

# Excavating silence: The immigrant Kasi spazarettes

While Shoprite, Pick n Pay, Spar and other formal retailers slug it out against each other for the purse of the consumer an invisible giant is awakening in the informal sector which is winning the purse and growing faster than the formal sector. This giant is not a single entity but a multitude of small informal shops who form an invisible matrix in the informal economy. Witness the rise of 'spazarettes'. A spaza is a hole in the wall offering small run out and top up products whereas the spazarette is more a superette albeit an informal one. And this sector of 100 000 plus stores are part of a Kasinomic Revolution which is revolutionising and disrupting the formal retail sector.

There are huge misconceptions about the spaza sector, the first being that the immigrants took over and destroyed the South African spaza and destroyed his / her livelihood. This is blatantly untrue. The arrival of the immigrants some 8–9 years ago now coincided with the death of the south African spaza strangled to death by the entry of formal retailers like Shoprite, Pick n Pay, Spar, Boxer, *et al* into the townships. The South African could not compete and retreated into emergency



supplies like headache tablets and spice sachets with very little profit or turnover or moved into culturally relevant fast food.

When the immigrants arrived led by Somalis fleeing the horror of Somalia's civil war and Black Hawk down chaos they arrived to townships with

shuttered spazas and rented these from South Africans. Today South African homeowners earn R20 billion+ a year in passive rental income from immigrant traders who have transformed these shuttered spazas and taken on the formal retail giants, and giving them a run for their money.



85% of the approximately 100 000 spazas nationally are immigrant. Four immigrant groups dominate the spaza sector, Somali, Ethiopian, Bangladeshi & Pakistani with the first two being dominant in terms of numbers. But there is a massive misconception about the spaza sector, that they are hole in the wall, expensive, dirty and stock fong kong brands. This may be true for some, but a sector of spazas which I call spazarettes has emerged, these are supermarket and cash & carry style stores, with aisles, large ranges of quality branded products, premium shopper experiences and, most importantly, prices on par or cheaper than the Shoprites and Pick n Pays of the world.

I believe that the spazarette channel represents a critical channel for food availability this was very evident during the lockdown. Apart from anything, they are close to consumers and limit exposure to queues and crowds that we are seeing in supermarkets and malls.





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*I wrote this story over lockdown in a series I called:*  
**Excavating Silence**

**A**li is a bright and breezy Somali, who has been in South Africa for nine years. He has a SA ID and SA drivers' licence, so he is not an illegal resident. In fact many immigrant traders from Somalia do have some form of legal paperwork. The Somalis coming from a conflict zone can get official asylum status, the other three groups that make up the majority of the spaza sector, Ethiopians, Bangladeshis and Pakistanis are economic refugees and generally struggle to get asylum and as such are often illegally resident. His business is registered with CIPC and relevant municipal requirements.

Since his arrival in SA in 2011 Ali's business journey has been extreme. Ali started working for a hole in the wall spaza in an informal settlement called Mayibuye in Tembisa. He worked there for two years saving every spare cent he was paid and saved about R20 000. Then he left the spaza and started a "cash van with my cousin Ahmed, supplying eggs and bulk airtime to the spazas." He did this for another two years but "we were robbed many times." They were robbed by robbers and police, he adds "the police demanding bribes and the robbers demanding all the cash." Immigrants are a huge target for crime as they are vulnerable and often illegal, worse even if they are legal, if they report a crime to the police the police tell them "you are illegal, so nothing illegal can be done to you."



The robberies got worse and Ali looked around for a job in a shop. "In November 2015 a friend of mine Hassan and his three other partners requested me to manage this shop where I am now. They gave me a 25 % share. From then we expanded and opened three other outlets in Tembisa namely Freedom General Dealer 2, 3 and 4."

Freedom General Dealer is on a busy intersection in Tembisa. His store is what I call a spazarette, a supermarket type spaza with aisles, a huge range of brands and product sizes all priced on par or cheaper than formal supermarkets. There are

approximately 30 000 spazettes, and a further 70 000 hole in the wall spazas. At the back of the neat store with five shopping aisles is his 'wholesaler' section where he sells bulk goods to hawkers and local food outlets that sell food like kotas, amaplati, vetkoeks. This wholesaler section contains bags of sweets, large multipacks of savoury snacks for hawkers, and for the fast food sector big bags of flour and maize meal and 20 litre oil for vetkoek, pap and meat or slap chips meals.

Ali offers credit without interest to the locals, and any given month he has loans of up to R10 000 for food items bought by between 50 and 100 gogos and moms. He only gives credit to gogos and moms, "only the trusted neighbours, moms and gogos, they're reliable to pay back," he says. "I also give charity," he adds. "The local councillor will come by and ask for supplies towards someone's funeral in the community, maybe they were a poor person. We give free food towards these."

Ali rents the property from a South African and pays R5 000 a month. This rental is an often ignored benefit of the immigrant spaza sector. I calculated in *Kasinomic Revolution* that the spaza sector pay upwards of R20 billion a year in rental to South African homeowners. Money they will continue to pay to the homeowners if they continue to trade during the lockdown – an important and much needed income.

Ali does not see the formal sector as his main competition. He says, "My main competition is other spazettes, but recently a Pick n Pay, opened close to me, so for now they are competition."



A recent survey showed that these spazettes are on average 5–10 % cheaper than formal retailers on a basket of branded groceries. Add the cost of transport to a formal retailer and that cost saving could be higher. Add the inconvenience of public transport or carrying your heavy goods like bags of rice, maize meal, canned goods, litres of cooking oil and suddenly the massive attraction

and competitive advantage of the spazette becomes irresistible.

Township shoppers now benefit on a number of levels, the shopper can now get cheaper, or priced on par, branded products at the Spazette right down the road from their home. Shoppers are saving on transport, which can be a large part of shoppers' budgets, plus the spazette will arrange



an assistant with a wheelbarrow or cart to help transport home larger staple items.

Spazarettes give interest free credit at critical times of the month when consumers have no money and would otherwise resort to loan sharks to afford food. Add the inconvenience of public transport or carrying your heavy goods like bags of rice, maize meal, canned goods, litres of cooking

oil and suddenly the massive attraction and competitive advantage of the spazarette becomes irresistible.

This spazarette sector will continue to disrupt formal retail and in many ways is the future of retail in South Africa. It is a sector which we need to learn more about and engage if we are serious about retail. **SR**



GG Alcock is the author of *Third World Child: White Born Zulu Bred*, *KasiNomics: African Informal Economies and the People Who Inhabit Them*, and *Kasinomic Revolution: The Rise of African Informal Economies*. He is the founder of Minanawe Marketing and is a specialist in informal & Kasi (township) economies, marketing and route to market strategies. Visit [www.ggalcock.com](http://www.ggalcock.com)

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