEL	YES	20	80	10	YES	W
4	INKULULEKO BEERHALL SHOP NO. 2 KHOLWA ROAD, KWAMASHU MENHOSTEL	YES	40	50	10	NO	
5	HOSTEL LIQUOR STORE NO. 3 KHOLWA ROAD, KWAMASHU MENSHOSTEL	YES	50	40	10	YES	W
6	SIZABANTU STORE NO. 19 KHOLWA ROAD, KWAMASHU MENSHOSTEL	YES	40	50	10	YES	R
7	EMASHUMINI LIUORS NO. 26 BANTABAHLE ROAD, KWAMASHU	YES	30	65	5	YES	W
8	IMBALI BOTTLE STORE NO 1 ISIHLEBELELO ROAD, KWAMASHU	YES	20	70	10	YES	W

TRADE FEEDBACK ON PREVAILING THREAT OF SUBSTITUTES AND RIVALRY

			IF SORGHUM BEER STOCK RUNS OUT WHAT WILL THE CUSTOMER BUY (%)			DO YOU GET DELIVERY OF CLEAR BEER	
S. No	NAME AND ADDRESS	STOCKS CLEAR BEER	CLEAR BEER	HOME BREW	OTHERS	YES / NO	IF YES BY WHOM
9	MAVELA SUPERMARKET NO. 8 ISIPINGO ROAD, KWAMASHU	NO	60	30	10	NA	
10	NONHLANHLA TAVERN MALANDELA ROAD, KWAMASHU STATION	YES	40	50	10	NO	
11	SPECIAL TAVERN 890 SIYANDA (A) C/O KWAMASHU	YES	30	70	-	NO	
12	DUBE TUCK SHOP 1106 SIYANDA (B) C/O KWAMASHU	NO	60	30	10	NA	
13	AMAGAMA AMABILI TAVERN 1180 SIYANDA ROAD, KWAMASHU	YES	45	50	5	NO	
14	BEAUTY TAVERN D89 NANGENI ROAD, KWAMASHU	YES	35	40	25	YES	W
15	ENTANDWENI TAVERN F515 ZULU ROAD, KWAMASHU	YES	40	55	5	YES	R
16	MANDISA TUCK SHOP F860 NTOMBELA ROAD, KWAMASHU	YES	75	20	5	NO	
17	SHANGASE TUCK SHOP F630 NGCOBO ROAD, KWAMASHU	NO	30	60	10	NA	
18	KWAMASHU BOTTLE STORE F64 MGOBHOZI ROAD, KWAMASHU	YES	20	75	5	YES	R

TRADE FEEDBACK ON PREVAILING THREAT OF SUBSTITUTES AND RIVALRY

			IF SORGHUM BEER STOCK RUNS OUT WHAT WILL THE CUSTOMER BUY (%)			DO YOU GET DELIVERY OF CLEAR BEER	
S. No	NAME AND ADDRESS	STOCKS CLEAR BEER	CLEAR BEER	HOME BREW	OTHERS	YES / NO	IF YES BY WHOM
19	EMGAZINI BEERHALL F86 MGOBHOZI ROAD, KWAMASHU	YES	45	45	10	YES	R
20	EMAKHEKHLENI STORE F1378 MKHWANAZI ROAD, KWAMASHU	YES	60	30	10	YES	R
21	MTUNGWA BEERHALL P2 KWAMASHU CENTRE	YES	45	45	10	YES	W
22	SHAYIZANDLA GENERAL DEALER J68 MNCACA ROAD, KWAMASHU	NO	40	55	5	NA	
23	NGCOBO TAVERN K248 NSINGIZI ROAD, KWAMASHU	YES	40	35	25	YES	R
24	FUZE BOTTLE STORE L25 MZONJANI ROAD, KWAMASHU	YES	50	40	10	YES	W
25	SINAMUVA SUPPLY STORE F (1) ZULU ROAD, KWAMASHU	YES	45	55	10	YES	R
26	MAZULU TAVERN D1304 UBOMBO ROAD, KWAMASHU	YES	55	40	5	YES	R
27	NGIDI TAVERN F750 MQANDULI ROAD, KWAMASHU	YES	40	40	20	YES	W
28	NGIBANE TAVERN F76 LUTHULI ROAD, KWAMASHU	YES	30	70	0	YES	W

TRADE FEEDBACK ON PREVAILING THREAT OF SUBSTITUTES AND RIVALRY

			IF SORGHUM BEER STOCK RUNS OUT WHAT WILL THE CUSTOMER BUY (%)			DO YOU GET DELIVERY OF CLEAR BEER	
S. No	NAME AND ADDRESS	STOCKS CLEAR BEER	CLEAR BEER	HOME BREW	OTHERS	YES / NO	IF YES BY WHOM
29	GATSHENI TAVERN G620 UBHEJENE ROAD, KWAMASHU	YES	35	45	20	YES	R
30	MA MHLONGO TAVERN F318 MZILIKAZI ROAD, KWAMASHU	YES	60	35	5	NO	
31	GUG'S TAVERN F920 MOLOLO ROAD, KWAMASHU	YES	45	50	5	NO	
32	MNOTHO TAVERN G207 HLOBANE ROAD, KWAMASHU	YES	35	60	5	NO	
33	MTHUMENI TUCK SHOP H28 NOGWAJA ROAD, KWAMASHU	NO	55	30	15	NO	
34	DLAMINI TAVERN K102 NTENGU ROAD, KWAMASHU	YES	45	40	15	YES	W
35	TYSON TAVERN 811 B5, KWAMASHU	YES	45	50	5	YES	W
36	ZUNGU'S TAVERN 970 B5, KWAMASHU	YES	80	10	10	NO	
37	RADEBE TAVERN M LWEMBU ROAD, KWAMASHU	YES	60	30	10	NO	
38	MSOMI TAVERN G111 SANDLWANA ROAD, KWAMASHU	YES	40	50	10	NO	

TRADE FEEDBACK ON PREVAILING THREAT OF SUBSTITUTES AND RIVALRY

			IF SORGHUM BEER STOCK RUNS OUT WHAT WILL THE CUSTOMER BUY (%)			DO YOU GET DELIVERY OF CLEAR BEER	
S. No	NAME AND ADDRESS	STOCKS CLEAR BEER	CLEAR BEER	HOME BREW	OTHERS	YES / NO	IF YES BY WHOM
39	MAKHEHLANA TAVERN K613 MSWEMPE ROAD, KWAMASHU	YES	40	45	15	YES	W
40	NGCOBO TUCK SHOP G157 UFELAPHAKATHI ROAD, KWAMASHU	NO	50	50	0	NA	
41	MANZAMA TAVERN G978 SANDLWANA ROAD, KWAMASHU	YES	40	50	10	NO	
42	MNGOMEZULU TAVERN 1176 MANCINZA (B 5) C/O KWAMASHU	YES	30	60	10	YES	R
43	MANKUKHWANA SHEBEEN 1296 MANCINZA , C/O KWAMASHU	NO	55	40	5	NA	
44	MAGWALA TAVERN 148 (B5) MANCINZA , C/O KWAMASHU	YES	45	50	5	YES	W
45	MTHEMBU TAVERN J860 MKHOVOTHI ROAD, KWAMASHU	YES	40	40	20	YES	W
46	MOLLY'S TAVERN J1360 AMANZIMTOTI ROAD, KWAMASHU	YES	40	45	15	NO	

TRADE FEEDBACK ON PREVAILING THREAT OF SUBSTITUTES AND RIVALRY

			IF SORGHUM BEER STOCK RUNS OUT WHAT WILL THE CUSTOMER BUY (%)			DO YOU GET DELIVERY OF CLEAR BEER	
S. No	NAME AND ADDRESS	STOCKS CLEAR BEER	CLEAR BEER	HOME BREW	OTHERS	YES / NO	IF YES BY WHOM
47	NANA'S TUCK SHOP E892 NDINGISWAYO ROAD, KWAMASHU	NO	40	50	10	NA	
48	JEZA'S TAVERN G1264 UMCIOJO ROAD, KWAMASHU	YES	55	40	5	NO	
49	INGABADE TUCK SHOP D1689 NTABANKULU ROAD, KWAMASHU	YES	30	50	10	NO	
50	MAJOLA TUCK SHOP M860	NO	40	45	15	NA	

**ROUNDED OF TO NEAREST
INTEGER (%)**

YES = 82 %

43%

47%

10%

YES = 48 %

**W = 28 % R
= 20 %**

W - WHOLESALER

R - RUNNER

Annexure 31

FEEDBACK ON PREVAILING THREAT OF POTENTIAL ENTRANTS FROM OUTLETS NOT CURRENTLY SERVICED BY (UNB)

S. No	NAME OF CUSTOMER	DO YOU KEEP CLEAR BEER YES / NO	WILL YOU BUY ANOTHER BRAND OF SORGHUM BEER IF OFFERED BY ANOTHER COMPANY
1	FUTHI FAST FOOD, Ndabuko Road, KwaMashu	NO	YES
2	MAKATINI TAVERN, E1005 KwaMashu	YES	YES
3	ONAKO TUCK SHOP, E1091, Mazibuko Rd,	NO	YES
4	GLEN TAVERN, E873, KwaMashu	YES	YES
5	NGOZA TUCK SHOP, G101, KwaMashu	NO	YES
6	SIBONISIWE E Ndabuko Road, KwaMashu	NO	NOT SURE
7	ESIHLAHLENI, E1093, KwaMashu	NO	YES
8	MAYIBUYE, G141, KwaMashu	NO	YES
9	MHLONGO TUCK SHOP, G171, KwaMashu	NO	YES
10	MAPHUMULO TUCK SHOP, Jabula Rd, Menshos.	NO	NO
11	MATHABA STORE, Duffs Rd, Mens Hostel	NO	YES

**FEEDBACK ON PREVAILING THREAT OF POTENTIAL ENTRANTS FROM OUTLETS NOT
CURRENTLY SERVICED BY (UNB)**

S. No	NAME OF CUSTOMER	DO YOU KEEP CLEAR BEER YES / NO	WILL YOU BUY ANOTHER BRAND OF SORGHUM BEER IF OFFERED BY ANOTHER COMPANY
12	GH TUCK SHOP, B1058, KwaMashu	NO	YES
13	TIGERS TAVERN, D1098, KwaMashu	YES	YES
14	DUBE TUCK SHOP, C1058, KwaMashu	NO	NO
15	MAPHUMULO TUCK SHOP, C1116, kWAmSHU	NO	YES
16	MOLLY'S TAVERN, C1041, kWAMashu	YES	YES
17	GABISA T/SHOP, C1450, KwaMashu, Umfolozi Rd.	NO	YES

14 YES

**TRADE FEEDBACK ON PREVAILING THREAT
OF POTENTIAL ENTRANTS (UNB CUSTOMERS)**

S. No	NAME OF CUSTOMER	WILL YOU BUY ANOTHER BRAND OF SORGHUM BEER IF OFFERED BY ANOTHER COMPANY
1	TOP OF THE ROCK	YES
2	MAAS BANK LIQUOR	YES
3	LATE NITE	YES
4	EMGAZINI BEERHALL	NO
5	NANA TAVERN	YES
6	DLUDLU TAVERN	NO
7	MTHEMTHWA TUCK SHOP	YES
8	MUNTU TAVERN	YES
9	EMZINIWENSIZWA	YES
10	MHLONGO TUCK SHOP	YES
11	MBALI TRADING STORE	YES
12	MAZAMBANE RESTAURANT	YES
13	SIXAXA TAVERN	YES
14	NONHLANHLA'S TAVERN	YES
15	SPECIAL TAVERN	NO
16	DUBE TUCK SHOP	YES

**TRADE FEEDBACK ON PREVAILING THREAT
OF POTENTIAL ENTRANTS (UNB CUSTOMERS)**

S. No	NAME OF CUSTOMER	WILL YOU BUY ANOTHER BRAND OF SORGHUM BEER IF OFFERED BY ANOTHER COMPANY
17	ENTANDWENI TAVERN	NO
18	SHANGASE TUCK SHOP	YES
19	MNTUNGWA BEERHALL	YES
20	NGCOBO TAVERN	YES
21	MAVELA SUPERMARKET	YES
22	KWAMASHU BOTTLE STORE	YES
23	TYSON TAVERN	NO
24	JEZA'S TAVERN	YES
25	NANA TAVERN	YES
26	MVUYANE STORE	NO
27	PHINDAMZALA STORE	YES
28	MTUNGWA BEERHALL	YES
29	SPECIAL TAVERN	YES
30	EMGAZINI BEER HALL	YES
31	MUNTU TAVERN	YES
32	TYSON TUCK SHOP	YES
33	GUGU TUCK SHOP	YES

**TRADE FEEDBACK ON PREVAILING THREAT
OF POTENTIAL ENTRANTS (UNB CUSTOMERS)**

S. No	NAME OF CUSTOMER	WILL YOU BUY ANOTHER BRAND OF SORGHUM BEER IF OFFERED BY ANOTHER COMPANY
34	MBALI TRADING STORE	YES
35	MAZAMBANE RESTAURANT	YES
36	SIXAXA TAVERN	NO
37	NONHLANHLA'S TAVERN	YES
38	DUBE TUCK SHOP	YES
39	ENTANDWENI TAVERN	YES
40	SHANGASE TUCK SHOP	NO
41	NGCOBO TAVERN	YES
42	MAVELA SUPERMARKET	YES
43	KWAMASHU BOTTLE STORE	YES
44	NANA'S TUCK SHOP	YES
45	JEZA'S TAVERN	YES

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345034286	47300	+5.11	DIDATA	6905842	282	-3.44	ANGPLAT CCP0.88		11800	45996				
175878462	5525	+1.97	RICHMON DR	6631575	245	+1.22								
174035953	2800	+1.45	MTN GROUP	6231562	401	+1.45								
162689194	9180	-0.92	OLDMUTUAL	5885038	258	+2.46								

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† Shares worth less than 100c are excluded. †† Warrants are excluded. ††† New highs and lows refer to 12-monthly highs/lows, except where a share has been listed within the 12-month period, in which case each subsequent high/low is shown

Companies combine efforts to establish shopping centres in the townships

Retailers tap into informal areas

Carli Lourens

Trade and Industry Editor

AN APPARENT groundswell in the belief that townships hold the biggest growth potential for retailers in SA could see companies move into these areas *en masse*.

Not only are retailers entering this market under their own steam, but they are pooling efforts to establish shopping complexes in townships — not unlike the facilities in Johannesburg's formal suburbs.

It makes sense. As Tony Twine, an economist at Econometrix, a consultancy, points out, black people have more than 60% of the buying power in SA.

He says the entry of a handful of SA's top retailers into the townships that are a mix of formal and informal settlements, could see an avalanche of retailers pouring into black areas.

Commentators have warned, however, that informal businesses such as spaza shops may be crushed as larger stores move in, and this is an issue that government will have to address in its policies to develop struggling small businesses.

Automotive parts supplier Midas this week became the latest retailer to enter informal settlements, with a deal enabling taxi associations to become owners of franchises in these areas.

Midas MD Gordon Odgers



said townships offered almost limitless opportunities.

"The potential for growth is no longer in the formal areas — it is in the informal areas," he said.

This is supported by a statement by Shoprite Checkers, which says that the use of "main malls" for primary shopping has dropped by 19% over the past four years.

Not only retailers are moving in — up-market property group Pam Golding also announced this month that it would move into the townships, starting with Khayelitsha in Cape Town. Golding aims to open between ten and 20 offices in township areas.

Nor is bank presence only limited to automated teller machines — First National Bank recently opened a branch in Soweto.

Shoprite Checkers, building material supplier Cashbuild, Score, Kentucky Fried Chicken and Chicken Licken already operate in the townships.

Despite its well-established foothold in these markets, Shoprite still maintains that informal areas "present huge potential as a growing market".

Shoprite says its efforts in informal markets have been pioneering. "The Shoprite group was the first retailer to open stores into township areas under the previous dispensation," Shoprite Checkers marketing director Brian Weyers said.

He says the group makes no distinction between areas — it opens supermarkets where there is a market.

Cashbuild started in rural and informal areas 25 years ago.

Of its 103 stores, 70% are in these areas, including townships like Sebokeng and Vosloorus.

The expansion into townships appears to be gaining momentum, with retailers now combining efforts to put up shopping centres in these areas, says Cashbuild operations manager Andre van Onselen.

This not only facilitates new entrants into townships, but Van Onselen says it opens doors for companies such as Cashbuild in areas where it would not establish stand-alone outlets.

A R400m shopping centre recently opened in Mitchell's Plain in the Western Cape, and Greenwold Property Development has said construction on a major shopping centre in Soweto would start next month.

Retailers likely to do well in informal areas include those specialising in cash business, as well as lower ticket item credit business, such as low-end furniture suppliers, Twine says.

Van Onselen says security risks are not necessarily higher in informal areas.

Cashbuild has state-of-the-art security systems which are installed at all its shops, regardless of location, he says.

"The challenge is more in keeping your standards around your facility," says Van Onselen, referring to the absence of services such as rubbish removal in some areas.