



Informal Liquor Retailing



Sustainable
Livelihoods
Foundation

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Introduction

> The Sustainable Livelihoods Foundation's Formalising Informal Micro-Enterprises (FIME) project has been conducting path breaking research on South Africa's informal economy. The project has conducted primary research in townships within Cape Town and Gauteng. We have surveyed over 6,000 micro-enterprises in nine localities, covering an estimated population of 50,000 households. Of the thousands of businesses we encountered during the extensive field work process, the most frequently and widely distributed micro-enterprises were informal liquor retailers or shebeens. Our research supports the claims that there are at least between 180,000-250,000 persons trading liquor informally in South Africa. This synopsis describes the businesses engaged in informal liquor trading and the entrepreneurs behind these micro-enterprises drawing upon various SLF academic papers (currently under review) and analysis of the FIME research findings.

THE RESEARCH SITES

In Cape Town, where the research commenced, research was conducted in Brown's Farm, Sweet Home Farm (Philippi), Delft South, and Vrygrond (incorporating the settlements of Capricorn, Overcome Heights and Seawinds). These settlements are home to 36,262 households and approximately 160,000 residents. In Gauteng, the research was conducted in Ivory Park and Tembisa. The various sites were chosen to reflect the dynamics of informality and marginalisation in poor areas and are representative of the predominant human developmental challenges within these cities. The research method comprised a detailed micro-enterprise census and qualitative interviews with every informal liquor trader. After eight months of research in the City of Cape Town, we had identified 645 liquor retailers, with whom we conducted qualitative interviews with 465

shebeen and tavern (licenced) traders. Although many of the businesses were operating illegally and in a covert manner, the research was able to identify the great majority of businesses through a process of local familiarisation with enterprise characteristics and participant referrals. In certain contexts, such as parts of Delft South, the number of small size liquor retailers has been potentially under-reported as a result of community fears about policing in a context of territorial control battles by drug syndicates.

MAIN RESEARCH FINDINGS

Numbers and Spatial Dynamics

Liquor retailers are the single most numerous category of micro-enterprise in the township informal economy. Together, the 645 businesses in the Cape Town research account for 16.7% of all informal businesses. Through their multiplier

effects, notably on glass recycling and food take-away activities such as street braais, the liquor sector potentially accounts for 20% of all informal economic activity in these communities.

Across all sites liquor retailing businesses are spatially equidistant from each other, showing that their spatial distribution (as well as density) is determined by highly localised forces of economic demand. There is no evidence in any site of enterprise clustering or strategic positioning in relationship to transport nodes, including major and minor roads. Informal liquor retailers are instead positioned randomly throughout residential areas, with no evident intention to occupy corner positions or localities on high streets. Furthermore, neither their distribution nor density correlates to proximity to liquor wholesalers. Map 1 demonstrates the density of outlets in Browns Farm (a settlement of 14,000 households) in the context of all other informal micro-enterprises.

Local densities of liquor outlets are directly correlated to income. Informal liquor retailers are more densely distributed in informal settlements and evidently their distribution decreases with the level of infrastructure investment in the settlement and housing density, reducing considerably in areas of suburbia. The high density of liquor retailers in informal settlements correlates with much higher levels of unemployment and limited alternative economic opportunities for self-employment within these localities. But liquor outlet density is not, as the research found, necessarily an accurate indicator of liquor consumption, as the great majority of liquor retailers are very small businesses selling less than 16.5 crates of beer per week (150L). The density of shebeens is greater in settlements where the majority of households do not own vehicles, thus providing further evidence that most shebeens serve a localised market of customers who reside within walking distance.

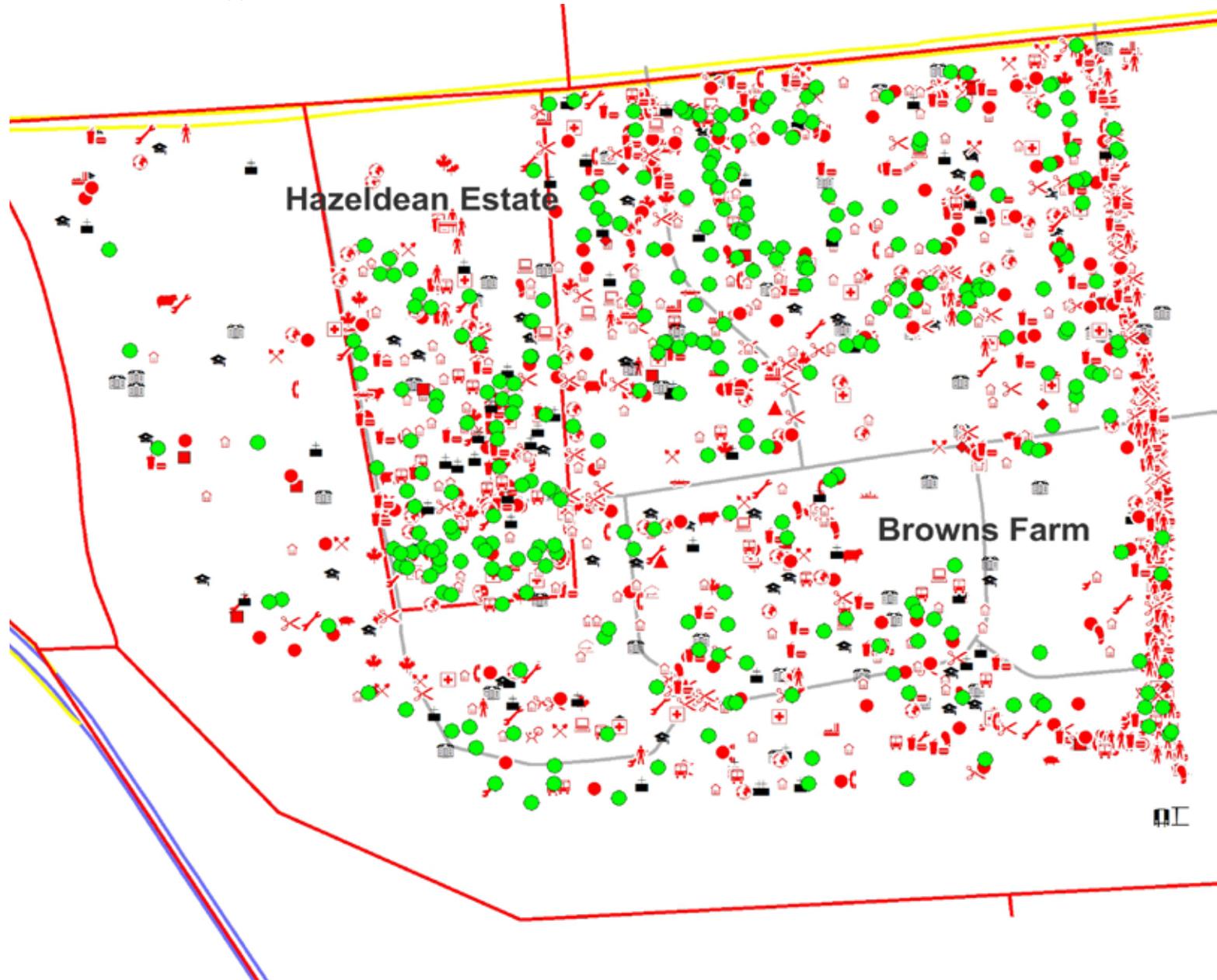


Interviewing a small sale shebeen owner, Browns Farm.

Distribution of businesses selling liquor in context of all identified micro-enterprises. Browns Farm and Hazeldean Estate, Philippi, November 2001

Map legend

- Business selling liquor
- Enterprise category**
- ◻ House shop
- Spaza
- ✂ Hair care
- ☰ Take aways
- 🌿 Green grocer
- ⛪ Place of worship
- ⚙ Mechanical/ electrical
- ✂ Building services
- 🏠 Community resources
- 👤 Trade
- ♻ Recycling
- 🚗 Transport
- 🎓 Educare
- 🏥 Health service
- 🧵 Tailoring and cobbling
- 📞 Phone shop
- 🚗 Car wash
- 🏢 Business services
- 🍖 Butcher shop
- 🏠 House stand
- 🏭 Manufacture
- 👤 Personal services
- 🌾 Agriculture
- 🍲 Food retail
- 🔴 Drug dealer
- ✂ Restaurant
- 🎮 Entertainment
- 🏠 Accommodation
- 🎮 Game shop
- 🎨 Artist
- 🌿 Wetland
- 🏢 Wholesaler



ENTERPRISE SIZE AND CHARACTERISTICS

The research identified four forms of liquor micro-enterprises, namely i) taverns (licensed premises), ii) shebeens (unlicensed liquor retailers), iii) spaza-shebeens (spaza shops that sell liquor without a licence) and iv) businesses that micro manufacture traditional beer or other concoctions for on-site consumption. Shebeens are the most numerous of these categories. The research found that there is no archetypical shebeen; rather, there is a great diversity of shebeen businesses targeting different market segments. It is common for each shebeen to target different clientele. The niche characteristics of the informal liquor market have arisen through the varying social preferences within local neighbourhoods for contrasting environments, with, as a result, some shebeens offering music and games and others not. Some shebeens permitting women to purchase liquor and others not, some shebeens selling liquor to all customers, and others restricting entry to specific age cohorts. Less than 20% of the 465 businesses that we surveyed provided entertainment in the forms of games, television or juke boxes. The political stereotype that shebeens generally play (loud) music and attract a youth-based clientele was found to be incorrect and misleading.

In order to distinguish businesses in terms of their size, the research used weekly beer sales as a proxy indicator (using the unit, 1 beer crate = 12 x 750 ml bottles). It then categorised all businesses into one of three size groupings;

- Low volume = those selling less than 16.5 crates of beer per week, a volume equivalent to 150 litres, the maximum permitted volume threshold under the Western Cape Liquor Act for home consumption.
- Medium volume = those selling between 16.5 crates and 65 crates of beer per week.
- High volume = those selling above 66 crates per week, equivalent (formerly) to one pallet, the minimum quantity for direct delivery from the manufacturers.

In terms of size, the sector is heavily skewed towards businesses selling less than 16.5 crates of beer per week with 60% (273 of the 465) of the surveyed businesses falling into this category. A mere 27 businesses sell high volumes of liquor. The sector structure, in volume terms, is shown in Figure 1, illustrating the pyramidal structure of informal liquor retailing with most businesses operating at the base level. In terms of their legal status, 30 businesses held liquor licences, representing 6.5% of the 465 surveyed liquor retailers. Eighty three businesses (inclusive of those with liquor licences) had at some point in the past five years made an effort to conform to legislation by applying for a liquor licence, with many applying in the past 12 months. A considerable number of licence applicants have been waiting years for the outcome of their application. Despite the efforts of a minority to formalise, over 80% of all informal liquor retailers – primarily the smallest operators - have not engaged

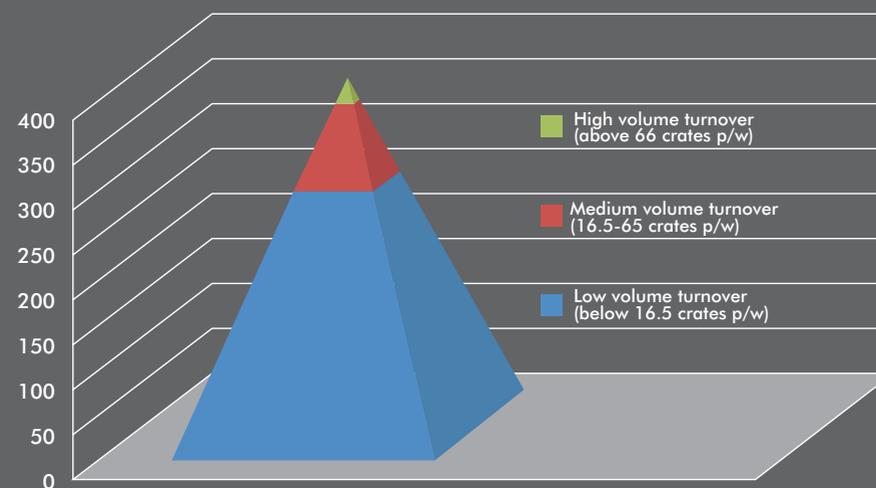
the current formalisation process at all. The issue of formalisation must be seen in the context of the highly racially skewed structure of liquor licence ownership within the Western Cape where less than 15% of liquor licences have been awarded to black owned businesses.

The history of informal liquor retailing in South Africa is synonymous with the rise in female micro-entrepreneurship. This is evident in our research where we found that 55% of the surveyed businesses were owned by women. The data shows that women are equally represented across all three tiers of enterprise size, showing that there are no specific barriers to the participation of women in the liquor retailing sector. Indeed there are livelihood (push) factors that encourage women

to pursue liquor trading as a survivalist strategy, enabling them to derive a relatively secure income whilst looking after their families at home. Among both male and female informal liquor traders there is significant longevity in the sector with the average enterprise in our sample having traded for 5.6 years.

There are various reasons why people decided to trade liquor despite the risks. A significant number of the research participants who had entered the sector within the past two years cited the growing dominance of foreign nationals in the spaza market, compelling them to close their shops and turn to liquor trading. For these entrepreneurs, their objectives are economic survival, as is encapsulated in the following statements:

Figure 1: Enterprise Size of Liquor Retailers



Shebeen / tavern sector categorised by volume of beer sales per week, c May-December 2011
SAMPLE SIZE: 465



Micro-enterprise businesses, such as glass recycling, benefit from the shebeen economy.

“Currently there are five Somali shops in the area, and all the black owned [South African] spaza shops had to close down. I am a mother with four children with two depending on me and my liquor income”. (Participant in Delft)

“The new tendency is that South Africans are opening shebeens all over because Somalians [sic] are taking over the spaza businesses...and the competition is too high now in the shebeen market.”(Participant in Sweet Home Farm)

Across all informal liquor traders apart from taverns, the FIME researchers witnessed low levels of direct investment by entrepreneurs in their businesses. In most instances, this can be attributed to

their unlicensed position and vulnerability to police action. Our data shows that the influence of the liquor industry in shaping enterprise characteristics and service orientation has been shallow and is confined largely to licensed liquor traders and high volume outlets. In three sites where very small businesses predominate less than 20% of all liquor outlets displayed liquor related signage and/or posters. In Delft South, by contrast, more than 80% of businesses display some level of signage and brand identification, a finding which may reflect the much higher number of licensed outlets which, as a result may have attracted a greater intensity of service provision from formal businesses. In all sites combined, a mere 19% of liquor retailers have been supplied

with branded fridges. The reluctance of these micro-entrepreneurs to make capital investments is apparent in terms of the small number of businesses that provide table games (19%), juke boxes (10%), and DSTV (9%). Again this evidence contradicts the idea that all, or indeed even most shebeens play music (most do not) and/or provide an attraction for youth through games and television.

Although beer sales – as a proportion of all sales - dominate the informal and unregulated liquor market, other categories of liquor have a wide and expanding footprint. The various categories of liquor within the informal market are listed in Table 1.

The growth in the market share of ales, which have arrived in the last few years – displacing cheap wine - is striking. Ales are sugar fermented beverages or wines of unknown quality for which consumer purchasing motivations are linked to both alcohol strength and quantity. The diversity and distribution of these relatively new products has rapidly advanced into the township market through direct sales, without public promotion or advertising. In one site, Delft South, over 60% of liquor

retailers were found to be selling ales. Research by SAWIS shows that ales have had a substitution effect on the market share of standard category wine, whose share in the domestic wine market has fallen from 42.5% in 2006/2007 to 32.5% in 2010/2011 .

Law Enforcement and Crime

Through interviews with liquor traders, the researchers learned that there has been an intensification of law enforcement since 2009 corresponding with introduction of Western Cape Liquor Act of 2008. Official police statistics show that the number of drug related crimes in the Browns Farm policing sector, for example, rose from 74 in 2009/10 to 447 in 2010/11. This dramatic increase is largely attributable to the new emphasis on targeting unlicensed shebeens. The statistics do not show an escalation in drug related crime (as politicians have mischievously claimed), but the systematic raiding of unlicensed liquor traders whom were previously largely ignored. Of the 465 liquor traders surveyed, 62% had been raided by the police within the past 12 months. As a result of arrest and prosecution, 51% of the businesses were compelled to close,

Table 1: Availability of liquor products in Cape Town shebeens and taverns (N=465 micro-enterprises)

Beer	Flavoured Alcohol Beverages (including ciders)	Spirits	Wines	Ales or illegally manufactured concoctions	Micro-manufactured beer (including traditional beer)
100%	81%	64%	48%	30%	8%

although the great majority subsequently re-opened (usually without significant delay) and continued trading. The case of the liquor retailers in Browns Farm is indicative of the trends identifiable in all sites. In this site, we identified 294 liquor retailers and interviewed 239 business owners (or their employees).

Two thirds of all liquor traders were raided in the past 12 months, with medium and large volume on-consumption businesses more heavily targeted. Nevertheless, the research found that 62% of businesses with low volume sales had been raided, indicating that the targeting of shebeens was broad based. There is evidence that the policing of shebeens in informal settlements has led to increasing police corruption with a high proportion of research participants reporting tales of extortion and theft.

"I have never been robbed by locals but have been robbed by the government through criminals wearing the badge of the police." (Participant from Sweet Home)

Of all identified liquor retailers, 17 businesses (5.8% of the total), had permanently stopped trading for reasons that are largely unknown. Whilst the heightened state of law enforcement could have influenced the owners' decision to close, the data also revealed that 46 shebeens (19% of on-going concerns) had commenced trading within the past 12 months. This would indicate that current law enforcement

efforts, although vigorous, have not discouraged new entrants from setting up liquor retailing businesses. There is a strong link between the establishment of new shebeens and the law enforcement impact. As soon as a shebeen is closed down, an opportunity within the same geographic space is created for new entrants.

Where shebeens selling high volumes of liquor are closed down, this opportunity is extended to several small size businesses to fulfil the void in the localised market. These micro-enterprises are better able to survive the risk of police raids because small shebeens carry less stock and are more difficult to police because they can operate as a private venues, shutting down as news emerges of an impending raid.

The high law enforcement risks of running a shebeen is compounded by the threat of crime. The research investigated the impact of crime on businesses. The results show a strong correlation between enterprise size, in volume terms, and incidents of serious crimes.

Armed robbery has a profound impact on liquor businesses as these enterprises are cash based and carry a readily disposable product. Within the past five years, 23% of all liquor traders in Brown's Farm were victims of armed robbery.

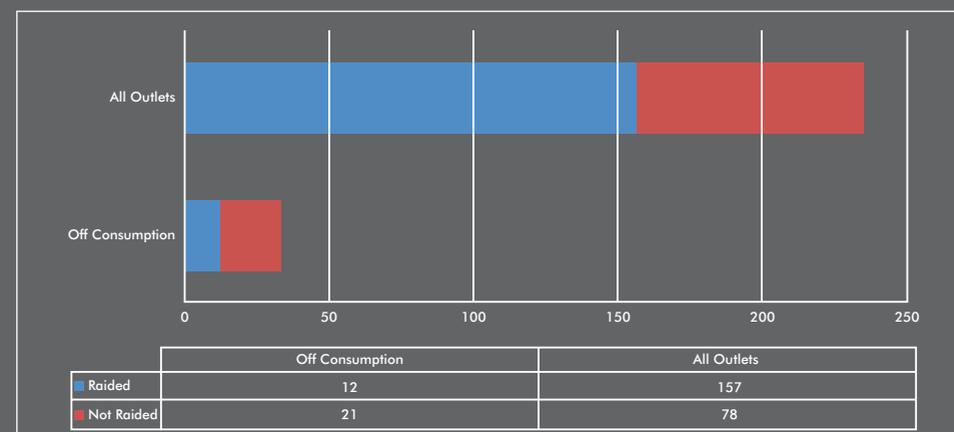
Taverns were more severely affected, being the largest and most profitable businesses, with 67% robbed within this timeframe.

Despite heightened law enforcement and persistent crime risks, over 95% of the 239 respondents in Brown's Farm vowed to continue trading. Most of those resisting closure have no alternative economic opportunities and cannot obtain employment. Many respondents have been operating for too long (more than a decade for dozens of participants) to contemplate starting over in a new field of business. Liquor retail micro-enterprises are sustainable and attractive businesses precisely because the businesses can operate in market segments, presenting opportunities for survivalist entrants, with each serving a highly localised customer base. It is common for shebeeners to personally know their clients, as the business provides a venue for socialisation among friends, neighbours and countrymen. Increased law enforcement efforts disproportionately effect female entrepreneurs, who are numerically

dominant in the sector but have fewer overall opportunities to open alternative home-based businesses. The dominance of foreign run spaza shops precludes liquor retailers from diversifying into the spaza market. Despite the high risks of informal liquor retailing, survivalist traders are unlikely to abandon their businesses, especially where household livelihoods are at stake, but resist state control, both overtly through enduring arrest and prosecution and covertly through reorganising their business to disguise retail activities.

"When the police come they never get any liquor here, because I store it underground and also by my sister's place. I will never stop doing this" (Respondent, Delft South).

Figure 2: Shebeens/taverns in Browns Farm (Philippi): raided by police in the past 12 months
Sample size 239



¹www.sawis.co.za/info/download/liquor-consumption-article-feb-2012.pdf.



Shebeens provide a business incubation for local DJs, musicians, designers and marketers in the informal township knowledge economy.

POLICY CONSIDERATIONS

The current liquor policy in the Western Cape to restrict the formalisation of micro-enterprises selling liquor in the black townships will not succeed. The policy intention to prevent the sale of liquor in residential areas stands opposed to basic economic principles - the FIME research reveals that shebeens operate in localised geographic areas, responding to culturally differentiated markets. The proposal for creating 'high streets' within the township where liquor trading is permissible has no economic basis in terms of the state of knowledge on informal micro-entrepreneurship and reflects inappropriate and Eurocentric development concepts. In the context of poverty and economic marginalisation, the realities of township life will ensure that shebeens retain their position as businesses providing local access to liquor and spaces for interaction and entertainment. Our extensive research has shown that the enforcement of current legislation on unlicensed liquor traders has made police corruption and abuse endemic in Cape Town townships.

As the economic activities associated with liquor trade account for about one fifth of all informal businesses in townships, policies that criminalise shebeens (without providing alternative opportunities) will result in black economic disempowerment. This policy fundamentally ignores the reasons why people drink to excessive levels, instead targeting retailers of legally manufactured products who simply set

about to meet economic demand. The policy objectives set out in the National Liquor Act (59 of 2003) to incorporate unlicensed traders within a regulatory framework cannot succeed if formalisation does not acknowledge these simple economic and social reasons of shebeen endurance. Current policy measures to restrict informal liquor trading will not work, as the FIME research shows, but will instead perpetuate illicit retailing of liquor by black business, reinforcing cultures of drunkenness and abuse of liquor.



Informal deliveries provide a link between the shebeen and licenced liquor retailers.



Shebeen owners resort to various micro-control strategies to manage their customers and minimise conflict and harms.



South African run spaza shops have resorted to selling liquor to maintain competitive against foreign businesses.



Shebeens provide places where people can socialise: A small shebeen in Delft.



Traditional beer and concoctions are an important component of the informal liquor economy.

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