

THE IMPACT OF THE FORMALISATION OF THE INFORMAL SECTOR LIQUOR INDUSTRY



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ABSTRACT

The history of alcohol in South Africa forms a fundamental part of the history of apartheid and isolation. Conflict has long surrounded the production, distribution and use of alcohol and this continues even today, although in traditional African society the use of alcoholic beverages was well regulated.

Drinking served a communal and ceremonial purpose. After colonisation, the British in vain prohibited the use of alcohol by Africans in an attempt to prevent what they saw as the social decay and disorder encouraged by its use. Laws were passed to make it illegal for black Africans to produce and obtain liquor. Only in 1962 was it made legal for black people to purchase alcohol from white liquor outlets. In the townships municipal beer halls were established by local authorities to help finance township development and control.

Many people turned to illegal liquor-related activities, both brewing traditional African beer and setting up illegal outlets (called shebeens) where liquor was sold for on-site or off-site consumption purposes. Most shebeens are part of or attached to residential premises. For some, setting up a shebeen was a move of rebelliousness against the policies of the apartheid government that restricted business opportunities to a particular segment of society. For others it was a way of making an adequate living and a means of providing recreational facilities in townships. The establishment of shebeens was also a natural response to a situation in which there were 15 times as many legal liquor outlets per unit of population in former white suburbs than in suburbs in which persons of other races resided. The shebeen problem is an inheritance of our apartheid past and cannot be allowed to linger on indefinitely.

Formalisation of this activity will lead to better services and increased competitiveness in the industry and will marginalise unlicensed traders who have no intention of complying with the law. It is therefore clear that the current deadlock can only be addressed through the transformation of unlicensed businesses into formal businesses. The Government recognises the diverse nature of the liquor industry in the provinces and values the importance of its diverse aspects as a contributor to the economy of South Africa. The first objective of the Liquor Act is to make it possible for bona fide unlicensed traders in the historically disadvantaged communities to legitimise their businesses without encountering unnecessary barriers to entry but, also, to create an environment that will encourage them to

do so. It is however a reality that the existing situation the unlicensed trader finds him or herself in provides little incentive to enter into the legal trade and such a person is not aware of possible economic factors impacting on this business after formalisation. In the West Rand an extremely small percentage of outlets in the historically disadvantaged townships are licensed.

There are however factors that influence the shebeens' move from unlicensed to licensed businesses. The government has certain objectives and the new environment can be painted to describe new areas of impact on shebeens, such as legislative compliance, complexity of the application and approval process and restrictions, and a shortage of resources to assist the process. A lack of resources limits the ability of the law enforcement agencies to act in a consistent manner against unlicensed sellers of liquor. Operations by law enforcement agencies are irregular and depend to a large extent on the analysis of the crime threat that a particular unlicensed establishment presents to the area and their priorities regarding the allocation of resources. The unlicensed sale of liquor continues largely unabated and with little fear of consequences. The unlicensed trader, unlike his or her licensed counterpart, does not form part of the tax network.

The unlicensed trader falls outside the regulatory network as far as land use requirements, trading hours and restrictions are concerned. The limited availability of resources prevents the allocation of financial incentives that in any event cannot compete with the aforesaid sustained trading advantages that the unlicensed trade provides. Providing an enabling environment for the emerging traders is an issue partly determined by the municipal planning authorities. A dilemma that is facing planning and licensing authorities encompasses the divergent interests of the currently unlicensed shebeens in residential areas and the interests of the surrounding residents. The involvement of communities determines the location of licensed liquor outlets. Factors affecting their impact include direct dealing with suppliers, people management (labour law), commercial competencies and business compliances such as tax, value added tax, stock management and community complaints. This research will look at the business environment and all aspects impacting the process and playing field in becoming formalised.

Keywords: Shebeen, legalisation, informal sector, liquor, distribution.

SAMEVATTING

Die geskiedenis van alkohol in Suid Afrika het 'n fundamenteel deel gevorm rondom die geskiedenis van apartheid en isolasie. Konflik was alomteenwoordig in die produksie, distribusie en verbruik van alkohol en self die konflik gebeur nog steeds vandag, alhoewel die tradisionele Afrika-gemeenskap beweer dat alkoholiese verversings word goed gereguleer.

Die verbruik van alkohol het as 'n seremoniële doel gedien. Na kolonisasie het Britanje die verbruik van alkohol deur swart mense verbied weens die misbruik en wanorde as gevolg daarvan. Wetgewing is ingestel om onwettige verbruik van alkohol te verbied asook die produsering daarvan deur swart mense. Eers in 1962 was dit wettig gemaak vir swartmense om alkohol te koop van „wit“ drank instansies. In die lokasies was munisipale biersale ingestel deur plaaslike wetgewing om finansiële redes vir die beheer en ontwikkeling van die lokasie.

Baie mense het die onwettige alkoholiese mark betree in die produsering van tradisionele Afrika bier vanwaar die opstel van onwettige bierbesighede, naamlik „shebeens“, ontstaan het. Shebeens verkoop bier op die perseel asook weg van die perseel. Meeste shebeens vorm deel van die huis. Shebeens was gestig as deel van 'n rebelse aksie teen wetgewing teen die apartheidsregering vir die regulering en beheer van besigheidseleenthede vir die segment asook die tipe gemeenskap. Vir ander was dit 'n manier om 'n aanvaarbare lewe te maak deur ontspannende fasiliteite daar te stel vir die gemeenskap in die lokasie. Die begin van shebeens was ook 'n natuurlike teenproses waar 15 of meer wettige drankinstansies per eenheid in wit areas bestaan het in vergelyking met swart areas. Die shebeen probleem is 'n apartheidserfenis en kan nie meer toegelaat word om net voort te bestaan soos van ouds nie.

Formalisering van die aktiwiteite sal tot beter dienslewering lei asook verhoogde kompetisie in die segment in die vermindering van shebeens wat nie belangstel om gelisensieërd te word nie. Die proses van formalisering kan slegs deur die transformasie van ongelisensieërde na gelisensieërde besighede bewerkstelling word. Die regering erken die onnatuurlike situasie in die drankindustrie in die provinsies asook die belangrikheid van en bydrae wat die tipe besigheid tot die ekonomie van Suid Afrika maak.

Die eerste doelwit van die Drank Akte is om vir bona fide ongelisensieërde besighede dit moontlik te maak om lisensies te bekom en 'n omgewing te bewerkstellig om ongelesensieerde instelling te motiveer om gelisensieërd te word. Dit is duidelik dat die huidige proses geen of min motivering vir huidige ongelisensieërde besighede bied en verhoed sodoende om die waarde te lewer wat formalisering sal voortbring. In die Wes Rand is 'n baie klein persentasie van shebeens gelisensieërd weens historiese onbevoordeling.

Daar is egter faktore wat die onwettige shebeens sal beïnvloed deur die formaliseringsproses. Die regering het 'n doelwit en in die bereiking daarvan seker faktore teweeg te bring wat 'n direkte impak op die shebeen sal hê naamlik: die voldoening aan toekenningsvereistes, probleme van die aansoekproses en is daar nie genoeg hulpbronne om die proses te ondersteun nie. Die tekort aan hulpbronne sal veroorsaak dat die wetstoepassing nie kan gebeur nie en daar min of geen aksie teen onwettige instellings toegepas kan word. Die bedreiging wat ongelisensieërde instellings het in die gemeenskap, is kommerwekkend aangesien kriminele aktiwiteite uit die bedryf ontstaan wat deur statistieke gestaaf word. Shebeens doen besigheid met geen vrees van vervolging weens die tekort aan hulpbronne in wetstoepassing. Die ongelisensieërde shebeens vorm nie deel van die belastingnetwerk nie wat dit meer onwettig maak vergelyke met wettige instansies wat wel belasting betaal.

Die ongelisensieërde shebeen val buite die regulerende netwerk met betrekking tot landsgebruik, besigheidsure asook ander beperkinge. Die beperkte hulpbronne voorkom die toekenning van finansiële bronne om die motivering moontlik te maak vir onwettige shebeens om gelisensieërd te word asook die voordele te verduidelik om wettig handel te dryf. Die ondersteunende omgewing moet deur die plaaslike munisipale owerhede voorsien word. 'n Dilemma wat tans bestaan is dat die ongelisensieërde besighede deel van residensiële huise uitmaak. Die gemeenskap sal nou 'n sê hê in die toekenning van lisensies asook die goedkeuring om in die gemeenskap handel te kan dryf. Faktore wat 'n impak sal hê is as volg: impak deur besigheid direk met vervaardigers te doen, menslike hulpbron bestuur en wetlike vereistes rondom werknemers, voldoening aan statutêre verpligtinge, kommersiële vereistes om die gelisensieërde besigheid te bestuur soos voltooiing van belasting opgawes asook voorraad bestuur. Die navorsing sal die besigheidsomgewing faktore ondersoek en al die faktore wat moontlik 'n impak op die shebeen kan hê in die formaliserings proses.

Sleutelwoorde: Shebeen, wetgewing, informele sektor, drank, distribusie.

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LIST OF TERMINOLOGY

Key word	Definition
Competent authority	Means the board, the minister, the chairperson of the Liquor Board, the municipality, or an inspector appointed in terms of the provincial legislation, as the case may be, by which or by whom a function authorised by the legislation will or may be performed.
Conditional licence holder	Refers to the holder of a licence granted for a period of two years, after which it is subject to review by the Liquor Board. A conditional licence is granted to enable the holder to meet the land-use requirements of the relevant municipality and/or to enable the licence holder or a manager in charge of the premises to successfully complete the prescribed training.
Designated liquor officer	Means a police officer designated by the SAPS to perform duties prescribed in terms of the legislation.
Distribution	This is the part of a firm's market offering that focuses on the physical movement of products, and the coordination of supply and demand in the creation of time and space utilities in products.
Existing unlicensed trader	This refers to a trader in liquor, either for on-site or off-site consumption, or for on-site and off-site consumption purposes, who, on the date of commencement of the legislation, is unlicensed. The term refers to a shebeen, but is preferred because of negative connotations associated with shebeens.
Financial interest	In relation to a business, this includes shares held in a company, a member's interest in a close corporation conducting the business, and any interest in the business that gives the holder thereof the right to benefit directly or indirectly from the trading of the business.
Inspector	Means an inspector appointed to perform duties as set out in the legislation.
Licence	Means a licence authorising the sale of liquor in terms of the provisions of the proposed legislation or any legislation of national application that provides for the registration of entities for the manufacture or distribution of liquor
Licensed premises	Means the place where liquor may be sold in terms of a licence.
Liquor	Means any liquid or substance containing 1% or more of alcohol by volume or by mass, as the case may be.
Liquor industry	Manufacturers, wholesalers and retailers involved in the primary and/or secondary processing of alcoholic beverages, i.e. beer, wine and spirits.
Middlemen	These are firms or individuals who perform certain functions that will

	move goods or services from producers to consumers.
Municipality	Means a municipality as defined in the Municipal Structures Act, Act 32 of 2000.
National minister	Means the member of the national cabinet responsible for liquor matters in the national sphere of government.
Off-site consumption	This refers to businesses that are licensed to sell alcoholic beverages to customers who will engage in drinking somewhere else rather than on the premises where the liquor is sold.
On-site consumption	This refers to businesses that are licensed to serve only patrons who will consume alcoholic beverages on the premises where liquor is sold.
Person	Includes a company, close corporation, partnership or the trustees of a trust.
Prohibition era	This is the period that started after the appointment of the Malan Commission of Enquiry that led to the amendment of the Liquor Act in 1961.
Redistributors	Businesses that sell directly to the public and/or smaller businesses which in turn sell to the public.
Regulation	Means a regulation promulgated in terms of the provincial legislation.
Runner	This is an unlicensed businessman who buys in bulk from retailers and sells to a number of shebeens, and undertakes deliveries to his customers
Sell	Includes, either directly or indirectly, an activity to exchange, to offer for sale except by way of advertising, to display for purposes of sale, to deliver, supply or dispose of for sale, or to authorise, direct or allow a sale.
Shebeen	<p>This is an unlicensed, on-site, consumption outlet normally found in black residential areas, and is always situated on private premises.</p> <p>Section 1 of the Gauteng Liquor Act 2 of 2003 is hereby amended by the substitution for the definition of "shebeen" of the following definition: <i>"shebeen means any unlicensed operation whose main business is liquor and is selling less than sixty (60) cases consisting of 12 x 750 ml of beer bottles per week";</i></p>
Supply	In relation to liquor, this means to place a person in control of (something).
Tavern	This is a licensed shebeen.
Traditional African beer	Means a drink or substance manufactured from grain sorghum, millet or other cereals and any fermented liquor or substance declared by the

competent authority to be traditional African beer

Wine Means a natural wine made from grapes, containing not more than 14% by volume of alcohol. It does not include wine fortified with alcohol or wine diluted with fruit juice or fruit juice flavourant.

1 NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

The history of liquor in South Africa forms an integral part of its history of isolation and apartheid. Liquor was alternately made available or prohibited as a means of economic and social control. It was used to attract and retain workers on the farms, mines and urban industry. Legislation was promulgated to prohibit Africans from producing and obtaining liquor. Alcohol was employed to establish and maintain isolation and apartheid in the urban areas (Van Onselen, 1979:289).

Responses by ordinary people to such control have included complex struggles and ambivalence, involving defiance and resistance as well as abuse and social breakdown. For many, the brewing and consumption of alcohol in urbanising communities represented a form of continuity with rural life, a means of economic survival and a social response to the harsh realities of urban life. Alcohol was also increasingly abused, leading to rising levels of conflict in the family, violence, crime and alcohol-related disease. There remains an inheritance of countless incidents of damage to the structure of society, including serious health effects on both the users of alcohol and their children, domestic violence, child abuse, road accidents, crime and the associated economic costs (Van Onselen, 1979:291).

The liquor industry evolved into an industry now characterised by a few companies with high levels of horizontal and vertical integration. In addition, there is a large illegal sector, confined mainly to retail, resulting in employment of a mainly survivalist nature. The new liquor policy, the Liquor Act (No. 59 of 2003) marks an important break with the past in the informal liquor sector. It addresses two broad concerns: regulation of the production, distribution and sale of liquor (in part as a tool for

correcting market imperfections); and controlling the economic and social costs of excessive alcohol consumption.

The new liquor regulation entails two key aspects: firstly, a change in legislation which will facilitate easy entry into the liquor trade; and secondly, harsh penalties for those who contravene the legislation. The objective of the new policy is to be fair and just; to redress the inequities and discrimination of the past; and to effectively regulate the liquor trade insofar as the social, economic, health, welfare and other needs of society are concerned.

Further to this, the new liquor laws must normalise the operation of this sector of the economy by proactively restructuring the sale and distribution of liquor to achieve the economic empowerment of historically disadvantaged sectors of the society. Changes to the law in specific terms were intended to seek to empower informal liquor traders known as “shebeens” – those individuals who earn their living by trading in liquor, but against whom the contrasts in past and current legislation discriminate unfairly (Hellmann & Rooiyard, 1984).

Referring to section 141(1)(m) of the Liquor Act No 59 of 2003, it has been decided to apply a phased-in approach where the opportunity will be given to shebeen owners to comply with the Liquor Act and to acquire licenses. In the interim they could apply for a shebeen permit and continue trading for 18 months. This new legislation created a totally new strategy and direction for manufacturers which can now deliver directly to these outlets from where they were prohibited in the past, owing to the liquor law restrictions.

1.2 RATIONALISING THE FORMALISATION OF THE INFORMAL SECTOR SHEBEENS

Key criticisms of unlicensed liquor trading include its disturbing nature in residential neighbourhoods, loitering, nuisance, increased criminal activity and associated lawlessness and its operation outside existing taxation and public administrative systems. The responses from authorities include raids on existing unlicensed establishments, the confiscation of liquor and the arrest and conviction of transgressors. Despite an increase in legislation, regulations and other procedures

to eliminate unlicensed liquor trading, it remains a reality in South African society and is evidently growing and expanding (Van Onselen, 1979:293).

The primary reasons why this activity continues are high unemployment levels, the market demand for the associated products and services, and the relatively high levels of profitability. The responsibilities and duties associated with a liquor licence set this type of business activity apart from other informal small, medium and microbusiness operations. Formalisation of this activity will lead to better services and increased competitiveness in the industry and will marginalise unlicensed traders who have no intention of complying with the law. It is therefore understandable that the current congestion can only be addressed through the transformation of unlicensed businesses into formal businesses. While some of the existing unlicensed liquor traders have been accepted in certain areas, the negative connotation of shebeens in townships relates to a large extent to the type of structure, the associated activities and the management style of the operator (Laubscher, 1977:45).

Liquor establishments operating in a fashion similar to that of formal businesses, in terms of abiding by the codes of conduct, carrying on trade from structures that comply with the national building regulations, are generally more acceptable in these communities. The formalisation of existing unlicensed liquor traders will require the provision of business training, support and advice and, if possible, access to funding as well. The following business development strategy is based on the assumption that the provision of advice and support to newly licensed liquor traders would lead to better services, increased access to products, viability and profit margins and act as an incentive for shebeeners to formalise their activity (Laubscher, 1977:59-64).

In order to increase the success of this legalisation process and accelerate the process of business development, the focus should be placed on newly licensed liquor traders who display the following characteristics (Tren Grove & Breitenbach, 2005:13):

- These must be existing businesses that have expressed a willingness to become formalised by obtaining at least a conditional licence.
- Enterprises owned by previously disadvantaged individuals should be prioritised.

- The owners must display entrepreneurship and view their operations as businesses, first and foremost.
- These entities should have the potential to create employment opportunities.
- The businesses must display the potential for becoming a success.

1.3 AREAS IDENTIFIED TOWARDS FORMALISATION

The relaxation of police activity on the movement and drinking of liquor in black residential areas meant that runners and shebeens could, more or less, be 'free' players in the distribution of liquor. Upgrading of the shebeens into taverns resulted in the Commissioner for Inland Revenue gaining access to extra taxes that the government would not otherwise have collected. Income tax is imposed on all taxpayers by a statute known as the Income Tax Act No. 58 of 1962. Such tax is calculated on the taxable income of both natural and legal persons. A person who is liable to pay tax or who is obliged to submit an income tax return is known as a taxpayer. However, the informal business sector seems to have historically evaded paying income tax. Such tax evasion is probably due to one or both of the following reasons (Tren Grove & Breitenbach, 2005:25):

- Informal businesses are not registered and therefore tend to be unknown to the Commissioner for Inland Revenue; and
- The business transactions of the informal sector tend not to be documented, thus making it difficult to assess income derived therefrom.

The licensing of taverns resulted in the Commissioner for Inland Revenue acquiring the business transactions of individual taverners from liquor wholesalers. The ease with which these business transactions were supplied to the Commissioner for Inland Revenue facilitated easy collection of taxes from taverns. However, this is not true of shebeens and runners, because they are part of the informal sector. The Liquor Act will address this issue in full. The informal sector in the liquor industry forms an integral part of the South African economy. For the government to achieve its objectives as set out in the Liquor Act, strict measures in formalising the informal sector need to be followed.

The purpose of this study is to determine whether the changes in legislation which regulate the distribution of alcoholic beverages have exerted an impact on shebeens.

1.4 DISTRIBUTION

The study will include specific consideration of the distribution function in order to assist manufacturers which now benefit from the opportunity to deliver directly to this new formalised channel. It is important for manufacturers to understand constraints in dealing with the informal sector and for the formalised shebeen to know how to deal with manufacturers directly, a process which is managed by means of rules and procedures. The main focus of the research will however fall on the specific factors that influence shebeens in moving from informal “illegal or unlicensed” to formal “legal or licensed” businesses, and distribution will form part of this.

Distribution is the physical movement of liquor products (Lipson & Darling, 1974):

- within a firm, such as keeping goods in stock and other warehouse operations; and
- outside a firm, such as transporting goods from supplier to buyer.

The contributors that are involved in the movement of goods and services from producers to consumers are known as members of a distribution channel. This provides the link between highly specialised and geographically dispersed producers of goods and the demand of millions of purchasing units. Specialisation in products creates problems of time and space between supply and demand. Such temporal-spatial separation must be overcome if goods are to be available when and where a consumer wants them. The task of doing so through efficient exchange mechanisms is of sufficient importance that a number of specialised firms deal with it. These firms, commonly referred to as institutions, middlemen or intermediaries, combine to form a distribution network or channel (Staudt, *et al.* 1976:273).

Producers are said to be “highly specialised and geographically dispersed” because they tend to produce either a single product or fairly similar products and their plants are not located in every area where there are consumers. The distribution goals of a

company may encompass control of channels. Often firms undertake distribution activities because they want to control their products, target market, price, promotion and image. The channel, owing to the changes in liquor legislation, is now being adjusted to cater for servicing the end consumer and to take control of it. The impact on the middlemen or intermediaries is severe.

Market intervention is largely based on expert orientation, as far as the regulating party is concerned, which is normally the government or a government agency, and has frequently been introduced for one or more of the following reasons (Tashe, 1991:19):

- the size of the local market is small and adequate economies of scale can only be achieved under certain conditions;
- trading conditions are unpredictable and regulation is considered necessary to ensure greater stability for producers;
- the necessity of protecting strategic interests;
- income distribution as a means of addressing historical injustices and rectifying social backlogs;
- subsidies are generally introduced to bring within reach of the poor those commodities that are necessities of life, e.g. the bread subsidy in South Africa;
- price control over commodities that are of strategic importance to the country, e.g. the price of petrol;
- distribution of alcoholic beverages is governed by the Liquor Act No. 59 of 2003.

The following represent some of the important provisions of the Act:

1.4.1 Distribution within the legislative framework

As per the Liquor Act No. 59 of 2003, the liquor industry is allowed to deliver to any customer who has a *liquor licence*. This includes special events, such as sports meetings, music festivals, etcetera, where temporary licences are issued for a specific period of time. Delivery can only be made to the physical address that appears on the licence.

Producers are allowed to deliver by road within a radius of 80 km from a depot as the crow flies. Deliveries beyond this radius can take place either:

- By rail; or
- Delivery vehicles on a route must have special permits indicating authorisation for the use of that route. Retailers in rural areas no longer need to incur extra transportation costs for collecting their supplies from depots while at the same time running the risk of arrest by Transportation Board officials for transporting stock that was supposed to be railed where the retailer is situated outside the said radius of 80 km from a depot.

The Liquor Act No. 59 of 2003 states that liquor can be delivered on any “open day”. An open day is any day of the year that has not been declared a “closed day”:

- Sunday;
- Christmas Day;
- Good Friday;
- Ascension Day; and
- the Day of Reconciliation.

Producers may not deliver or sell liquor earlier than 07:00 or later than 21:00, or on closed days; and liquor may only be sold:

- to licensees;
- if delivered at the physical address indicated on the licence;
- to masters of ships; and
- to licensed liquor merchants who must keep a record of liquor movements (popularly known as the “police book”).

The regulation of the distribution of alcoholic beverages in South Africa did not initially take the notion of market intervention as its point of departure (Tash, 1991:14). The following are, *inter alia*, reasons put forward for such a regulation:

- The Chamber of Mines complained that “...drunkenness was on the increase at the mines, and that, in consequence, the scarcity of labour was intensified, as companies able to get them had to keep far more boys in their compounds than were required on any one day to make up for the number periodically disabled by drink” (La Hausse, 1988:17).

Mine owners feared that the liquor industry was destroying their workers and their profits because there was very little control over the quality of strong spirits that were sold to blacks. Some liquor contained dangerous chemicals such as sulphuric acid,

turpentine and glycerine. These substances provided the drink with colouring, a particular taste and a strong kick (La Hausse, 1988:17).

Drinking these poisonous concoctions caused workers to suffer ill-effects:

- many failed to turn up at work because they became ill after drinking these concoctions; and
- in some cases, death was the price for drinking the concoctions.

The Chamber of Mines lobbied the government to introduce measures to restrain the drinking of alcoholic beverages by black workers. This lobbying is one of the reasons that led to the “prohibition era”. White farmers resented beer brewing and drinking for another reason. It reminded them that Africans had crops to spare and had no need to work for Europeans. Communities only brewed large quantities of beer when the harvest was good and there was still grain left over after the crop was sold. From the 1870s the settlers in the Cape and Natal requested their governments to clamp down on Africans brewing, selling and drinking liquor. They claimed that drinking and beer parties caused fighting and “demoralisation”, and turned Africans into stock thieves (La Hausse, 1988:9–14).

The Malan Commission of Enquiry (1960) recommended an easing of the contemporary liquor laws because “... [a] million natives, who have virtually no legal access to the alcoholic beverages of the white man, [are] an excellent profitable and protected source of income to the illicit trader” (La Hausse, 1988:64). Charles Lansdown, the drafter of the original SA Liquor Act of 1928, argued that the legislation was designed to secure strict control over distribution and the supply of liquor with a view to safeguarding the interests of society in the use of a commodity potentially dangerous to national sobriety and welfare (Anon., 1984). The Liquor Act was amended in 1961, permitting the sale of alcoholic beverages to blacks. Initially, the local authorities were to undertake such distribution and the profits derived from liquor sales were to be ploughed back into the community in the form of social facilities for blacks. In its report submitted during 1982, the Competition Board reaffirmed the standpoint that statutory monopolies in liquor distribution vested in the administration boards should be broken and that the black entrepreneur should be granted access and phased into a sector of the market hitherto denied him. The

main stumbling block to the entry of the businessman into the liquor trade was the difficulty in proving a right of occupation to his proposed premises, which is a *sine qua non* for the licensing process (Lotter, 1981).

The upgrading of shebeens into taverns is also a creation of statutes. This upgrading consists of the granting of liquor licences to “illegal” businesses to allow them to trade “legally”. These “legal shebeens” then adopt the new name of “tavern” and are able to buy directly from producers / wholesalers. Tavern licences are currently granted for on-site consumption trading only. The Liquor Act requires an applicant for a tavern licence to have a right to occupy the premises and to conduct the proposed business thereon on the date his application is heard. A prospective applicant should first comply with the conditions set by his local authority and also have the premises rezoned for business purposes. Alternatively, an applicant must apply for concession to conduct a shebeen on his premises. Presently, the taverns are operating in parallel with the shebeens.

The effects will be inferred from resultant modifications (if any) of channels in the distribution of alcoholic beverages which have occurred after the amendment of the legislation. Channel modification is employed in order to meet new conditions in the marketplace. It takes place:

- through conscious actions of management, or
- by evolution over time as the result of a need to satisfy conditions that exist in the marketplace.

In analysing a proposed channel modification, the issue is whether the channel can accommodate the new “legalised” channel. One should enquire whether increased activity in the distribution channel, decreasing the number of channel players, creates a balanced channel. A channel is in equilibrium when there is no structural or functional change that would lead to increased profits (Kotler, 1984:561). A structural change is one involving the addition or elimination of some of the middlemen in the channel. The addition of taverns falls into this category. A functional change, on the other hand, involves the reallocation of one or more channel tasks among the channel members. For instance, one wine and spirits group formed a liquor retailer to act as its wholesaler in effecting a functional change. The fact that the distribution channel in the liquor industry is in disequilibrium is demonstrated by the continued

presence of runners and shebeens who seem to be running a profitable business despite the heavy fines they must pay when arrested, coupled with confiscation of their stock of liquor plus their vehicles used in transporting alcoholic beverages illegally.

The contribution of runners and shebeens (which will be dealt with in the literature review: chapter 2) in the liquor market points to a need for a functional change in terms of relocating some of the functions currently undertaken by other channel members in bringing alcoholic beverages closer to the end consumer (Kotler, 1984: 454). This study shows that market intervention in the liquor trade, in the form of prohibiting blacks from consuming alcoholic beverages, hindered the growth of the liquor industry. The problem of stagnation in the liquor trade affected the wine farmers harshly and the reforms suggested by the Malan Commission of Enquiry in 1960 opened up a new and enormous market segment that was closed off purely by legislation (La Hausse, 1988).

In terms of volume, over 70% of beer consumers are black; and the wine and spirit market has 43% of its consumers coming from the black population. These figures are significant and would have been lost to the economy if the liquor industry had still been operating under the "prohibition era" conditions. This study further demonstrates that some of the regulations were enacted for political reasons, such as the administration board outlets which were a source of revenue for projects to be undertaken by the government for the benefit of black administration programmes. These same outlets were subsequently privatised because they became targets for destruction by the blacks during the uprising of 1976 (SAWIS, 2004).

Some of the changes were purely for economic reasons: for example, the lifting of prohibition led to an increase in the overall liquor market. Granting liquor licenses to taverns led to the collection of taxes that would have otherwise been lost to the fiscus. The objective of the new legislation is to control the channel and its next phase is restructuring the liquor industry, addressing the social-economic costs of alcohol abuse. These objectives will force the shebeens to legalise their business within a certain time period and to comply with all standards. The informal element

will disappear for this reason. This study will determine the factors of and readiness for formalisation.

1.5 PROBLEM STATEMENT

The legislation that preceded South Africa's democratic process has meant that hundreds of thousands of South Africans are working for illegal enterprises in the form of unlicensed shebeens. True economic transformation within the liquor industry will ultimately be achieved through the licensing of retailers, of which approximately 74% remain unlicensed (Kagan, 1974). The new legislation prompts unlicensed shebeens to become licensed. Previous research shows that the average South African shebeen owner, who is mostly a female sole proprietor, relies on the shebeen for her only source of income, and sustains and maintains a household of three to five people (Beavon & Rogerson, 1984).

These changes bring about economic challenges faced by the shebeens which include customer care, costing and pricing, stock control, cash management, credit control, record keeping and responsible alcohol use. The changes also include forms of ownership, the impact of legislative issues on their business, supply and demand, and other basic business principles. Further, liquor legislation changes have created an opportunity in the distribution channel by delivering product directly from supplier to the new "licensed" shebeen. Legalisation of the liquor industry shebeens will create further growth and will also regulate the industry in terms of better employment conditions, reducing alcohol abuse and achieving the objectives of the Liquor Act.

As mentioned previously, the purpose of this study is to determine whether the changes in legislation which regulate the distribution of alcoholic beverages have had an impact on shebeens. The main focus of the research will be on the specific factors that influence shebeens in moving from informal to formal enterprises.

1.6 OBJECTIVES OF THE STUDY

1.6.1 The primary objective.

To determine the potential key business factors that will have an impact on the formalisation of the informal sector liquor industry.

This study will focus especially on two key areas:

- Researching factors externally and internally that will probably affect the shebeen as regards continuing with its business, namely municipal, business, governmental and suppliers' requirements;
- The problems of the shebeen in now dealing directly with suppliers (direct distribution), and the business acumen needed to ensure compliance and business growth in dealing with them.

The research will identify factors that could be used by manufacturers and distributors in dealing directly with shebeens. It will also indicate shortcomings and the skills needed to make this a legal growth business in South Africa.

1.6.2 Secondary objectives:

These are to:

- Determine the advantages and disadvantages of legalisation of the informal liquor industry.
- Identify the needs and requirements of converted shebeens to ensure business success and continuation.
- Determine whether changes in legislation lead to easier penetration of the black market by retailers and manufacturers by means of distribution changes and changes in the distribution channel.
- Determine management implications and make recommendations.

1.7 SCOPE OF THE STUDY

Owing to time constraints, the survey on the impact of the formalisation of the informal sector liquor industry was limited to the West Rand (Khagiso) area only, with specific reference to shebeen permit holders and newly legalised shebeen owners.

1.8 THE RESEARCH METHODOLOGY

The methodology followed in this study consists of two parts, namely an extensive literature study and an empirical study.

1.8.1 The literature study

In order to establish a sound theoretical background to the problem as formulated above, an in-depth analysis, evaluation and integration of the different aspects relating to shebeen business in the process of becoming formalised is undertaken.

The following topics are attended to:

- The informal sector of South Africa.
- Distribution aspects of deliveries to the informal market.
- Overview of the liquor industry.
- Overview of liquor legislation.

1.8.2 The empirical study

The empirical field investigation focuses on the informal liquor sector, with specific reference to the shebeen industry:

- It is important to determine the current status of the application and understanding the factors impacting the application process.
- For the shebeen to be motivated to proceed from informal to formal status, the advantages and disadvantages will be determined.
- Barriers and legislative constraints that may influence the success of the business are considered.
- Distribution requirements and constraints in delivering to the shebeen will assist manufacturers to investigate this opportunity to deliver direct.

To establish the above-mentioned aims, the empirical study is aimed at shebeen owners who are in possession of a permit (not licensed yet) and shebeen owners who have just received their newly awarded licenses after the 18 month permit period. A questionnaire was used to determine the shebeen's business culture,

measuring the shebeen owner's understanding of the new business model that will include legislative compliance, people management, supplier relationships and financial soundness, in order to run and expand the business, maintain profits and comply with the objectives of the Liquor Act. All questionnaires are treated confidentially to ensure that facts are not distorted.

The responses are statistically analysed using appropriate methodology. The analysed results are used to draw conclusions and recommendations will be made regarding the factors that affect shebeens in the formalisation process.

1.9 THE LIMITATIONS OF THE STUDY

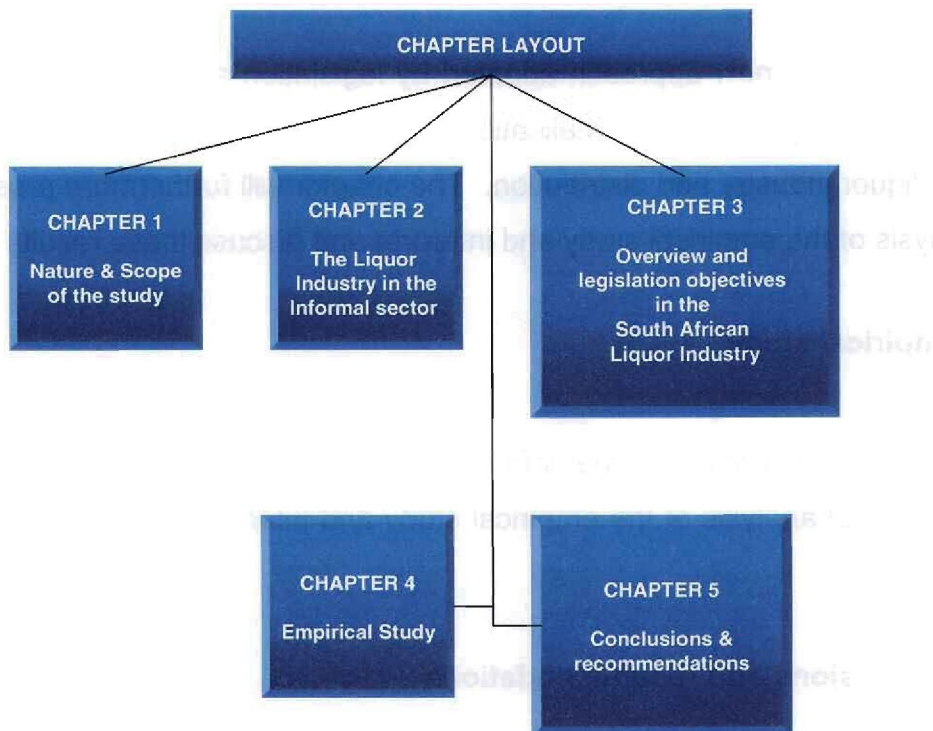
The shebeens affected by the new liquor legislation and formal registration process are limited to the West Rand (Khagiso) only. The sample includes newly licensed shebeens and shebeens operating under a permit, heading towards licensing. This study is exploratory, intended to discover new ideas and relationships created by changes in legislation and development of channels of distribution to the informal market.

The findings do not claim to be conclusive; they are intended merely to offer insight into the impact of changes on the informal market shebeens and serve as a guide to organisations involved in the liquor industry. This research will also form a basis for future research concerning the licensed shebeen industry.

1.10 LAYOUT OF THE STUDY

The mini-dissertation consists of five chapters. The relationships between the chapters are illustrated in Figure 1.1.

FIGURE 1.1: SCHEMATIC LAYOUT OF RESEARCH



Source: researcher's own compilation

The chapters contain the following:

Chapter 1: Problem statement and research proposal

Chapter 1 states the problem statement and sub-problems. It continues by outlining the project's objectives and the motivation for undertaking the study, and concludes with the research methodology employed.

Chapter 2: The liquor industry in the informal sector

An extensive literature study is undertaken to identify the current research available in this field, as well as the history of this industry and legislation until 2003. The chapter further portrays the best methods to identify the impact of formalisation on shebeens in the informal sector.

Chapter 3: Overview and legislation objectives in the South African liquor industry

Chapter 3 will cover the new approach adopted by legislation after the latest Liquor Act 59 of 2003 as regards the formalisation process. Topics include legislation, shebeens, the liquor industry and distribution. The chapter will furthermore present a statistical analysis of the empirical study and interpret and discuss these results.

Chapter 4: Empirical study

Chapter 4 will offer insights into the informal liquor sector and will furthermore present the statistical analysis of the empirical study and interpret and discuss these results.

Chapter 5: Conclusions and recommendations

Recommendations will be made to address the areas which have been established as affecting the formalisation process as mentioned by the contributors in Chapters 2 and 3 and the findings in chapter 4. This chapter will discuss implications and make recommendations in approaching the factors impacting on the formalisation of shebeens.

CHAPTER 2

THE LIQUOR INDUSTRY IN THE INFORMAL SECTOR

2 THE LIQUOR INDUSTRY IN THE INFORMAL SECTOR

2.1 INTRODUCTION

The shebeen forms part of the informal segment and this illegal business entity is an exciting one with a long survivalist history. Castle Lager's payoff line, "the beer that stood the test of time", is characteristic of this segment. Shebeens have survived political and monopolistic challenges from 1937 to the present. The aim of this chapter is to review the origin of the shebeen and how it has survived until now. It is important to consider the size of the informal market as well as the labour segment to which it belongs as well as the reasons for rationalizing and formalisation of the shebeen. The informal sector comprises two segments, namely survival and unofficial earnings or illegal businesses. Hence a large portion of the work force employed by these illegal business entities is not regulated.

Shebeens were always part of an indirect delivery chain receiving deliveries from runners who purchase from wholesalers. This created a three tier distribution channel system. The aim is also to furnish an overview of the distribution channels and their role before the new Liquor Act and afterwards.

2.2 THE INFORMAL SECTOR OF SOUTH AFRICA

2.2.1 Formal definition of the informal economy

One of the most important influences on the study of the informal economy has been the International Labour Organization in Geneva. The ILO (1993:5.8-5.9) probably offers the most comprehensive and widely used definition of the informal economy: "The informal economy is broadly characterized as consisting of units engaged in the

production of goods and services with the primary objective of generating employment and income to the persons concerned.”

The informal sector, then, is defined as comprising those households with market production that are:

- Informal own-account enterprises which may comprise either all own-account enterprises or only those which are not registered under specific forms of national legislation;
- Enterprises of informal employers may be defined in terms of either the size of the unit below a specified level of employment, or the nonregistration of the enterprise or its employees.

The System of National Accounts (SNA), which is a coherent and integrated set of internationally accepted accounting concepts and rules devised by the United Nations, takes its definition directly from the ILO definition. For statistical purposes, therefore, the SNA regards the informal economy as a group of production units which form part of the household sector as household enterprises, or, equivalently, non-incorporated enterprises owned by households (Prinsloo, 1999:25). The latest edition of the SNA was published in 1993, while in 1994 South Africa's national accounts were revised to conform to these guidelines.

While this definition has proved useful, the International Labour Office (2002) acknowledges that the definition does not capture *all* dimensions of an informal economy. In fact, the ILO Conference of Labour Statisticians (1993) recommended that further work was needed on the attributes of the informal economy. With this in mind, some policymakers and researchers prefer a broader definition of the informal economy, one that was not included in the 1993 ILO definition. Smith (1994:17), for example, defines the informal economy as “market based production of goods and services, whether legal or illegal, that escapes detection in the official estimates of GDP.” Schneider (1986:194) also describes the informal economy as all economic activity that contributes to value added, but which is presently not registered by national measurement agencies. Hartzenburg & Leimann (1992:187-188), too, prefer a broad definition: “all economic activities pursued without the sanction of the authorities; i.e. those not recorded in the national accounts.” As definitions broaden, so they become somewhat vague and misleading, allowing for very little consensus.

Abedian & Desmidt (1990:405-406) highlight some of the difficulties of equating the informal economy with the 'unrecorded sector' – the common theme in all of the above definitions – in the South African context. The terms 'sector' and 'economy' (used above) suggest some sort of equivalence to the formal economy. This has the effect of masking the heterogeneous nature of the informal economy, which includes both legal and illegal activities. And in the end this situation makes policy formulation somewhat difficult, in that those involved in the process are never quite sure whether or not the policy is directed at legal or illegal activities.

In the light of this confusing situation, Abedian & Desmidt (1990:406) suggest that the Standard Industrial Classification (SIC) be used to classify data. In similar fashion, it would be useful if the Statistics South Africa October Household Survey, the Labour Force Survey, and the Population Census could be used to identify certain sectors of the informal economy such as street vendors and homebased workers. However, this is only feasible if national data can be disaggregated to a local level.

2.2.2 The informal economy, poverty, and economic growth

Despite the wide variety of informal economic activity, there does seem to be a discernible relationship between 'the informal economy', broadly speaking, and poverty. Average incomes in the informal economy are in general much lower than in the formal economy, resulting, naturally, in a higher percentage of the poor working in the informal economy. However, according to Charmes (1998) this 'rule', and/or relationship, is not always accurate, so that someone working informally is not necessarily poor, while someone in the formal economy will not necessarily escape poverty. For example, in South Africa miners and farm workers can work for years in the formal economy but not escape poverty (Chen *et al.*, 2001).

In the international literature on such relationships, the correlation between the informal economy and growth is less well explored than that which exists between the informal economy and poverty. Many studies focus on microeconomic considerations, and the growth of *specific* informal enterprises. Little research has been undertaken on the relationship between the informal economy and overall economic growth. The literature of the 1970s on the relationship between the informal and formal economies tends to find that growth in the formal economy is

inversely related to growth in the informal economy. Since the formal economy is seen as more productive and efficient, the literature suggests that the expansion of the informal economy must reduce national income (Schaefer, 2001).

As a result of this, the more recent literature on the subject often focuses on the *negative* aspects of the informal economy, ignoring its positive contribution. For instance, a number of studies (Braun & Loayza, 1994; Fortin, Nicals & Luc, 1997) treat the informal economy as purely a vehicle to evade government regulation and tax. This perspective is unable to explain the enormous increase in informal economies in the late 1990s when World Bank Structural Adjustment Programmes required deregulation, and diminution of the public sector. In view of such shortcomings and skewed perspectives, an alternative approach to modelling the informal economy has been to include it in a labour market segmentation model (Chen, Sebstad & O'Connell, 1999). This approach acknowledges that the informal economy can contribute to economic growth in at least two ways. Firstly, in many countries of the world the output (and low wages) of informal workers subsidize the growth of industries. Secondly, the output of informal enterprises directly contributes to economic growth.

As in the theoretical literature, there seems to be contradictory empirical evidence on the relationships between the informal and formal economies. Kelley (1994), in a study of the Peruvian economy, finds that the presence of the informal economy compromised the Keynesian demand pull policies adopted throughout the 1980s. Kelley found that the informal economy competes with the formal economy, reducing the expenditure multiplier, limiting the increase in demand resulting from an increase in real wages. In other words, there is a conflicting relationship between the informal and formal economies in Peru. According to Schaefer (2001) the Latin American informal economy is highly integrated into the formal economy because of the large number of sub-contracting agreements. As such, the conflict between the informal and formal economies is not surprising. By contrast, in Africa the informal economy is not highly integrated into the formal economy, which allows for very little substitution between the two economies. Unlike in the Peruvian situation as assessed by Kelly, there is less likely to be a relationship between the two economies that is based on conflict. Giles *et al.* (1999) used time-series data for the Canadian and New Zealand economies to explore some of the basic relationships between the formal and informal economies for the period 1975 to 1995. These

authors found that there was no evidence of a long-term equilibrating mechanism relating the formal to the informal economies, but, rather, strong evidence of Granger causality from the informal economy to the formal economy for both countries.

As noted before in passing, it is regrettable that little empirical macroeconomic analysis of the relationship between the two economies has been conducted in South Africa. The only research has been conducted by Abedian & Desmidt (1990) using time-series data to test correlations between informal sector activities and variables such as Gross National Product (GNP) and urbanization. While these studies have made use of the limited available data in South Africa, none of them has made an attempt to relate this information to a theoretical framework that incorporates the informal economy into the overall macro-economy.

Meagher (1995) observes that the relationship between the informal and formal economies in developing countries warrants further research, especially when the informal economy becomes a refuge from the formal economy. Besides this, given that the informal economy represents a substantial portion of output in South Africa, the measurement of its size and impact should be of great importance to macroeconomists and policymakers.

2.2.3 The size of the informal economy in South Africa

While a number of studies show that informal economies are quite common across developing countries, the size of the informal economy in South Africa is unusual, due to South Africa's unique political, economic, and regulatory environment; suggesting that the estimates of the size of the informal economy would be quite different. Before the final formalisation of the Act of 2003, the government reviewed the size of the informal market and tried a few methods of estimating the size of the informal economy in South Africa. The following statistics were used at the time (1991-2004) of policy creation; hence the "outdated" data mentioned here. It is also appropriate to use the data to understand the mindset as well as the framework employed in formalising the new liquor policy.

Using the currency demand approach, van der Berg (1990) and Hartzenburg & Leimann (1992) established that the informal economy in 1989 accounted for 9% of

GDP. Employing a labour market approach for the same period Loots (1991) recognized that the contribution of the informal economy was slightly higher, at 12.6% of GDP. Martins & Ligthelm (2005), utilising the October Household surveys of 2003 and 2004, estimated the informal economy as accounting for 9.2% of GDP in 2003, and for 6.7% in 2004. Martins & Ligthelm (2005:14) argued that the higher figure in 2004 was indicative of the overestimation of the role of the informal economy in the 2003 October Household Survey. The 2003 survey excluded the former homelands, whereas the 2004 survey included the whole of South Africa.

More recently, an estimate of the informal economy has been included in the revised national income accounts statistics (SARB, 1999). Using the five-year survey of Income and Expenditure of Households, the informal economy in 1999 accounted for approximately seven per cent of GDP (Prinsloo, 1999:27). Abedian & Desmidt (1990) make use of a theoretical construct to approximate the trends of informal income as a percentage of GDP. The study shows that while the number of individuals in the informal economy increased dramatically between the years 1970-1988, the informal economy *per se* only increased from around 6% of GDP in 1970 to around 12% in 1988. The reason the authors give for this slow rise is the decline in average earnings as more individuals entered the informal economy. The next section will discuss the contributors to the latter.

2.2.4 Contributors to the informal economy

A number of studies have been conducted in order to estimate the number of informal enterprises in South Africa. While these studies do not indicate the contribution of the informal economy to GDP, they provide meaningful estimates of the number of different types of enterprises, in various categories.

Table 2.1, indicates the size of the SME sector by category. Again data at the time of the formulation of the Act were used to demonstrate the framework in approaching the informal sector. The shebeen sector will be included in the survivalist / micro sector. The evidence collected here indicates that there are approximately 1.2 million informal enterprises in South Africa. Muller (2003:14) reveals that there are still improvements to be made to enhance the collection of data on informal employment. Improvement could be achieved by the inclusion of questions that capture

information on working children, as well as items that identify whether or not workers hold more than one job, and that obtain comprehensive information on such work. However, even if such questions were to be included, Muller (2003) still stresses that informal employment would be underestimated due to the difficulties involved in capturing information on illegal work.

TABLE 2.1: THE SIZE OF THE SMALL MEDIUM ENTERPRISE SECTOR AND INFORMAL ENTERPRISE

Sectors	Stats SA / Ntsika 2000
Survivalist / Micro: (Informal)	1 138 854
Very Small	330 271
Small	94 804
Medium	52 620
Large	12 249
Total	1 628 797

Source: Berry, Von Blotnitz, Cassim, Kesper & Rajaratnam (2002:13).

Statistics SA (2002) shows that most of the activity and work that occurs in the informal economy takes place within the home rather than on the sidewalks, 'on the streets', as it were. In the informal economy 64.9% of informal workers operate from their own homes, with only 6.8% trading on the sidewalks. Another 14.3% of workers trade from no fixed location. This suggests very strongly that the bulk of the informal economy is invisible to casual observation. Importantly, studies that have focused on only the *visible* informal economy have neglected the major part of that economy.

2.2.5 Employment by different levels of skills

Just as important as the breakdown by contributors to sectors of the economy, as shown in Table 2.1, is the way different skills are spread across the various labour intensities. These contributors can be divided into five skilled groups: the professional (highly skilled), the skilled, the semi-skilled, the unskilled, and the informal. The unemployment rate in the informal labour market (41.3%) is parallel to that in the semi-skilled and unskilled labour market (50.1%).

TABLE 2.2: EMPLOYMENT AND UNEMPLOYMENT BY SKILL CATEGORY (2000)

Category	Labour supply (thousands)	Employment (thousands)	Unemployment (thousands)	Unemployment rate (percentage)
Highly skilled	1 350	1 350	0	0.0%
Skilled	3 495	2 928	567	16.2%
Semi-skilled and unskilled	7 359	3 669	3 690	50.1%
Informal	2 547	1 494	1 053	41.3%
Total	14 751	9 441	5 310	36.0%

Source: Lewis (2001:2).

Torres *et al.* (2001) and Statistics South Africa (2002) indicate that there has been considerable growth in informal economy employment over the few years. A number of reasons can be proposed for this growth: the rapid urbanization of the black population, the slow pace of economic growth, the decrease in formal employment, the so-called 'informalisation' of formal businesses, and the promotion of small-, medium-, and micro-enterprises (Abedian & Desmidt, 1990; Preston-Whyte & Rogerson, 1991; Hartzenburg & Leimann, 1992; Rogerson, 1996; Rogerson, 2000; Statistics South Africa, 2001).

Statistics South Africa (2002:2.4.3) records that 88.5% of the informal economy consists of black South Africans. Only 11.5% of the rest of the race groups (individuals formerly classified as coloured, Asian/Indian or white) are involved in the informal economy. Black South Africans occupy a host of niches in the urban informal economy, including sidewalk street traders, taxi drivers, hairdressers, small-scale manufacturers and shebeens.

Presently, the involvement of white and coloured people in the informal economy is relatively minor, although white participation in the informal economy has surged with the proliferation of flea markets in the urban areas.

For Indian entrepreneurs, participation is confined to a set of highly controlled and lucrative informal niches (Rogerson, 1998). For this reason, race is a critical factor in understanding the characteristics of South Africa's informal economy. Historically, opposition toward the informal economy in South African urban areas was related to racist policies of influx control, which sought to deny black Africans the right to permanent residence in the 'white' cities. The relaxation of such controls in the early 1980s led to the rapid urbanization of the black South African population.

The rural-urban migration hypothesis (Harris & Todaro, 1970) suggests that these migrants find work in the informal economy because of the wage rigidity in the urban formal economy. South African researchers, however, have found that this hypothesis is not the primary driving force as regards the increase in the informal economy. According to Schaefer (2001) less than four per cent of workers are characterized as domestic migrants, making it highly unlikely that rural-urban migration is the primary driving force in the increase in the informal economy. Nevertheless, Abedian & Desmidt (1990) argue that there are a number of reasons for the positive relationship between the urbanization of the black population and the expansion of the informal economy.

The demand for informal products stems mainly from black consumers in the urban areas. An increase in the black population in the urban areas would result in a higher market demand for such products. The sheer size of the urbanization of the black population could, therefore, be used as a measure of the informal economy. But while the urbanization of the black population may have been *the* driving force in the expansion of the informal economy in the 1980s, it is doubtful that this is the *only* factor driving the informal economy today. In addition to urbanization, a new phenomenon – that of urban farming, or 'realization' that has been observed in other parts of Africa – is taking place on peripheral vacant land, around South Africa's major metropolitan areas (Rogerson, 1991). In fact, both Statistics South Africa and the Mesebetsi reports indicate that there has been considerable growth in agricultural employment around South Africa's major metropolitan areas (Torres *et al.*, 2001).

2.3 THE HISTORICAL OVERVIEW OF THE INFORMAL SECTOR SHEBEENS

2.3.1 Shebeen – the beginning

The consumption of alcoholic beverages records a very long history in South Africa, dating back to extremely ancient times. During precolonial days the consumption of alcohol was the preserve of elders, and other senior or authority figures, including health practitioners and healers. It was less common among youth and women of child-bearing age, who would take part in the behaviour while engaging in particular rituals and religious ceremonies (Lotter, 1981).

Lotter reports that for men and women beyond their “child-bearing” years a number of different beverages were brewed from grain, and these would contain an alcohol content of between 3% and 5%. On certain occasions younger women, teenagers and children would be allowed to drink a “sourish fermented porridge” (p. 26) which would contain around 1,5–2% alcohol. Alcohol would be prepared for communal consumption, along with feasting for occasions such as:

- weddings,
- ceremonies held for the spirit of an adult who had died one year previously,
- ceremonies for the coming of age of both boys and girls,
- following formal meetings of reconciliation,
- ceremonies for the propitiation of ancestral spirits, such as in the event of the sickness of a family member, and
- graduation ceremonies of diviners.

Given the relatively low alcohol content of beverages consumed and the strict social way of life governing drinking, problems resulting from the use of alcohol, including public drunkenness, seldom occurred in the similar form and to the extent that they occur today (Lotter 1981; Gaitskell, 1978). However, drinking norms and controls in precolonial times were quite different from those practised among black people today (Lotter, 1981, Smith, 1983). In the current living environment, drinking is fairly widespread among different members of the community. According to Smith (1983) illegal liquor outlets such as private homes where alcohol is brewed, sold and consumed (known as shebeens), are widespread cultural and economic phenomena in the lives of black South Africans in particular. The shebeens came into being

subsequent to controls that were placed on African people with respect to the production and sale of alcohol. Even though it was made legal in 1962 for black people to purchase alcohol from formal liquor outlets, the shebeen industry continues to thrive.

2.3.2 Shebeen – Function

Since the late seventies, shebeens have not only functioned as liquor outlets, but have also become a central part of life, providing recreation and relaxation for many South Africans. In addition, shebeens also provide the means for many black people to make an income (however unsatisfactory). While the existence of the shebeen may have been a potent form of rebelliousness against white, colonial and apartheid rule, alcohol has played a role in the social disintegration of family and community life, especially in black communities (Lotter, 1981; Smith, 1983).

During the South African colonialist and later apartheid eras alcohol was used to establish and maintain economic and social control, particularly on the farms, in the mines and in urban industry in order to support the economies of the times.

- Employers on wine and other farms in the Cape, and in the emerging diamond and gold mines to the north, used alcohol to attract and retain workers from rural areas.
- In addition, as part of the “tot” or “dop” system, alcohol was utilised as partial payment for labour. This system gave rise to widespread alcohol abuse and its associated social and health consequences in the areas in which it was practised (Lotter & Schmidt, 1974). The “tot” or “dop” system is still practised on a number of wine farms in the Western and Northern Cape Provinces despite it having been outlawed.

The practice takes on many forms, including the provision of alcohol as partial payment in lieu of wages and to supplement wages (Lotter & Schmidt, 1974). As far as the mining industry is concerned, there are still specific factors on the mines that influence mineworkers to drink and misuse alcohol. Unsatisfactory work and living conditions mean that miners usually live in “single sex - male” hostels based at the mine sites, with one of the few places to socialise often being the liquor outlet.

Boredom and the peer pressure that are associated with this lifestyle are also factors contributing to drinking among miners (Lotter, 1981; Gaitskell, 1978).

A number of interrelated factors appear to have brought about a generally favourable attitude towards social drinking among people in South Africa. These include decreased control over the production, sale and consumption of alcohol combined with rapid urbanisation and the traditional exclusion of women from the job market. There seems to be a high level of acceptance of heavy drinking (especially among men) and very little disapproval of it among South Africans in general (Helm, 1979).

Alcohol consumption can be perceived as a very popular pastime for people in South Africa. Most alcohol consumption involves malt beers and wines, while other beverages consumed include distilled spirits and home brews (Simpson, 1984). Drinking occurs primarily during meal times, social functions and gatherings, and while viewing sporting events. The popularity of sports in South Africa in particular seems to encourage sponsorships involving national sports teams, which in turn create a generally favourable attitude towards the alcohol industry (Lotter, 1981).

While some cultural factors serve to increase alcohol consumption (and its misuse), others, such as religious dictates, are likely to reduce or prohibit this behaviour. Many religious groupings such as evangelical or fundamentalist Christians, while permitting the consumption of alcohol in moderation and on specific occasions, have strong taboos against drunkenness. For Muslims, Mormons, Jehovah's Witnesses, and other religious groups, however, alcohol consumption is strictly non-permissible (Lotter, 1981). Poverty and poor education are considered to be additional factors that contribute to the high levels of production, consumption and availability of alcohol in South Africa (Smith, 1983:367-369).

The economic activity involved in the sale of alcohol in the informal sector provides "jobs" to many South Africans who would otherwise have no income. Historically, women have sold alcohol to raise money, and this tradition continues today, most shebeen owners being women. Access to alcohol from the informal sector is virtually unlimited since constraints (such as opening hours and age restrictions) cannot easily be placed on unlicensed establishments. This ready availability of alcohol serves to encourage its use. In respect to the commercial sector, the alcohol and hospitality industries are also major sources of employment and tax revenue,

providing thousands of jobs that involve the production of alcohol (Smith, 1983:377-382).

Shebeens are one of the most common enterprises within the informal sector segment. The increase in the number of shebeens in urban township areas began with the emergence of structural black unemployment. Black women led this new type of informal sector (Gaitskell, 1978; Bozzoli, 1983; Beavon & Rogerson, 1984). The second reason for the expansion and growth of the shebeen sector comprised the poverty-in-employment experienced by black households, mainly due to South Africa's labour coercive economy (Beavon & Rogerson, 1984; Rogerson, 1983). The shebeen has been regarded mainly as an institution that supplies illegal liquor, but it has also played a vital role in the social and cultural life of the black townships. As mentioned, shebeens exist in coloured and white urban areas as well, but in the black townships are mainly situated in private houses.

This private house type of business concept became the "social centre" (Sampson, 1957) in the township areas. Shebeens were considered a haven used by the poor as a venue to express their views and as a manner of making their punishing conditions more bearable in the black townships (La Hausse, 1984). In areas such as Witbank, Durban and Pretoria, one out of every five houses was operating as a shebeen in 1983 (Smith, 1983). Four years previously, in Soweto, in a block of township housing, two to five out of ten were houses used as shebeens (Motumi, 1979).

2.3.3 Shebeen – Characteristics

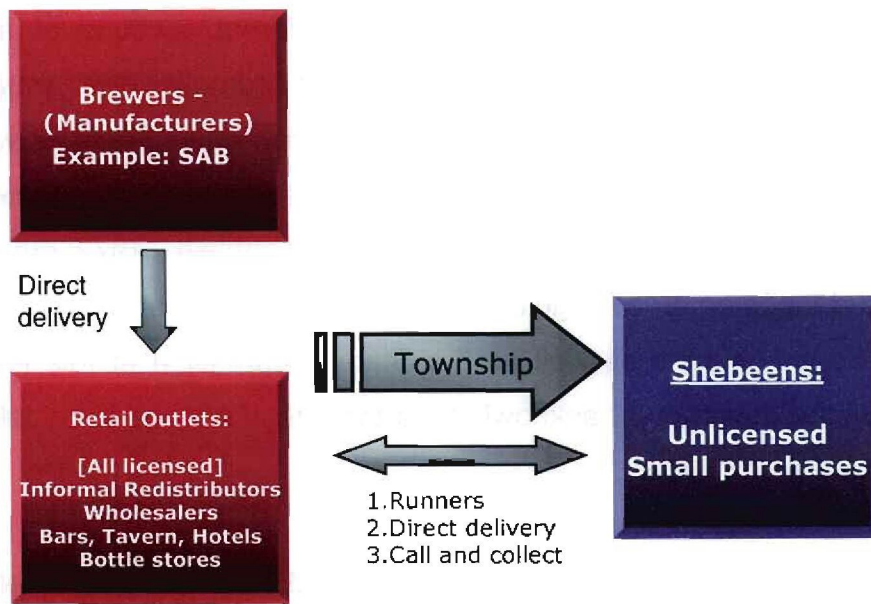
The characteristics of the shebeen altered over the years. In the beginning it served consumers such as elderly people, labourers and migrant workers who lived in a barracks type of township hostel. The smallest shebeens – also called "mainstream shebeens" – operated from a private house and were more functional than comfortable. The chairs were either plastic or empty crates, plastic tables with tablecloths and small plastic glasses were used (Lotter, 1974). Shebeens predominantly sold sorghum beer and later clear beer from a producer known as South African Breweries. The latter included brands such as Castle, Black Label and Lion in 750 millilitre bottles. "White liquor" was only sold later.

Elite shebeens sold the so-called “white liquor”; their consumers varied from doctors, workers, and teachers to businessmen. In this type of shebeen, the furniture and chairs were more comfortable and a range of products were stocked, which included premium and niche products. Depending on the type of shebeen, the following could be found: white liquor, sorghum beer, home-made liquor, rest and relaxation, sexual licence, dancing, gambling and drugs. Liquor was the main service offering sold by all (Lotter, 1983; Motumi, 1979).

The popularity of shebeens increased since they were used as an alternative recreation facility, needed no transport to and from them and were within reach of all patrons living in the township. The minimal transport available late at night also contributed to the use of shebeens as entertainment facilities rather than outlets based in town. The shebeen concept is similar to that of the public houses found in Britain. These pubs act as a haven of “warmth, light and sociability”, especially for the poor segment of society (Themba, 1961). The shebeens are all small facilities and houses and therefore blend in with the neighbourhood and form part of the environment as well as facilitating social interaction and leisure (Smith, 1983).

The attraction of the shebeen is mainly due to this reason. It also gives credit to special customers and keeps flexible hours. It opens when the first consumer arrives and closes when the last one leaves (Lotter, 1974:46). Shebeens are operated by “queens” or “kings” who are good-humoured and whose warm personalities ensure the success of their business (Simpson, 1984; Michaels, 1982). Black women dominate the shebeen industry and the reason for this lies in complex factors such as the traditional role of the woman as a brewer in the African society, the high unemployment situation of urban black women and their preference for using this type of money-earning opportunities and being then able to prepare food, care for their children and clean their homes (Gaitskell, 1978; Beavon & Rogerson, 1984). Liquor purchases are undertaken by either buying directly from administration board “licensed” outlets located in the township (informal redistributors) or from retail outlets in white urban areas which use “runners” for servicing shebeens on a daily basis. The following figure will explain the product flow from manufacturer to the shebeen.

FIGURE 2.1: PRODUCT FLOW DIAGRAM FROM MANUFACTURER TO SHEBEEN



Source: Researcher's own compilation

As evident in the figure above, manufacturers can only supply and deliver to licensed businesses or those registered with the Liquor Board: bottle stores, taverners, wholesalers and informal redistributors. Owing to the inability to deliver to shebeens legally, the only channel to reach the “illegal” or shebeen channel is by means of informal redistributors that use “runners” to penetrate the shebeen channel. They control this channel and manufacturers exercise very little or no control in influencing consumers towards their products and brand choices.

The first steps towards formalising the shebeens were taken in 1983, a year which also saw the start of police and special task forces targeting shebeens on a constant basis. Their main purpose was to stop the abuse of liquor laws. To counteract these raids, shebeens implemented informal mechanisms such as paying “bribes” for pre-raid warnings, appointing watchers and/or security guards to raise the alarm on raids and product confiscation (Hellmann, 1984; Longmore, 1959; Michaels, 1982). The next section will give a short overview of regulations which have impacted on the shebeen since 1983.

2.3.4 Shebeen – regulation

Regulation of access to alcohol has increased drastically in South Africa since 1983 and has become very intense (La Hausse, 1988). Different sections of society concerned with such regulation included government commissions, municipal associations, political organisations, the church, temperance movements as well as the majority of leading black literary figures. This continued for more than a century and was also termed “the magnificent obsession” (Mphahlele, 1972:288). The shebeens survived despite enforced regulations about shebeening and liquor control directed at black South Africans as well as the State’s repression of this informal sector: indeed, until the government acknowledged that steps needed to be taken to formalise this informal urban niche.

Three major historical phases played a role in shaping and confronting the shebeens and therefore had an impact on the survival of this phenomenon (Simpson, 1984).

- The first phase was that of liquor prohibition which lasted until 1937 when liquor outlets run by municipalities were introduced on the Witwatersrand.
- In the second phase, from 1937 to 1976, shebeens confronted this monopolistic system of municipal-run outlets and directed a new policy as regards relaxation of liquor control.
- The third and last phase from 1976 onwards concluded in the general acceptance of the shebeen industry when steps were considered to formalise it.

These factors are more fully described in the next session to indicate how they contributed towards the shaping and formalisation of shebeens.

2.3.5 Prohibitions imposed on shebeens until 1937

Until this year black people were prohibited from buying liquor from white establishments due to the abuse of liquor for reasons alluded to above. The following sections will further indicate how liquor was controlled by municipal institutions thereafter.

2.3.5.1 The use and abuse of liquor

As mentioned in paragraph 2.3.2, the history of liquor in South Africa is an integral part of the history of segregation and apartheid (La Hausse, 1988).

Responses by ordinary people to measures of control included complex struggles and ambivalence, involving defiance and resistance as well as abuse and social decay. For many the brewing and consumption of alcohol in urbanising communities represented a form of continuity with rural life, a means of economic survival and a social response to the harsh realities of urban life. Yet alcohol was also increasingly abused, leading to rising levels of conflict in the family, violence, crime and alcohol-related disease. There remains a legacy of untold damage to the fabric of society, including serious health effects on both users of alcohol and their children, domestic violence, child abuse, road accidents, crime and the associated economic costs (Portes, 1983:151-153).

2.3.5.2 Alcohol as a form of social and economic control

Liquor has been the basis, in South Africa's history, for a great deal of explicit authoritarian activity by the police. Raids, harassment and arrests were common, and during the 1950s prosecutions and imprisonment affected more than 200 000 black people annually (Beavon, 1984). Only in 1962 was it made legal for black people to purchase from white liquor outlets, and then under strict conditions. Liquor was traditionally used as a means of labour mobilisation and control (Bekker & Humphries, 1985). Employers in the emerging diamond and gold industries used alcohol as a means of attracting workers from the rural areas and keeping them on the mines, as did employers in the wine industry and other farms in the Cape (Bromley, 1978a).

Gaitskell (1978) indicates that the demand for black labour led to the emergence and intensified use of the tot system (wine-for-work) on the wine farms of the Western Cape. Employers provided wine rations to farm workers at various times of the working day as a repressive and debilitating method of labour control. The mines used alcohol as a magnet to attract workers and to confine them to the closed compounds. Tokens which were redeemable at compound stores and beer halls

were utilised as a form of payment. Urban employers made use of sorghum beer as a form of payment. .

In townships alcohol was relatively closely regulated, and segregation of drinking spaces contributed to the broader racial hierarchy and lack of interracial mixing. The origin of shebeens under liquor control was reflected in and silently infiltrated all four provinces of South Africa and they exerted a strong influence in the days when mining capitalism first took shape in the then Transvaal liquor arena (Horrell, 1960). Alcohol wielded significant power among the black workers (Van Onselen, 1982). Mine workers spent the majority of their wages on liquor, but it was liquor that also created a stable workforce as this factor lengthened the period of employment of drifting labour forces.

The consumption of liquor, specifically home-brewed liquor, eventually altered from use to abuse, creating a loss of productivity and inefficiency on the mines. The losses created a huge awareness of the influence of alcohol during the 1890s as the mining industry faced a critical point in its long-term future and profitability. The losses that were suffered created the “total prohibition” on liquor supplies to black patrons in 1897 in the Transvaal, now called “Gauteng” (Kagan, 1978). The interests of mining capital were recorded in Ordinance No. 32 of 1902.

The ordinance acknowledged the nutritive qualities of home-brewed beer and therefore legislation was less severe concerning the selling of this product. Control, rather than prohibition of home-brewed beer, was the main objective of the ordinance (Saffey, 1957). The ordinance allowed employers to supply home-brewed beer as gifts and as part of the wages if their workforce consisted of more than 50 employees. No restrictions were placed if a person was in the possession of home-brewed beer in the locations more than 20 kilometres from Johannesburg (Kagan, 1978). Home-brewed beer was considered as a supplement for treating medical conditions and as beneficial for general health purposes. No shebeens were allowed to sell any white spirits and/or wine owing to the practice of using these to make illicit drinks, causing severe social problems.

“Total prohibition” only existed on paper. It was not long before illegal selling of liquor, specifically referring to white spirits and wine, began creating what amounted to an engine room for entrepreneurial opportunities. Whites took control of this illicit

retail trade by supplying liquor and white spirits and creating syndicates headed by liquor kings (Van Onselen, 1982). Shebeens used the spirits, supplied in bulk, to create their own-brewed versions, achieving profits in excess of 600% (Kaim, 1978).

Trading in white spirits, creating their own brewed liquor, thereby making huge profits, was very appealing to the women, and children were used as runners to take orders (Orpen, 1913). By the 1930s the trading of illicit liquor had reached enormous proportions and officials could not effectively control the situation. It became known as "the foulest cancer in the social life of the Rand" (La Hausse, 1984). The trade in illicit liquor reached the suburbs of Johannesburg such as Fordsburg, Marshalltown, Jeppestown, Bertrams, Vrededorp and Doornfontein as well as the centre of Johannesburg. This was called the "slum yards" or "nests" of liquor shebeens (Koch, 1983a).

These shebeens were run by white owners and the police found them very difficult to control due to excessive bribes and gifts handed to control commissioners (Sampson, 1957). Imposing a removal of the slum yards as per the Slums Act of 1934, raids were executed, stemming the flow of illicit liquor from the liquor stores to the shebeens. The white-owned shebeens could never recover from this double blow and their retreat created the origin of black shebeens, which made their first appearance in Johannesburg during the time of the introduction of total prohibition since 1897. Black shebeens focused on the production of home-brewed beer and selling to other shebeens (Sampson, 1957:704).

The major selling points for home-brewed beer could be found in the mine compounds. Production mainly took place in municipal locations and at semi-urban areas such as Alexandra (Gaitskell, 1978; Kegan, 1978; Kaim, 1978). The art of brewing beer and the necessary production skills were carried over from traditional women to the women living in urban areas. There was a huge influx of women into the cities, looking for jobs, and the easiest solution was to acquire the skills of brewing traditional beer. Beer was considered a beverage associated with relaxation and hospitality and was greatly in demand by mine workers without their women who generated a vast amount of income for the beer brewers. Brewing beer did not need an expensive layout of capital and resources, and it was easy to combine with a woman's work and her role in the family. During the first three decades of the century beer-brewing by black women was a common activity (Kaim, 1978).

The slum yards attracted customers from the white areas with well-paid domestic servants who spent their time and income at the shebeens over the weekends (Koch, 1983b:109). Due to police raids, black women brewed drinks that were quick to ferment, using stale bread, golden syrup, raisins, figs and sugar (Hellmann, 1984).

In 1930 only 10% of all yeast products sold in shops were employed for legitimate baking; the rest were used for illicit brewing of beer and stirring up home concoctions (Beavon & Rogerson, 1984). This channel of high volume yeast products became a high income-generating industry for bread manufacturers, shopkeepers and native eating houses selling directly to the “skokiaan queens”. Later on, runners from legislative redistributors such as bottle stores and wholesalers penetrated the shebeens offering “white liquor”. The black “slum yards” in Johannesburg became the core of a whole working class subculture in the 1930s (Coplan, 1979; Koch, 1983b).

Two aspects had an influence on the survival of shebeens:

- Urban racial isolation: according to Trump (1979) and Koch (1983b), this had a negative effect on the black residents and motivated them to move into the freehold stands which today comprise Soweto.
- The second threat faced by the shebeens was the recall of prohibition. This made home-brewed beer available to all and was enforced by municipal authorities. It created an opportunity for other parties to set up business entities which were in direct competition to the existing shebeens (Diemer & van der Laan, 1981).

The next section discusses the clear domination by municipal authorities which controlled beer sales by introducing “beer halls” as part of a initiative creating funds for township development and control. Another objective was to prevent the creation of new shebeens. Ironically, municipal beer halls became part of a monopolistic unit which had the opposite effect (Diemer & van der Laan, 1981:162-163).

2.3.5.3 Municipal domination and the end of prohibition

State licensing requirements and municipal monopolies on the production of sorghum beer also stifled black enterprises such as brewing and retail shebeens. The state's activities exerted extremely important negative influences on black women's fight for survival. In addition, alcohol reflected the broader pattern of racial segregation that had evolved over more than three centuries in South Africa. Abuse of alcohol was often cited in legislation governing the prohibition of drunkenness and disorder, which had different applications across racial lines (Gordin, 1981).

In townships, municipal beer halls were constructed by local apartheid administrations as a means of self-financing township development. Indeed, alcohol became the primary source of revenue for Bantu Administration Boards, later named Development Boards. The first beer hall was introduced in 1937 and more followed in 1945. Beer sales were an insufficient source of revenue, so township services were always underfunded. In addition, local administrators used alcohol as a means of social engineering and control. In 1976 beer halls and liquor stores were identified as symbols of oppression and were destroyed (Koch, 1983a).

In the 1980s, as mentioned, the beer halls were boycotted. The role of liquor control in South Africa's apartheid history was formidable, including authoritarian police activity, the stifling of local enterprises, financing residential segregation, and the control of leisure time (La Hausse, 1988). With liquor control playing these multiple roles, it is clear that alcohol was the basis for the accumulation of massive wealth and the concentration of commercial, financial and political power in the hands of a few. In turn, resistance emerged and led to enormous resentment against beer halls.

Partly due to this resistance and also to the inability of the state to impose illegitimate laws and regulations (as well as police corruption, incapacity and unwillingness to enforce the law), many people turned to illegal activities related to alcohol. Racially biased regulations led to the criminalisation of tens of thousands of liquor traders and, ironically, to a regulatory breakdown which means that the state today controls and licenses less than 10% of the estimated 250 000 liquor outlets across South Africa (Simpson, 1984). In addition, lack of development, high levels of

unemployment, isolation and lack of stimulation have contributed to particularly high levels of alcohol abuse across poorer regions and in rural areas.

Given this background, a new approach to the liquor policy must be ambitious, but also extremely sensitive. It must seek to combine competing interests and serve the overall public – not only those who produce, distribute, sell and consume liquor. Recalling prohibition in the urban areas of Transvaal was inseparable from the wider issues of local municipal finance during the 1930s. The Native Act (urban areas) of 1923 allocated the responsibility for the provision of housing for urban blacks to local government. Financing for the “locations” and hostels originated from revenue received (deposited in a “Native Revenue Account”) from fines, rents and (most of all) profits generated from the production of home-brewed beer. These incomes were used by white property owners. This was perceived as urban social control whereby African workers would subsidise the cost of their own reproduction at no expense to the white property owners (La Hausse, 1988).

By the mid-1930s the fund was in trouble since the money was being used in the removal of the slum yards, for urban racial segregation and for the making of a pure white city. This crisis was resolved in 1937 by the central government which intervened with a watershed piece of legislation. The act provided for black shebeens to sell more than only home-brewed beer. This put an end to the monopoly of municipal regulations and allowed shebeens to openly brew beer. Municipal authorities implemented a “Durban system” – allowing beer manufacturers to construct breweries since the revenues were huge and the rates and taxes would be of significance to municipal revenue accounts (Simpson, 1984).

The first brewery and beer halls opened in 1937 and by 1945 the city boasted a further three beer halls located in the city and in municipal townships (Smith, 1983). The opening of these municipal beer halls posed a threat to the survival of the shebeens. Consumers were forced to drink at these legalised beer halls since any other form of “drinking place” was considered to be trading in illicit liquor. This monopolistic behaviour of municipalities resulted in a war against illegal shebeens. Massive raids were carried out by the police (reinforced by converted troop carriers) to improve effective liquor policing (Koch, 1983b:229). Despite these, the shebeens still survived; the home-brew industry grew and business flourished (Diemer & van der Laan, 1981).

The court fines imposed on shebeens were affordable and black women continued manufacturing home-brewed beer. Leaders of the African National Congress vented strong objections to housing and township amenities being financed from the profits of beer drinking (Xuma, 1941; Smith, 1983). Township residents complained that municipal beer cost more than domestic brews and that the taste was not traditional. The beer halls did not contribute towards an enjoyable atmosphere and were seen as “drinking cages”. Municipalities refused to relax the law; consequently, boycotting the beer halls seemed to make the illegal shebeens a more attractive venue with an improved atmosphere and better quality of products at reduced prices (Xuma, 1941).

During the 1950s it was evident that trading with “white liquor”, brewing and smuggling of illicit liquor by means of shebeens remained widespread throughout Johannesburg. From the 1950s “white liquor” was preferred to home-brewed beer (Themba, 1961; Sachs, 1962). Roof-top and basement shebeens originated in the centre of the city, catering to day-time trade such as stemmed from local African workers. These shebeens were very cramped, although functional. The sales were low in volume and were lacking in a “spirit of camaraderie”, but beer was sold any time of the day (Sachs, 1962:36). Shebeens in the black townships, however, as noted, fulfilled the role of social clubs, not only drinking places (Themba, 1961; Sachs 1962).

In Sophiatown well-known shebeens such as Back of the Moon, Falling Leaves, The Green House and Basutoland formed the kernel of a thriving black African culture. An official commission stated that more than 60% of liquor reached consumers through illicit channels – mostly through shebeens (Rogerson, 1985). Prohibition was recalled owing to the fact that it was acknowledged that the fight against the shebeens had been lost (Stein, 1981).

The distinctive advantages of this for municipal beer halls can be summarised as follows (Bekker & Humphries, 1985):

- Beer halls could supply better drinks at lower prices.
- The profits generated from liquor retailing could form part of the central government’s fledgling programme for “developing the impoverished rural Bantustans”.

- Police could fulfil multiple roles such as enforcing labour-coercive pass laws and still execute raids on illegal shebeens.
- The prohibition afforded wine producers such as the Koöperatiewe Wijnbouwers Vereeniging (all of whom were Nationalist government supporters) (Bunting, 1958; La Hausse, 1984) an opportunity to introduce their products.

From the 1960s the sale of lager beer increased radically in the shebeen trade. One large brewing company was South African Breweries which engineered the production process in order to turn sorghum beer into lager beer. The consumption of lager beer instead of sorghum beer was largely influenced by advertising. Between 50 and 60 shebeens were raided monthly (Stein, 1980). Stricter control and more laws were put in place during 1968. A maximum of nine litres of beer was allowed to be taken across the boundaries of a township. Legislation was designed to protect the position of municipal liquor outlets in townships so as to remove the “menace” of the shebeen (Diemer, 1981). The continuing attempts by official authorities to destroy the shebeens of Soweto reflect the viewpoint that the shebeen was simply an institution for drinking. In truth the shebeen can be described as a complex cultural element in urban black life as well as a vital informal source of income.

The increase in numbers of shebeens became unmanageable and formalisation emerged as a solution to control and regulate this informal sector (Bunting, 1958; Horrell, 1960). The next section will explain the steps taken as well as some elements of formalisation of the shebeens.

2.3.5.4 The formalisation process as regards shebeens

It is greatly paradoxical that the beginnings of a process leading towards the formalisation of shebeens should commence with the mass rioting and violence that swept South Africa’s black townships during 1976. In Soweto the uncertain position of alcohol in the daily lives of urban blacks was graphically illustrated in the destruction by militant students and workers of bottle stores and beer halls as well as the enforced closure of many shebeens (Hirson, 1981). Students justified their attacks on shebeens by claiming that shebeens were the “cause of unhappiness in

the black man's life" and that "...we can no longer tolerate seeing our fathers' pay-packets emptied in shebeens" (Kane-Berman, 1978:20).

Not only were beer halls perceived as symbols of daily oppression under apartheid, but shebeens were also viewed by many as reactionary institutions, serving to depress rather than heighten social consciousness (La Hausse, 1984). In the immediate aftermath of the riots there arose an extraordinary situation in which priority was accorded to the reconstruction of new fortified beer halls in order to resuscitate the emasculated finances of the administration boards (Hart & Rogerson, 1985). Accordingly, rebuilding commenced early in 1977 of new riot-proof retail liquor outlets, which officials lamely claimed was "acceptable to the black community".

Further contributing to the revival of the administration boards' finances was the harassment of shebeens. In response to the build-up of unrest in townships, fomented by the state's continual raids on shebeens, in August 1977 the South African Minister of Justice initiated a special inquiry into the distribution of liquor in urban black townships. Central attention in this inquiry was to be addressed to the possible formalization of shebeens (Lotter, 1981). Strong support for formalisation was expressed by the major capitalist liquor concerns, most importantly by South African Breweries, which had been cultivating the shebeen market and developing a network of informal linkages since at least the early 1970s.

The stake of the large liquor producers in the trade was such that by 1979 beer sales in shebeens totalled nationally R150 million or approximately one third of South African Breweries' overall market (Stein, 1981). In the post-1976 spirit of state reformism and promises of a "new deal" for urban blacks during 1980 it was announced that the first steps would be taken towards licensing of shebeens (Stein, 1981).

The issuing of licenses to shebeens to trade legally was couched in a complex mesh of regulations and controls (Simpson, 1984).

- In order to comply with the basic requirements for licensing, township residential sites would have to be rezoned for business purposes and a dividing wall constructed to separate the tavern area from the rest of the dwelling.

- Further regulations specified, *inter alia*, a separate kitchen with “lockable serving hatch”, as well as
- Suitable storerooms for both full and empty liquor containers.
- Separate toilets, from those used by the licensee, for males and females.
- A properly enclosed drinking area.
- The erection of a two-meter high wall around the perimeter of the entire premises.

Simpson (1984:28) states that compliance with what administration board officials described as these “practical and reasonable” regulations was conservatively estimated to impose a conversion cost of R15 000, an amount way beyond the reasonable means of the majority of shebeeners.

In addition to the above controls, the regulations further imposed (Simpson, 1984:31-34):

- Strict trading hours of business for the licensed shebeens.
- Once rezoned, shebeeners were liable for additional rental payments as well as an annual fee, set initially at R600.
- Furthermore, it was made clear by officials that liquor licenses would not be granted to persons with criminal convictions under existing liquor legislation.
- Aspirant shebeen licensees were obliged to accept such controls and to weave a path through a cumbersome licensing procedure that involved at least three different government departments. Most critical was the participation in the approval of licenses of the administration boards themselves (and subsequently their descendants, the local black community councils), who had a direct financial stake in delaying the grant of shebeen licenses because of their statutory monopoly on off-sales liquor retail outlets in the townships.

The actual record on licensing has fallen far below even the official expectations that “at least 50%” of shebeens would become legal, the rest disappearing because of inadequate facilities. The majority of shebeens continued their trade unchanged by formalisation, still confronting regular police raids on their illegal operations. Not surprisingly, the efforts of the leading capitalist liquor companies have been in the forefront of shebeen formalisation. Notwithstanding the energetic efforts of the brewing companies to navigate shebeeners through the licensing maze, by 1983 less

than 100 of an estimated 4 000 shebeens in Soweto had applied for licenses and only a handful had been granted (Tren Grove & Breitenbach, 2005).

The limited number of applications is accounted for by the stringent conditions and costs attached to licenses, which were far beyond the means of the majority of Soweto's shebeeners. Further stifling the progress of formalisation were the delays by officials in dealing with the applications. In particular, the vested interests of the administration boards (and subsequently of the black community councils) in township liquor trading slowed the shebeen formalization process down to a glacial pace (Portes, 1983). To hasten the licensing procedure the Soweto Taverners Association, an organisation representing the shebeeners of Soweto, instituted a successful boycott of the administration board's liquor outlets. The lifting of the boycott effected a streamlining of licensing and the first licence concessions. It was only in April 1982 that the first license for a legal shebeen in Soweto was granted and it was May 1983 before M'bokies Bar Lounge finally opened for business (McCabe, 1982).

The new legal shebeens in Soweto are a far cry from their predecessors, operating from specially constructed premises, with fixed hours of trading, sales exclusively on a cash rather than a credit basis, and strict age regulations governing admittance (Portes, 1983). Most striking is that the legal shebeens are being run by successful, inconsequential capitalists rather than the struggling elements of the township's casual poor. Illustratively, Soweto's first shebeen licence was granted to a new entrant to the trade, a businessman with extensive interests, including township hairdressing salons and a fleet of taxis. In the final analysis, this suggests that formalisation is assuring the transformation rather than the further survival of the informal sector's niche of shebeening.

As noted, formalisation will bring with it new opportunities for the manufacturer as he can supply directly to the shebeen and control the channel from a marketing point of view. The next section considers the functions and design of the distribution channel in the liquor industry.

2.4 THE FUNCTION OF DISTRIBUTION IN THE LIQUOR INDUSTRY

2.4.1 Introduction

The objective of discussing distribution is to examine a current theory regarding its function. The Liquor Act 2003 will eliminate middlemen such as runners, and shebeens will be forced to formalise themselves to become part of the one-level channel. The need for runners as a channel player will become lesser as shebeens strengthen their relationships with manufacturers. The resulting removal of runners from the channel will increase pressure on and the responsibility of shebeen owners. They will be largely responsible for dealing directly with manufacturers and must understand the “what” and “how” involved. The impact includes (Parry *et al*, 2002):

- Stockholding – the frequency of deliveries by manufacturers will determine stockholding and cash or credit required until the next delivery.
- Business layout and accessibility – stock-room size and security, plus accessibility as regards delivery. Shebeen outlets are usually situated in suburbs and only specific vehicles can access these areas.
- Merchandising agreements – understanding agreements related to receiving equipment such as coolers, promotional material and brand display boards and the return on investment requirements of manufacturers as well as compliance with such agreements.
- Credit – receiving credit from suppliers and managing credit for the purpose of continuing in business. SAB supplies the majority of product in an outlet (beer) and if the relationship is damaged owing to non-payment for products, this may lead to bankruptcy for shebeens. Training in credit concepts and procedures in dealing with these concepts must be received and understood.

It is now important to discuss types of distribution channels, moving products from manufacturer to end consumer. We will establish ways to employ the chosen channel for competitive advantage in servicing this informal channel that will become a formalised unit. Channels of distribution are used to bring goods and services to end consumers. A producer should therefore choose a channel that will best fit the organisation’s overall marketing policy.

The aim of this section is to enable one to appraise the efficiency of channels of distribution in the liquor trade. The alterations in channels, if any, will be examined by applying a distribution channel theory because the aim of the present study is to investigate the impact of changes in legislation on the shebeen after formalisation. Effective and efficient performance depends in part on the structure of the distribution channel. Such channels differ according to the functions they perform. A distribution system, properly operated, becomes a significant competitive differential advantage for the company (Stanton, 1975:334). The company's chosen channel intimately affects all other marketing decisions.

The distribution channel function will be reviewed, linked to the history of the shebeen after which the opportunity link between manufacturer and shebeen will be discussed. We will be examining the different types of distribution channels before formalisation and the competitive advantages that exist in a distribution channel.

2.4.2 Channel description for distribution in liquor sector

A channel of distribution consists of a set of institutions whose function is to move a product and its ownership from the producer to the consumer. "Place" in the concept of place utility (see below) is a term that is better translated as "distribution". The heading covers the channel of distribution chosen to take the products from the manufacturers to the consumer. This (the notion of distribution) is an area which is under constant change (Hussey, 1979:167).

2.4.3 Structure of channel

A channel's structure affects (Stanton, 1975:348):

- control over functional performance, which embodies the movement of goods and services from manufacturers to end users.
- speed of product delivery, which is gauged by the time taken by a product to leave the manufacturer and arrive at the consumer. The time factor could well be affected by the number of channel members in the system. The fact that

there are a large number of these does not necessarily imply reduced speed of delivery.

- The introduction of runners and shebeens in the liquor trade helped to create maximum brand exposure and convenience for alcoholic beverages. This implies that these factors resulted in place utility for such products in black residential areas.

Before formalisation, producers stated that the introduction of runners and shebeens had resulted, firstly, in cost savings for the other members of the distribution channel in the liquor trade. The manufacturers/wholesaler was saved from effecting deliveries to numerous small order customers such as shebeens. The licensed retailer does not have to deliver to shebeens either. Shebeens, on the other end of the spectrum, are not obliged to collect small orders from licensees, but rather employ runners delivering to a number of shebeens at a time (Tashe, 1991:54-57).

Secondly, the introduction of runners and shebeens resulted in a more efficient distribution system by increasing the speed of product delivery, in taking alcoholic beverages to the end consumer without the constraints of lead time that are prevalent in the liquor trade. Formalisation has created the opposite effect now for manufacturers and the necessity of maintaining a competitive edge, together with increasing competition, has prompted manufacturers to take control of this newly formalised sector, that is, of the various organisations that allow a flow of ownership and physical distribution throughout the system from manufacturer to consumer.

The functions of a marketing system are closely related to and dependent upon the nature of its channel's structure and design. The next section will explain channel design as it can alter to accommodate a new channel.

2.4.4 Channel design

It is important to consider the design of channels before formalisation for one to be able to perceive the impact of the new liquor legislation. Although the literature commonly reflects a design orientation, considerable evidence exists to support the view that the majority of channels are not designed, but rather evolve over time.

In some situations not all channel alternatives are known when original arrangements are negotiated. This could be the reason if a new channel appears and one's logistical resources are not able to fit the design of the channel. For example: If one only possesses a horse and trailer but the new channel requires smaller vehicles, the channel design must be altered to cater for this new channel opportunity. Consequently, decisions may later prove to be less adequate and pressure for change may develop. Channel design may take many different forms, based upon the events that have led to any review.

The objective may be to modify the existing channel by replacing one or more members of the channel: the actors found in a channel of distribution, which include the manufacturer, together with the middlemen, who are responsible for making the goods and/or services available to consumers. Alternatively, the reviewed design may result in development of either a one-channel or a dual distribution structure. An example of the development of a multi-channel is that a total channel could be replaced; however, one would expect channel modification to be more likely.

Manufacturers intend to deliver directly to the end consumer. The main objectives in using the formalisation of the shebeen channel to the advantage of the manufacturer will be based on the following:

- Channel design implies that distribution channels must be designed for competitive advantage because better channels will generate sales and also improve the product image.
- Middlemen in the channel who are not efficient in terms of making goods widely available and accessible to target markets, must be eliminated – as happened in the liquor industry where a number of liquor outlets closed down when they did not alter their marketing strategies after prohibition was recalled. Middlemen who, through their contacts, experience, specialisation and scale of operation, offer a firm more than it can achieve on its own, must be added to the channel of distribution. This is demonstrated by the recognition of the role played by runners and shebeens in the distribution of alcoholic beverages.

Although channel design is important, practical issues may negate the effectiveness of a channel which is theoretically ideal. As Kotler (1984:551) puts it: "Deciding on the best channels might not be a problem. The problem might be to convince one or

a few middlemen to handle the line.” The impact of formalization of the shebeen will reduce the channel line. The function, role and responsibility of the middlemen will now shift directly to the shebeens. Shebeens therefore have the opportunity to cut out the middleman and directly reap the price and merchandise benefits for manufacturers, which led to the problem statement in this research.

2.4.5 Channel control

Channel control is the ability of one member of a marketing channel to stipulate marketing policies to other channel members. In this respect “Channel management is concerned with the entire process of setting-up and operating the contractual organisation that is responsible for meeting the firm’s distribution objectives.” (Robbins, 1983:8)

Channel control may be achieved by (Robbins, 1983:9-12):

- economic/political influence;
- economic power. The party that is economically strongest will control the channel. Historically, wholesalers were able to exert a great deal of influence on manufacturers who could not deliver their merchandise to the marketplace;
- political or legal means. Traditional liquor outlets in South Africa have been set up by law and the manufacturers derived their power in the channel from statutes;
- superior knowledge.

The motor assemblers in South Africa control the distribution channel in the motor trade because of their superior technical knowledge of their products. They even train mechanics for their dealer outlets, thus ensuring competencies and loyalty towards the brand. The channel member who is able to achieve control of the bargaining process with the other members obviously gains a major advantage in respect to all aspects of relationships (Beckman & Davidson, 1976:240). Various views in this respect exist.

The position supporting leadership of the channel by the manufacturer is production-oriented. Manufacturers create new products, and they increase sales volume to derive the benefits of large-scale operations. However, a large retailer may employ

the same argument, especially if he provides new product ideas or specifications. Also, one can argue that the retailer is the natural leader in terms of the marketing concept, standing closest to the consumer, knowing his wants, and being his purchasing agent. Shebeens used to purchase only from large retailers so that the control and product influences remained with the latter. Manufacturers can now channel their product and benefits directly to the newly licensed shebeen and take control over channel and consumer.

The next section will explain the types of channels and their correct usage. This may be direct or indirect and the opportunity lies within these two channels. Marketing control and opportunity cost will determine the choice between these two channels.

2.4.6 Types of channels

According to Evans and Berman (1982:307) there are two basic types of channels of distribution: direct and indirect. A direct channel involves the movement of goods and services from manufacturer to consumer without the use of middlemen, while an indirect channel involves the movement of goods and services from manufacturer to independent channel member to consumer (Evans & Berman, 1982:307).

The choice of marketing method springs from financial considerations. It often happens that producers lack financial resources to embark on direct marketing. This might lead to their building stores and warehouses in every area where there are consumers. Mass distribution efficiency may not be reached by selling the manufacturer's goods only. Hence middlemen tend to distribute complementary products as well in order to reduce the costs connected with distribution and thus more efficiently running their business. Marketing channels can be characterised by the number of channel levels. Each middleman who performs somehow in bringing the product and its title closer to the end buyer constitutes a channel level. Since the manufacturer and the end consumer are both performers, they are part of every channel (Kotler, 1984:542).

A zero-level channel consists of a manufacturer selling directly to consumers, while a one-level channel contains one selling intermediary. An indirect channel begins with a one-level channel. The most common number of levels ranges from zero to three,

though higher level marketing channels are also found, although less frequently. Kotler (1984:543) argues that from the producer's point of view the problem of control increases with the number of channel levels, even though the manufacturer typically deals only with the adjacent level. An indirect channel has independent members and this justifies a mechanism for them to regulate the relationships between the parties by themselves. This could be accomplished by a contractual arrangement or an administered channel.

In the case of a contractual arrangement, all the terms regarding distribution functions, etcetera, are clearly specified in writing for each channel member. An administered channel, on the other hand, is characterised by the dominant firm in the distribution process planning the marketing programme and determining responsibilities. Before formalisation, the liquor industry in South Africa was legally based on a one-level channel. The producers performed the functions of wholesalers by distributing directly to retailers. The black market segment, however, has since the prohibition era functioned on the three-level channel level, through the introduction of redistributors, runners and shebeens (additional channel members) to the conventional, legal one-level channel.

Historically, the latter channel was not efficient because the retailer was unable, due to legal constraints, to make alcoholic beverages available and accessible to the black market segment. This has altered since 2003. With the new Act a mechanism has been devised for distributing of alcoholic beverages from a few white-owned outlets in town to a large number of consumers in black residential areas.

Since shebeens are receiving deliveries on a daily basis, sometimes twice a day from runners, it is important to evaluate this supplier since formalisation will allow them to be cut out..

2.4.7 Relationship between runners and shebeens

The runners were able, even if illegally, to supply shebeens with stocks of alcoholic beverages. The shebeens, in turn, were thus able to supply their patrons with sought-after liquor. It is paradoxical that the post-Malan era did not result in certain

death for the three-level channel. The impact of liquor legislation means that this channel is now under threat.

2.4.8 Selecting a channel of distribution

2.4.8.1 Direct distribution: Formalisation of the shebeen channel

In many cases the choice of channel of distribution is the most important one a firm will have to make. There are several reasons for this. *First*, it takes a long time to develop good relations with channel members. *Second*, where channels exist, it is hard for a new firm to enter. *Third*, once a firm generates good channel relations, suitable new products are easier to place into distribution. *Fourth*, channel members need to plan and implement strategies in a coordinated manner. *Fifth*, strong distributors greatly enhance a manufacturer's marketing capabilities. *Sixth*, consumers like to purchase products or services in the same manner over time (Evans & Berman, 1982:302).

2.4.8.2 Reasons for manufacturers to distribute directly to shebeens

Before formalisation manufacturers delivered directly to retailers (licensed establishments) and depended on them to execute their marketing efforts and distribute their full range of products to the "illegal or unlicensed" outlets (Kotler, 1984).

- Middlemen may cause damage to a manufacturer. This implies that firms must choose middlemen who demonstrate superior efficiency in the performance of distribution tasks, compared to the manufacturer.
- The use of "illegal" runners and shebeens in the liquor industry prevented SAB's competitors from capturing a market niche in the black segment of the liquor trade.
- Middlemen are the people who personally contact the end consumer. Consequently, a producer's entire effort is designed to reach one goal, namely, maximising the market effectiveness at the point of final sale.

During the prohibition era, manufacturers who were prepared to give marketing incentives to runners and shebeens in the form of reimbursing them for their confiscated liquor stock plus the payment of fines, gained a competitive edge in terms of distribution.

All channel members have a common set of objectives:

- profitability;
- access to products and services;
- efficient distribution; and
- customer loyalty.

The manner in which these objectives are to be reached is perceived differently by the channel participants and results in actions which are sometimes in conflict. Three separate forms of competitive conflicts within channels of distribution may be identified. Two of these occur on the horizontal level: the first is competition between middlemen of the same type; the second is competition between different types of middlemen, but still on the same level; the third kind of conflict is vertical in nature, involving institutions on different levels of distribution (Stanton, 1975:391).

Conflict is not to be confused with competition – they coexist in the distribution channel. Conflict among channel members may result in the merchandise that is the subject of the conflict being unable to reach the end consumer. The probability of the merchandise not reaching the end consumer could arise due to (Rogerson, 1983):

- the middlemen refusing to carry an item for distribution purposes. An example here was when Soweto businesses boycotted a certain brand of mielie meal because of a difference of opinion with the brand's manufacturer over the company's pricing strategy – especially that of granting discounts (Tashe, 1991).
- the manufacturer refusing to supply an item for distribution. Another example was when Sweden refused to supply Volvo cars to South African dealers for political reasons (Tashe, 1991).

Conflict arises between different levels, while competition is found within a level. Competition, on the other hand, normally permeates areas such as the *price structure* which usually benefits the end consumer. However, such competition is

disadvantageous to channel members when it results in price wars. Competition is a behaviour which is object-centred, indirect and impersonal. Conflict, on the other hand, is directly personal and opponent-centred behaviour (Tashe, 1991:44-46). Channel conflict used to be viewed negatively and it was said that any conflict affected performance adversely.

The advent of national retail chains has resulted in a shift of the balance of power in distribution channels towards retailers. This gave rise to the idea that channel conflict may lead to possible positive effects as well. Originally, manufacturers unilaterally determined the price and availability of products. The notion of national retail chains has resulted in a business that has to bargain with manufacturers in this respect, to the benefit of the end consumer. Channel conflict may be resolved in a cooperative manner in which channel members discuss their problems and accept mutual responsibility for solving problems. Alternately conflicts may be settled in a confrontational manner. It is argued that the channel cannot function positively within a confrontational framework.

Concerning the liquor industry in South Africa, the privatisation of outlets that were formally owned by administration boards, together with the licensing of taverns, seem to have increased competition between middlemen of the same type, i.e. redistributors. Conflict here may arise through aggressive marketing in terms of pricing and advertising. There is no evidence of conflict between the traditional 'white-owned' redistributors and producers in the liquor trade. Conflict between different levels of the same channel is said to be vertical in nature. Vertical conflict may take place when, *inter alia*, the manufacturer bypasses the other channel members and sells directly to consumers. The Liquor Act is unambiguous as to whom the manufacturer/wholesaler may sell to.

This chapter will conclude with the contributors in the channel, channel design and opportunities that exist for both shebeen and manufacturer.

2.15 CONCLUSION

The informal sector does not yet enjoy direct deliveries from the manufacturer. The channel length is long and added cost makes it less profitable for the shebeen. Both manufacturer and shebeen will have the opportunity to deal with each other, but the

channel design needs to determine cost and opportunity costs. The channel includes the manufacturer/wholesaler delivering to retailers in black townships such as the bottle store, taverner, informal redistributor and runner.

Producers and wholesalers in the liquor trade are generally able to control traditional liquor outlets by means of statutory power. However, the channel members who evolved over time are not subject to the control of producers/wholesalers because they have evolved illegally. The South African liquor industry employs an indirect channel of distribution in taking alcoholic beverages to the end consumer. The liquor trade, as designed by statute, is supposed to function on a one-level channel. The conditions in the black market of the liquor industry resulted in a three-level channel (manufacturer → wholesaler → runner → shebeen).

The impact for shebeens dealing direct with manufacturers includes factors noted earlier, such as stockholding, business layout and accessibility, merchandising agreements, credit, training and understanding of credit concepts and procedures in dealing with these concepts. It is important for both shebeen owner and manufacturer to understand the above factors in dealing directly with each other. Formalisation demands a platform of resource management and competencies that are beneficial for both parties.

CHAPTER 3

OVERVIEW AND LEGISLATION OBJECTIVES IN THE SOUTH AFRICAN LIQUOR INDUSTRY

3 OVERVIEW AND LEGISLATION OBJECTIVES IN THE SOUTH AFRICAN LIQUOR INDUSTRY

3.1 INTRODUCTION

The South African liquor industry, comprising the beer, wine and spirit segments, is characterised by high levels of concentration where virtually the entire market is served by a mere handful of companies. Current industry dynamics have their roots in developments that took place almost three decades ago, where the country's political isolation together with the then government's tolerance of market concentration and the presence of vested interests saw the emergence of a small number of key players that controlled the market (Robbins, 1983).

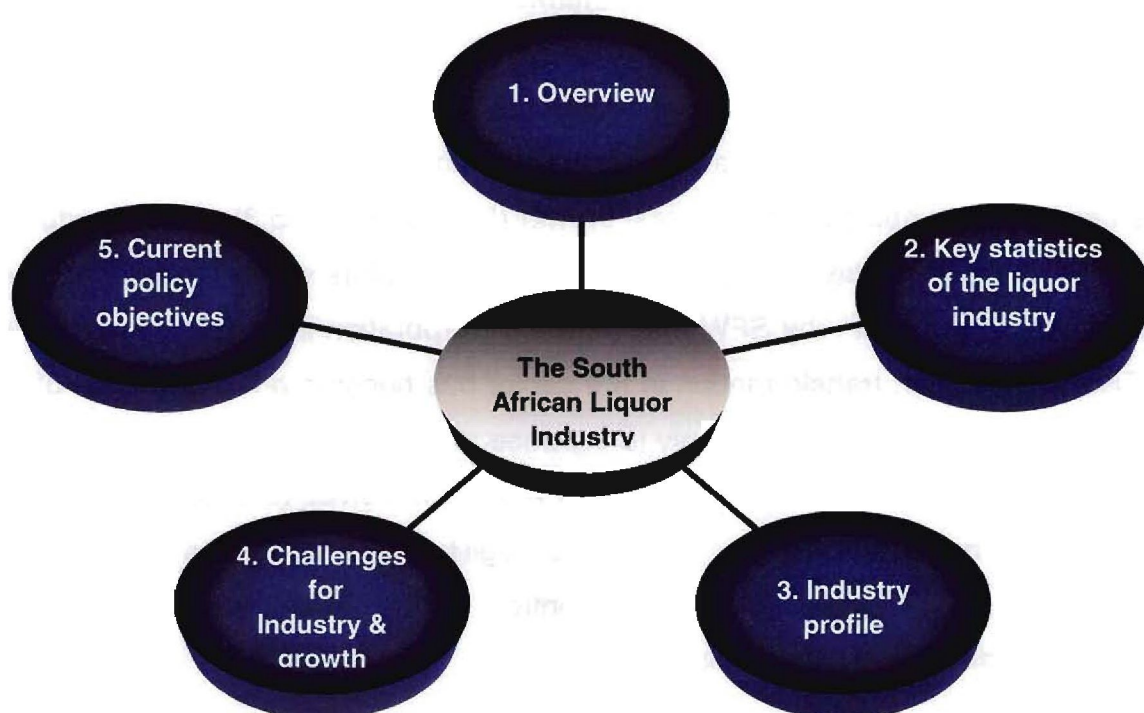
Ownership in the sector is not dissimilar to what it was in the 1970s and 1980s. In the beer segment, South Africa's incumbent operator (SAB) has in a short space of time become the world's second largest brewer (Naumann, 2005:3). Wine producers like KWV continue to play an important role, while the spirits sector is still dominated – to a significant extent – by SFW and Distillers Corporation in its present-day guise as Distell. However, transformation in the sector has become a key objective of the government, which is hoping not only to increase market opportunities for historically disadvantaged groups, but also to break up what it perceives to be anti-competitive conduct by some of the sector. New liquor legislation in 2003 was promulgated, which seeks to increase government control of the liquor value chain, from production to distribution and retail.

While the sector has, overall, performed well in recent years (2001 – 2004), it is increasingly being challenged by other sectors for a share of consumers' disposable income. At the same time, the current government has made it a key objective to reduce the widespread abuse of alcohol, and the related social and medical consequences (Rogerson, 1983). This chapter largely considers the sector's segmentation, sales, industry concentration and key products, employment characteristics, competition and regulation, the potential for SMMEs as well as some of the key challenges facing the sector in moving to formalisation.

3.2 THE SOUTH AFRICAN LIQUOR INDUSTRY

The following section will discuss the South African liquor market, contributors to it in the market place as well as its value to the South African economy. Employment characteristics, competition, segmentation, key challenges will also be explained. It is important to link this information to the current policies and objectives as these factors impact on the formalisation of the informal industry liquor. Figure 3.1 displays the chapter's layout, linking the liquor industry with contributors and legislation which affects the shebeen directly in its formalisation.

FIGURE 3.1: LAYOUT OF THE SOUTH AFRICAN LIQUOR INDUSTRY



Source: Researcher's own compilation

3.2.1 Overview of the South African liquor industry

This section focuses on the South African liquor market. This is an industry that draws attention from a large number of organisations, for example (Tashe, 1991):

- *Government* – which regulates the distribution of liquor;
- *Welfare and health agencies* – these institutions are concerned about the effects of alcoholism; and
- The liquor industry itself which, paradoxically, is concerned about the notion of “drinking and driving” as an integral part of the industry’s social responsibility programmes.

The South African liquor industry can be broadly described as including the manufacture, marketing and distribution of wine, spirits and beer. The South African liquor industry has to a large extent been formed by the domestic environment in which it has operated over the past few decades, and more recently, by global influences and opportunities (La Hausse, 1988). Past regulation (before 2003) and even political considerations led to a sector that is in part highly concentrated (Tren Grove & Breitenbach, 2005). As mentioned, this means that a small number of firms control a large part of the market. While it can be argued that certain global dynamics and economies of scale require this, a prime example where this is not necessarily the case is Germany: here, besides national and international brands, almost every town has its own commercially viable brewery.

In South Africa, a single company controls virtually the entire market. In the spirits segment, a small number of firms are responsible for most of the production, marketing and distribution of liquor. While South Africa boasts a significant number of “home-grown” brands, for example, *Amarula Cream Liqueur* or *Cape to Rio* cane spirit, many spirits are produced locally under international licence. The wine industry records far lower levels of industry concentration, with more than 500 active wine producers. While some of the large established spirits and wine companies own key producers in the sector, a large number of independent wine estates and co-operatives likewise play an important role (SAWIS, 2005).

A number of challenges face the South African liquor industry today, including issues concerning global competitiveness in the current climate of increasing “free trade” in line with World Trade Organisation principles. The liquor industry faces growing competition from other sectors for a share of consumers’ disposable income. The latest confirmed data that could be obtained for this literature study only reflect the years of 2003 and 2004. In 2004, spending on liquor accounted for approximately 13% of total discretionary spend, compared with 23.7% in 1996 and 16.4% in 2000. Relative ‘spending share’ was drawn away mainly by the communications sector, including the cellphone, internet and digital satellite television categories (Naumann, 2005:5-6).

Nevertheless, higher income levels and greater disposable income mean that overall disposable income on consumables has also grown. Sales revenue for shebeens in 2006 is indicated as 18 billion rand, of which 144 million rand can be added to the government’s fiscus (Anon, 2006). The following section will consider the key statistics of the liquor industry. Industry sales will clearly indicate the industry’s performance as well as the role players’ contribution in each segment.

3.2.2 Key statistics of the liquor industry

Key figures comprise industry statistics, and the number of firms within the industry as well as key products. Value to the economy is important as are employment characteristics in the liquor industry. A brief overview of the contribution of the shebeen sector will be included.

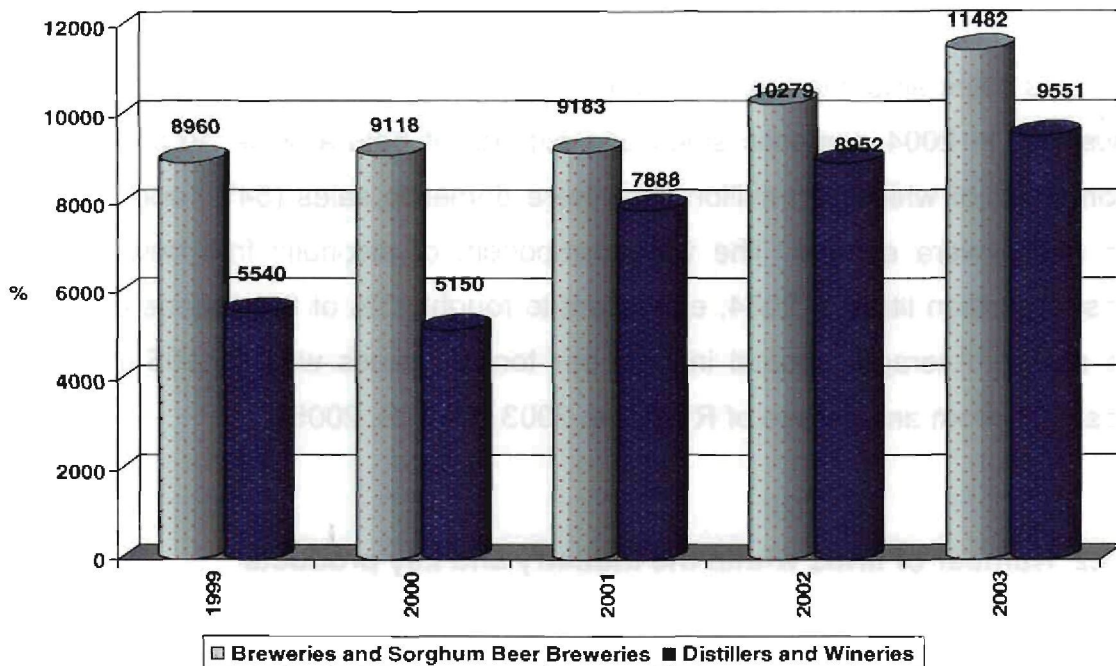
3.2.2.1 Industry sales

The South African liquor industry is part of the general beverages sector. Its wine and spirits component can be further sub-divided along its sub-categories, for example still and sparkling wine, liqueurs, white and brown spirits, flavoured alcoholic beverages and so forth. The liquor industry has in recent years recorded robust growth in sales value terms, which increased from R 14,5bn in 1999 to approximately R 21bn in 2003 (Stats SA, 2005). This represents a nominal aggregate change of almost 50%. More recently, 2002 – 2003 year-on-year growth between was 9% in

value terms. Soft drinks and mineral water, being the third component of the beverages sector, contributed a further R 9bn to beverage industry sales in 2003. While not forming a part of this study, this would make it roughly the size of the wine and spirits sector. The split between sales of the beer market on the one hand, and wine and spirits on the other was approximately 55% to 45% in 2003. The most current data available is from Statistics SA report for 2005. In relative terms, the contribution to sales by the beer sector has declined over the period under review, although there has been a stabilisation over the past three years. National beer sales have increased by 28% to R 11,5bn between 1999 and 2003, while wine and spirits sales grew by 72% to R 9,6bn over the same period. Figure 3.1 indicates sales that are recorded for off premises consumption. Shebeens mainly receive their stock from on-consumption outlets. This is shown in comparison with wine sales over the same period.

GRAPH 3.1: VALUE OF SALES THROUGH OFF-SITE CONSUMPTION

Value of sales through off-site consumption outlets (excluding bars, restaurants and other drinking establishments) 1999 - 2003, R000



Source: SAWIS 2005

In the “clear” beer (as opposed to traditional African beer) market segment, South Africa’s dominant producer (SABMiller) holds approximately 95% of the market share (Neumann, 2005:6-7). The company’s global South African annual sales (as at 31 March 2007) were valued at US\$ 4.3bn (approximately R43bn) (SABMiller plc *Annual*

Report 2007). This excludes income from the company's equity holdings in the soft drinks industry, Appletiser South Africa and the Distell Group. Overall, the 2003/4 data suggests that beer's share of the total liquor market rose to approximately 60% (in absolute alcohol share) in 2004 (Neumann, 2005:8). Beer's market share was gained mainly from spirit-based companies, with the exception of the fruit alcoholic beer segment. Even here SAB competes successfully with a number of products, most notably with *Redd's*.

SABMiller's dominant market position is further highlighted by the fact that South Africa's top-selling liquor brands are all produced by the company. These are, in order of market share, *Carling Black Label*, *Castle*, *Hansa*, *Castle Milk Stout*, *Amstel* and *Castle Lite* (Stats SA, 2005). The other four making up the top 10 are *Smirnoff* vodka, *Hunter's*, *Klipdrift* brandy, *Bell's* whisky and *Redd's*. Boosted by a strong upswing in demand for premium beers, Brandhouse beer labels such as *Windhoek* and *Heineken* have however seen strong growth in their relevant market segment. Stakeholders falling into the "distilleries and wineries" category recorded R 9,5bn worth of sales in 2003 (Stats SA, 2005).

Producers sales amounted to R2,6 billion in 2003. In volume terms, data by SAWIS shows that in 2004 domestic sales and exports of natural wine amounted to 574 million litres, of which 308 million litres were domestic sales (54%) and 266 million litres (46%) were exports. The wine component of alcoholic fruit beverages was almost 10 million litres in 2004, equivalent to roughly 3% of the volume of domestic wine sales. Average nominal income per ton of grapes was R2,105 in 2003, up almost 60% from an average of R1,329 in 2003 (SAWIS, 2005).

3.2.2.2 Number of firms within the industry and key products

As outlined later, the current structure of the South African liquor industry is rooted in the strong regulatory regime of the 1970s and 1980s. As a result, a small number of firms control the liquor industry. In addition, the capital-intensive nature of liquor production, distribution and marketing means that a fair amount of consolidation around key brands and companies has taken place. Particularly in the spirits market, a large number of global brand names are in existence, reaching well into the South African market (usually manufactured and distributed locally under license) (Diageo,

2005). The exception is the wine industry, despite the existence of certain multi-brand owners and distributors, in that a far larger number of independent producers operate in this market

In the beer segment, as mentioned, London-based SABMiller (formerly *South African Breweries*) is the leading producer of (malt) beer in South Africa (Neumann, 2005:10). It is today one of the largest beer companies in the world; the key merger between it and US company Millers took place in 2002. The company owns over 150 beer brands. Key beer brands produced and marketed in South Africa include *Castle*, *Carling Black Label* and *Millers*, while the company's more than 150 international brands include *Pilsener*, *Urquell* and *Holsten* (SABMiller plc *Annual Report 2007*).

The formal sorghum beer industry, which is referred to as "traditional African beer", is dominated by United National Breweries (SA) (UNB). This Indian-owned company is the successor to National Sorghum Breweries (NSB), and took management control of that company in 1996. In 2000, UNB also took over Traditional Beer Investments, the sorghum division of then SA Breweries. The company holds a 90% share of the local market, producing around 400mn litres per annum (Stats, 2005). However, this performance must be seen in context: that in South Africa more than three quarters of traditional African beer is brewed at home, the rest being industrial production (Tren Grove & Breitenbach, 2005). Also, the size of UNB's brewing volume (0,4bn litres) is substantially smaller than that of SABMiller's South African operations (2,5bn litres). The company owns 9 breweries (5 coastal, 4 inland), and exercises some ownership control over both its distribution network as well as raw material sourcing through its Isithebe (Kwa-Zulu Natal)-based malt plant. Brands include *Chibuku* and *Ijuba Special*.

3.2.2.3 Value to the South African economy

The liquor industry makes a significant contribution to the South African economy, not only in terms of its contribution to GDP, but through its payment of taxes such as company tax, value added tax and excise duties, provider of employment, supplier and user of a variety of goods and service, role player in the tourism industry and so forth. The wide reach of the liquor industry across the primary, secondary and tertiary sectors of the economy, from agriculture (grapes, malt, hops, sugar cane) to

manufacturing (wine making, distilling, brewing) to marketing, distribution and retail mean that the sector's contribution to GDP is difficult to quantify. Compounding this problem is the fact that the national statistics agency, Statistics South Africa, does not provide regular disaggregated GDP statistics showing the contribution to GDP by the liquor, wine and spirits sector (Kotze & Redelinghuys, 2002).

The beverages sector, within the broader manufacturing sector, is often lumped together with tobacco, while the contribution of the liquor sector's reach into the primary (agriculture) and tertiary (marketing services, transportation etc.) sectors is difficult to quantify. The manufacturing sector's contribution to overall GDP is 32.2%. The beverages sector accounts for 4% of GDP, although this includes both alcoholic and non-alcoholic beverages. Agriculture contributes 3.8% (Stats, 2005). Since most of the wine industry is located in the Western Cape, its contribution to the region's gross geographic product (GGP) is significant.

The spirits segment, with its own dynamic mix of local production and / or distribution of international brands, is spread a little more evenly throughout South Africa, although even here the largest players are located in the Western Cape (for example Distell, Brandhouse, KWV). In the beer industry, the production and distribution network is spread out nationally, with at least seven SABMiller breweries alone operating in various centres. The total GDP contribution of the informal sector was estimated at 4,6% in 2004 (Ligthelm, 2005). Of this, the informal sector contributed 2,1%. These employment proportions are important as 600 000 people (an unconfirmed figure) still work for illegitimate shebeens (Anon, 2006).

3.2.2.4 Employment characteristics of the industry

The liquor industry is an important source of employment opportunities in South Africa. Unfortunately, few reliable employment statistics covering recent years appear to be available, due in part to seasonal variations (for example the wine industry) and the overlap between certain manufacturing processes with other industries (for example distillation of ethyl alcohols). For the wine industry, the total number of direct employees in 2003/4 was 109,000. Of these, only 22,000 are involved in the processing of wine (refining, manufacturing, cellar personnel), while 44,000 are employed on the primary production side (wine growers). A further 43,000 are

employed in the distribution, which includes the wholesale, retail and transportation sectors. In addition, 7,000 tourism-related jobs are said to be directly attributable to the wine industry (Stats, 2005).

In the beer industry, SABMiller – with 95% market share – directly employed 8000 employees as of March 2007. No reliable data is available for the spirits industry. Key players include Distell, Brandhouse, DGB, E.Snell, KWV, Pernod Ricard, NMK Schulz and upstream producers (of cane spirit, rum, vodka etc.), NCP Alcohols and Illovo. A number of wine producers are also active in the spirits segment, for example through the distillation of brandy and flavoured liqueurs. The sugar cane industry in Kwazulu-Natal, and the resulting presence of cane-based alcohol producers around Durban (NCP Alcohols etc.), serves as an important driver for the location of various smaller spirit marketers and re-sellers. These operate mainly at the lower end of the market, but nonetheless provide significant local competition to large brand-name companies like Distell.

3.2.3 Industry profile

As is evident from the preceding sections, the South African liquor industry can be broadly segmented into beer, spirits and wine sectors.

3.2.3.1 Segmentation within the industry

Despite the inter-relatedness of these segments, for instance their dependence on disposable income and the substitutability of some of the products, the dynamics within each sector are nevertheless fairly unique. Beer, as mentioned, captures by far the largest share of the market, and is dominated by SABMiller (Stats, 2005).

The spirits industry, broadly classified, accounts for approximately 15% of the liquor industry market share, and can be further segmented into white spirits (for example gin, vodka), brown spirits (for example brandy and rum), whisky and spirit-based drinks (or FABs). Brandy represents by far the largest share of the market (46% of the spirits sector), with South Africa being one of the leading producers of brandy worldwide (Stats, 2005). The sector is dominated by a small number of multi-brand

companies, who are often subsidiaries of global brand-name manufacturers or at least have long-term distribution agreements. The wine industry, which as indicated earlier records the lowest levels of industry concentration within the liquor industry, covers still wine, fortified wine and sparkling wine categories. Together, these account for approximately 15% of the liquor market (Albertyn & McCann, 1993).

Wine production is split approximately 68% to 32% in favour of white varieties, with only the Stellenbosch, Paarl and Malmesbury wine regions crushing more red than white varieties. An increasing focus on the noble cultivars is evident, notably Sauvignon Blanc, Chardonnay, Cabernet Sauvignon, Pinotage, Merlot and Shiraz, as measured by these cultivars' percentage of total plantings (SAWIS, 2005). For example, the area distribution of Cabernet Sauvignon has more than doubled since 1996, for Shiraz it has grown from 1.1% to 7.7%, Merlot from 1.6% to 6%, and Pinotage from 3.3% to 6.1% (Stats, 2005; SAWIS 2005). The next section will provide insight into competition in the liquor industry.

3.2.3.2 Competition

The structure of the South African liquor industry with a small number of companies currently controlling a large bulk of the South African liquor industry (Tashe, 1991: 61-65) was discussed earlier.

A lessening of competition in the SA liquor industry took place as early as 1918, when according to the Competition Tribunal's background assessment of the recent SFW Distillers merger, a so-called 'gentlemen's agreement' was entered into by the KWV and the wine merchants under which the KWV would refrain from competing with the merchants it supplied (Louw, 1994). Specifically, the KWV, as a quid pro quo for the co-operation of private entrepreneurs, undertook not to compete with the existing interested parties in the trade in or distillation or manufacture of wines and spirits in Africa south of the equator. Many decades later, in 1979, a market sharing arrangement resulted from the restructuring of parts of the South African liquor industry, which secured SAB's (now SABMiller's) beer monopoly and the Rembrandt Group's dominant position in the spirits and particularly brandy market (Stein, 1981).

As a result, Rembrandt was to stay out of the beer market, while SAB was not to directly compete in the spirits industry. During the 1970s, SAB had owned SFW as well as a spirits company called "Henry Tayler and Ries". This restructuring led to the South African Competition Board recommending, in 1982, that the vertical integration and resulting lowering of competition as a result of this transaction be reversed, although the government at that stage rejected this recommendation (Stanton, 1975). However, during the early 1980s, a partial reversal of the restructuring was effected through the separate listing on the Johannesburg Stock Exchange of SFW and a new entity called Distillers Corporation SA Limited. Twelve years later in 2000, Distillers and SFW once again merged to form Distell, giving the merged entity a dominant market share in the gin, sparkling wine, fortified wine, FABs and brandy categories. Distell's share of the South African liquor market (including beer) immediately after the merger was just under 20%. The company also has interests in the regional market, for example a stake in African Distilleries in Zimbabwe, Drinks and Beverage Co in Mauritius, as well as Tanzania Distilleries Limited. Due to the "lessening of competition" in various categories following the merger, most notably in the premium spirits category (interestingly, the Competition Tribunal interpreted market share more according to price categories rather than the classic "white spirits", "brown spirits" etc. differentiation), the Tribunal went on to require Distell to divest itself of brand interests (Smith, 1983).

These included some brandy categories (Martell) as well as its distribution rights to KWV brands. However, as KWV still partly owns Distell, a potential conflict of interest with regard to competition nevertheless remains. Significant competition in the premium spirits market also stems from newly formed Brandhouse, which is consolidating its position in the industry together with heavyweights Diageo (the leading global spirits company) and Namibian Breweries. Market share and market power within this sector rest largely with a small number of companies. Entry barriers are high, not so much as a result of production challenges but rather owing to the vast resources required for gaining market share through marketing and advertising (Smith, 1983).

In the wine industry, competition is intense, exacerbated by the fact that the volatile Rand has forced many export-gearred producers to re-evaluate the local market. In 2004 in particular this was signified by vast surpluses, applying downward pressure on prices and necessitating market practices that can sometimes be interpreted as

being anti-competitive (De Kock, 2002). For example, producers are increasingly forced to enter into arrangements with retailers and especially the restaurant sector to ensure “shelf space” or a listing on the menu, often to the exclusion of competing brands (Beavon, 1984). Nevertheless, competition remains healthy in this sector.

The South African beer industry is a typical case of market dominance by a single operator. With the exception of the premium beer market, SABMiller virtually owns the market (Stols, 2008). While SABMiller is not a true monopoly in that despite its market share it does not charge monopolistic prices nor are other operators prevented from entering the market, it nevertheless wields substantial market power. The company has grown from being a national company with interests in liquor, retail and manufacturing, to the world’s second largest brewer (Pieters, 2008). In South Africa, a number of small micro-breweries exist alongside SABMiller, although these mostly serve only a very small local market (Ansoff, 1981). The next section, on industry regulation, will first deal with the manufacturer and distributor and then the formalisation of the shebeen. It is important to understand this regulation as the Liquor Act’s objectives are clear and the formalisation of the industry (manufacturer and informal sector) is executed under the same objectives.

3.2.4 Industry regulation

The core legislation pertaining to the South African liquor industry is the Liquor Act of 2003 (Act 59 of 2003), which was promulgated by Government Gazette in April 2004. Related legislation consists of the National Liquor Regulations, 2004, which relate to the procedures for registration of liquor entities and other related matters as required under the Liquor Act of 2003. The National Department of Agriculture’s Draft Liquor Products Amendment Bill, which deals with issues such as geographical indications, inspection of premises etc., has not yet been promulgated.

Unlike the 1989 Liquor Act, which dealt with all liquor-related aspects including manufacture, distribution and retail sales of liquor in South Africa, the 2003 National Liquor Act predominantly covers manufacturing and distribution aspects. Owing to powers vested in the provinces by South Africa’s constitution, the responsibility for regulating the liquor industry rests jointly with national and provincial governments. Retail licensing, for example, was found by the Constitutional Court (before which

initial versions of the proposed liquor legislation were brought) to be of exclusive provincial jurisdiction (Ross, 2003).

The Constitutional Court ruling found that the country's national government enjoys the power to regulate the liquor trade in all respects other than liquor licensing, thus rejecting its attempts to prescribe detailed mechanisms to provincial legislatures for the establishment of retail licensing mechanisms (Naumann, 2005:26-27). The two key objectives of the national legislation are to restructure the liquor industry and to address the social-economic costs of alcohol abuse. To restructure the industry, government is seeking greater control over the sector at all levels, while also aiming to deal with potentially anti-competitive conduct by dominant industry players, and to facilitate greater participation in the sector especially by historically disadvantaged groups. Draft versions, before 2003, of the liquor legislation envisaged a three-tier system consisting of manufacturing, distribution and retail. This would have sought to achieve a certain amount of de-coupling of certain aspects of the high degree of vertical integration found in the liquor industry, for example where spirits manufacturers also own major liquor retail outlets (as was until mid-2002 the case with Distell and Western Province Cellars), or where manufacturers exercise substantial control over their distribution network (for example SABMiller with respect to beer) (Naumann 2005:28).

It was argued that control over manufacture and distribution would in many instances prevent new market entrants, thus also hampering greater participation by businesses owned by historically disadvantaged groups. The new legislation requires manufacturers and distributors to become registered in terms of the Act. These registrations had to be completed by no later than November 2004, although they were in most respects a mere conversion from the old licensing system to the new. In practice, however, these conditions currently apply only to new market entrants, until such time that the necessary registration criteria have been formally drawn up by the relevant authorities (Morange, 2003).

3.2.5 Social Issues and Consumer Protection

As outlined in the previous section, the 2003 National Liquor Act predominantly covers manufacturing and distribution aspects. As mentioned earlier, the two key

objectives of the national legislation are to restructure the liquor industry as well as to address the socioeconomic costs of alcohol abuse. While the first objective must be seen in the context of a sector having high concentration levels, especially in the beer and spirits segments, the social aspects have been elevated to their current high status owing to South Africa's poor track record especially with respect to the abuse of alcohol and its health and social consequences (Albertyn & McCann, 1993).

One of the methods that the new liquor legislation is using to address the social and health aspects of liquor consumption is that of imposing conditions on the registration of liquor license holders (in this case applicants falling above the threshold limits that have been set for compulsory registration). Considering the concentrated nature of the industry, these conditions should, therefore, in practice apply to all key beer and spirits operators. In practice, these requirements have not been applied to the initial license conversion process, which required existing producers and distributors over the volume threshold to register their activities by November 2004. The conditions for registration did however apply to new registrants from this date onwards (Parry *et al.*, 2003).

While the Act is not specific about the exact measures required from industry participants, a voluntary industry organisation has for the past twenty years provided sector participants with guidelines relating to various alcohol-related aspects (Frazier *et al.*, 2005). The organisation, which is called the Industry Association for Responsible Alcohol Use (ARA), categorises its activities under the following four themes (Naumann, 2005:30):

- (industry) self regulation;
- primary prevention through education and research;
- youth development and prevention of under-age consumption;
- participation in public policy development.

Corporate members include South African Breweries, Distell, E.Snell, DGB, KWV among others, which means that industry coverage within this forum of the broader liquor production and distribution sector is substantial. ARA members subscribe to a strict Marketing Code, which includes rules on advertising, promotions and media use. In this regard, complaints relating to its members are referred to an independent arbitrator. The ARA has also drawn up a 'Code of Business Practice' relating to legal,

moral and ethical obligations, which the organisation claims “thousands of traders” subscribe to (Naumann, 2005:31-33).

The ARA has adopted a number of positions with regard to issues affecting the sector. These relate to advertising, age limits, availability of alcohol, ‘moderation and benefits’, pregnancy, taxes and warning labels. While a discussion of each of these is beyond the scope of this study, some of the ARA’s positions and related issues are summarised below (Naumann, 2005:31-33):

- Advertising: alcohol advertising does not increase consumption or affect abuse of alcohol; rather, its main purpose is brand building through brand differentiation;
- Age Limits: supports 18 years as minimum (unsupervised) drinking age, emphasizes importance of decision-making empowerment through education (of youth) as more effective than overly restrictive drinking-age limitations;
- Availability: sees no causal link between availability of alcohol (i.e. type of beverage sold by licensee, opening hours, number of licensed outlets), per capita alcohol consumption and alcohol-related problems. Instead, feels that a focus on risky drinking patterns of individuals or groups holds greater hope for success;
- Moderation and Benefits: advocates the importance of moderate drinking, but at the same time takes the position that the message of moderation should run parallel to the message that moderate consumption has positive health effects;
- Pregnancy: advocates the use of caution with respect to the consumption of liquor during pregnancy; actively providing funding for research into FAS (foetal alcohol syndrome);
- Taxes: a policy based on high taxes has limited, if any, effect as a means of controlling the consumption of liquor due to unfavourable demand / price elasticity; also believes that increased excise taxes as a means of moderating consumption impose an excessive and fundamentally unfair burden on responsible drinkers and thus defeats its apparent objective; inelastic demand means that a rise in prices leads to a relatively smaller drop in demand;
- Warning Labels: believes that warning labels would be ineffective in combating irresponsible alcohol use, and sees its ‘voluntary restraint’ of adding positive messages about possible health benefits relating to moderate alcohol consumption as a trade-off against the use of warning labels.

While the ARA's policy position appears largely based on fully referenced scientific research, it is clear from an analysis of the above that the industry organisation is in effect opposed to any increasing regulation as a means of regulating alcohol consumption. This is perhaps understandable considering the nature of this body, which was formed by industry representatives who clearly have a stake in the sector. While not passing judgment on the validity of the organisation's positions, it nevertheless remains a fact that a significant proportion of motor vehicle accidents on South African roads are related to the (excessive) consumption of alcohol. Furthermore, a substantial proportion of all trauma cases in hospitals also bear a direct link to the consumption of alcohol. Foetal Alcohol Syndrome (FAS) in South Africa records one of the highest incidence rates in the world. While causal links to excessive alcohol consumption are not readily proven, it is certain that these are likely to include social, economic, moral and other reasons. At the same time, it must be recognised that from a social responsibility and health perspective, regulation will necessarily find limited application in the unregulated segment of the industry. For example, home brewing of traditional African beer (sorghum beer) has cultural, economic and other roots, and campaigns to regulate consumption through interventionist policies are likely to be met with limited success (Koch, 1983a).

Furthermore, beer powder (the most basic ingredient apart from water used in the domestic production of traditional African beer) does not in its unfermented form contain alcohol, and would thus not fall within the scope of alcohol regulations. The formalisation of the shebeens falls under regulation of the industry as the objectives are social control and reducing alcohol abuse. The Act states the following objectives under the formalisation of the shebeens (Hart, 1985):

- to make it possible for bona fide unlicensed traders in historically disadvantaged communities to legitimise their businesses without encountering unnecessary barriers to entry, but also to create an environment that will encourage shebeeners to do so;
- providing an enabling environment for emerging traders, and considering land-use planning issues as determined by municipal planning authorities.
- to provide for the involvement of communities in determining the correct location of licensed liquor outlets;
- to involve municipalities in assisting the formalisation process;
- to reduce the social cost of liquor abuse to society in general; and

- to protect the community against any negative consequences of the abuse of alcohol.

It is clear from the previous analysis that the South African liquor industry is facing many significant challenges in the future. Many of these are directly related to the country's unique socio-economic background. In this context, an understanding of the present-day industry structure is only possible by recognising developments over the past three decades. In particular, the country's international isolation during the apartheid regime meant that competition within the sector was often directly influenced by economic and political policies of that era.

3.2.6 Key challenges facing the industry and prospects for growth

High levels of industry concentration have been discussed. Despite the absence of any specific legislation prohibiting competition in the beer market, entry barriers are in fact very high. Various microbreweries exist, but even more have closed down, while none are able to capture any significant market share away from the incumbent operator. While this situation is naturally not entirely desirable, especially in the context of achieving broader ownership in the sector and opening it up to further competition, the situation is complicated by a number of key issues (Gumede, 1995).

SABMiller does not employ overtly monopolistic pricing behaviour, thus negating the argument that "consumer surplus" – which in economic theory refers to the aggregate additional price over the current average that consumers might have been prepared to pay for beer – is passed to the company (Pieters, 2008). Also, SABMiller operates in a market where size is increasingly a key to survival. At the same time, the company is publicly listed, meaning that despite its grip on the local market, it nevertheless benefits a large range of shareholders. Blindly changing ownership patterns in the beer industry to more clearly reflect South African demographics is thus clearly not an easy task (Stols, 2008).

The spirits industry is also fairly concentrated. Complicating factors, especially in the context of broadening ownership and making entry more accessible to new market players, include the fact that many of the sector's products are internationally branded goods. Many of these products are manufactured locally under intricate

licensing and distribution agreements. The wine industry also faces its own unique set of challenges.

Some of the many challenges facing the South African liquor industry therefore include the following (Naumann, 2005:31-35):

- Overall ownership in the beer and spirits sector is highly concentrated, in a large part due to historical reasons where this was condoned if not even promoted;
- Entry barriers are extremely high in these segments, and with regard to spirits lie less with technical barriers rather than the substantial resources required to successfully build new brands through marketing and advertising;
- Despite South Africa's competition authorities ruling that major liquor and wine company Distell dispose of certain of its brands (following the SFW-Distillers merger) to avoid excessively high concentration ratios in certain product segments, the industry remains highly concentrated at the product segment level;
- The dominance of SAB (SABMiller) in the beer industry poses difficulties with regard to broader ownership, as the incumbent operator is apparently not conducting its operations anti-competitively with regard to pricing, and thus does not necessarily warrant intervention to achieve consumer benefit;
- Loosening the currently close relationship between beer manufacture and distribution may be one of the few avenues for broadening broader ownership in this sector, although already more than half of SABMiller's non-owned local distribution is owned by historically disadvantaged groups (it should however be remembered that the company's close relationship with these distributors, often through complex finance arrangements, prevents them from being independent operators);
- Nevertheless, cross-ownership between production and distribution continues to maintain high entry barriers for new players into the liquor industry;
- The wine industry consists of a large number of primary and secondary producers, although entry barriers to new operators remain high considering the substantial capital requirements;
- Alcohol abuse and related medical and social consequences remain a significant problem in South Africa, a situation that the current legislation is hoping to reduce through stricter controls and penalties. However, this abuse

is both a cause and consequence of the country's socio-economic environment, which for example warning labels will not simply eradicate;

- Another exogenous challenge facing the industry is the exchange rate, although this affects the wine industry the most. Spirits are mostly produced locally (in many cases under license for the South African market), meaning that exports are less of a factor. Beer is generally produced within the market that it serves (for example SABMiller's neighbouring breweries produce for the local market there), and exchange rate fluctuations do not directly affect Namibian Breweries' local market presence, due to the linked exchange rate. The wine industry however relies on exports to a far greater extent, with the exchange rate at current levels causing many of South Africa's exports to be uncompetitive in key international markets;
- The liquor industry is forced to compete for consumers disposable income with an increasing number of competing sectors, which in South Africa include the communications sector (especially cellular), the lottery and so forth. This is evidenced by the decreasing proportion of disposable income spent on alcohol, although lower taxes and a favourable interest rate climate have probably reduced the negative impact than would otherwise have been the case. Nevertheless, the latest available data from SAWIS indicates that in the wine industry (encompassing natural wine, fortified wine and sparkling wine), volume consumption decreased by 10,2% between 2002 and 2003. Since 1999, there had been virtually no volume growth; (SAWIS, 2005)
- A number of regulatory challenges remain with regard to the new liquor legislation, for example in the establishment of clear benchmarks and conditions for registration of existing and new market participants.

Growth prospects in the liquor industry to a large extent depend on how the challenges mentioned above will be met by producers, government, representative bodies and consumers alike. Overall, beer (especially premium beer) has shown positive growth, with industry reports showing that it has eroded market share from other liquor categories with the exception of FABs (Stats, 2005). White spirits in particular bore the brunt of growing beer sales. Both SABMiller and Namibian Breweries gained overall liquor market share. Growth prospects also depend on growing consumer demand, both in terms of average volume consumption as well as in absolute terms. South Africa has a growing middle class, which bodes well for liquor consumption in both the middle and premium market. A growing switch from

traditional beer, for example, to spirits has been observed of late, and FABs have demonstrated strong volume growth among black consumers. In fact, according to industry sources the strongest growth in demand for certain FABs, for example brandy-based coolers, has been from the growing black middle class. In the presence of general economic upliftment, especially among historically disadvantaged groups, and favourable economic conditions (interest rates, disposable income), the prospects for various liquor segments look promising. Overall, however, intense competition for the consumer's disposable income, technological advances and widening product offerings will continue to be important determinants of the growth prospects in the liquor industry.

All role players operate under one regulator, the Liquor Act of 2003. The formalisation of the informal sector is next in view and should bring about social control and lessen alcohol abuse. It will also regulate the informal labour market and ensure growth in this sector. The following paragraph will briefly touch on formalisation and industry protection and the next few paragraphs will handle the liquor policy in depth.

3.2.7 Formalisation and industry protection

From a government perspective, a number of important issues define its objectives for the South African liquor industry. It has been noted and is widely recognised that the industry is in effect controlled by a mere handful of companies, who between them probably hold at least 90% market share (Fischer, 2008). There are essentially two key objectives for the liquor industry, the one being transformation and encompassing objectives such as black economic empowerment, while the other focuses on combating the widespread abuse of alcohol (Albertyn & McCann 1993).

Despite an undeniable need for transformation, relatively little practical evidence exists concerning how this can be achieved both effectively and in an economically sustainable manner. Transformation in this regard implies the broadening of ownership and control in the industry, both through an environment that is conducive to new entrants as well as by means of key transactions that will lead to greater involvement of historically disadvantaged groups in the sector. But the 'wrongs' of the past cannot be reversed in one action, especially in a sector where market

strength is sometimes a key to competitive survival. This means that transformation, while an important policy objective, will remain a substantial challenge to effect in practice. This is especially true since the liquor industry globally is built around large international brands, requiring substantial capital to maintain and indeed further build them. After all – as was stated earlier – product differentiation through advertising and marketing is one of the key ingredients driving the development and growth of liquor brands, despite the apparent homogeneity of content within the various spirit categories (Kotze & Redelinghuys, 2002).

The well documented and widespread abuse of alcohol forms an important policy objective, as evidenced by various references to it in the new liquor legislation. The legislation also outlaws the so-called “*dop*” system. Further evidence driving the emphasis on responsible drinking is the fact that the Western Cape, for example, reports one of the highest incidences of foetal alcohol syndrome worldwide (Henn, 2001). While the abuse of alcohol can certainly not be blamed on the industry alone, but signifies a much wider social problem, the importance of measures to combat it can certainly not be overestimated.

In this regard, the Liquor Act makes reference to “measures to combat alcohol abuse” as a condition for granting registration to firms active in this sector. As mentioned, there have also been proposals for the introduction of warning labels to be placed on all alcohol packaging. However, industry sources have warned that such measures will achieve very little but cost vast sums of money. Rather, some propose, a special tax charge on alcohol could be used to fund a major education drive about responsible alcohol use.

3.3 FORMALISATION OF THE INFORMAL SECTOR

The Liquor Act makes reference to “measures to combat alcohol abuse” as a condition for granting registration to firms active in this sector (Henn, 2001). The first regulation is solely focused on manufacturers and the actions required to create a safe environment for the consumer.

This section provides a broad overview of the South African liquor industry, and confirms that the liquor market is dominated by a small number of large firms and

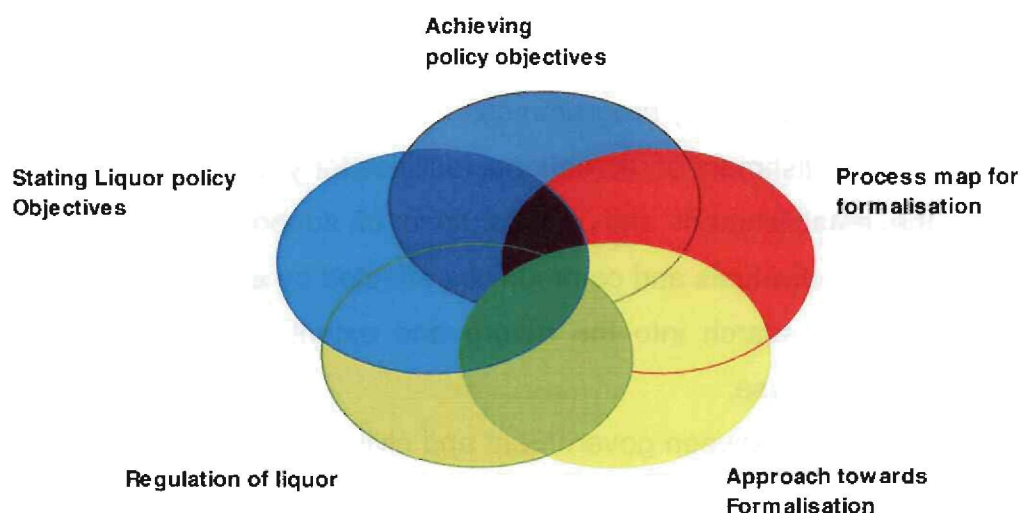
stakeholders (Meagher, 1995). Current industry dynamics have been shaped both by internal and external influences. Internally, market concentration and tacit (if not active) collusion were tolerated by the government of the day especially in the late 1970s and early 1980s. The country's international isolation and domestic political dispensation meant that the local business climate was unique.

With economic ownership and control within the sector still resting largely in "white" hands, one of the key challenges today is how to sustainably effect transformation in this sector without negatively impacting on its development and growth prospects. Already, a number of empowerment transactions have taken place in it (Muller, 2003). However, even merely in relation to these segments within the broader liquor industry, these transactions represent relatively minor transformation. In the beer industry, "transformation" has thus far taken place predominantly within the incumbent's sourcing and distribution strategies. Another pertinent issue relates to alcohol use. Finally, the negative impacts of alcohol abuse have been formally recognised by the sector's new framework legislation and will make a real difference towards more responsible alcohol use.

The recent Liquor Act mentions specific elements of protection. The next sections apply to the formalisation of the shebeens and include factors that will directly impact them in this process. Their formalisation will ensure total regulation of the liquor industry. In depth discussion of the Act and its requirements will be offered in the next section.

Figure 3.2 explains process levels that overlap with each other, creating a platform for formalization. The Act's objectives will first be considered, then regulation of the liquor industry. The next process of formalisation process by looking at a map that states all areas of formalisation impact on the shebeen and by completing the process and complying with all requirements, will liquor policy objectives achieved. The next areas will be a combination of the above.

FIGURE 3.2: THE FORMALISATION PLATFORMS IN ACHIEVING LIQUOR POLICY OBJECTIVES



Source: Researcher's own compilation

3.3.1 The Liquor Act of 2003

The objectives of this Act are clear and the formalisation of the informal industry will make them a reality. The following sections take the discussion further.

3.3.1.1 Objectives of the Liquor Act

The first objective, restructuring the liquor industry, entails several aims (Muller, 2003), to:

- introduce a simplified procedure for entry into the liquor trade;
- promote participation by communities and local government in the establishment and control of liquor outlets;
- promote economic empowerment, job creation and small business development;
- provide for severe and enforceable penal provisions for transgressors of the Act;
- promote continuous training and development of service providers in the industry; and
- monitor and evaluate trends and developments in the industry.

Second, addressing the socioeconomic costs of alcohol abuse entails the following aims; to:

- promote public education programmes regarding the harmful effects of the abuse of liquor;
- promote social responsibility programmes;
- promote the establishment of recreational facilities for youth;
- promote the establishment and maintenance of support structures for the rehabilitation of individuals and communities affected by alcohol abuse;
- promote further research into the nature and extent of the socioeconomic effects of alcohol abuse;
- promote interaction between government and civil society, notably civic, youth and religious formations.

The first objective of the policy is to make it possible for bona fide unlicensed traders in historically disadvantaged communities to legitimise their businesses without encountering unnecessary barriers to entry, but also to create an environment that will encourage shebeeners to do so. There are currently no incentives in place to encourage unlicensed traders to enter into the legal trade.

Owing to limited resources, the ability of law enforcement agencies to act in a consistent manner against unlicensed sellers of liquor is limited. The unlicensed sale of liquor continues, largely without interruption and with little fear for the consequences (Schaefer, 2001):

- The advantages to the unlicensed trader of the continued existence of the present circumstances do not form part of the tax network.
- The unlicensed trader falls outside the regulatory network as far as land-use requirements, trading hours and restrictions are concerned.

A second objective of the policy of providing an enabling environment for emerging traders is to consider land-use planning issues as determined by municipal planning authorities. A problem that faces planning and licensing authorities is the conflicting interests of the currently unlicensed shebeens in residential areas and the interests of the surrounding residents. A third objective is to provide for the involvement of communities in determining the location of licensed liquor outlets. A fourth is to involve municipalities who can, by means of the best available local options, inform

communities of developments in the liquor trade in their areas and provide for processes and structures that allow for the communities to participate in the decision-making process (Schaefer, 2001).

The fifth objective of the policy is to reduce the social cost of liquor abuse to society in general. According to the 2002 World Health Report released in 2002 by the World Health Organisation (WHO), global alcohol consumption has increased in recent decades, with most or all of this increase occurring in developing countries. Worldwide, alcohol is estimated to cause 3,2% of deaths (1,8 million per year) and 4,0% of disability-adjusted life years lost (58,3 million years per year). The report states that, worldwide, alcohol is associated with 20%–30% of all oesophageal cancer, liver disease, epilepsy, motor vehicle collisions and homicide and other intentional injuries (Lewis, 2001). The subsequent section will explain the new process and areas of consideration (Loots, 1991).

3.3.2 The new approach in legalisation of shebeens

The recent liquor policy marks a decisive break with the past, addressing the two broad concerns noted earlier.

3.3.2.1 The regulation of liquor production, distribution and sales

New liquor regulation entails two key aspects: firstly, a change in legislation which will facilitate easy entry into the liquor trade; and secondly, harsh penalties for those who contravene the legislation. The legislation which flows from this policy will seek to be fair and just; to redress the inequities and discrimination of the past; and to effectively regulate the liquor trade insofar as the social, economic, health, welfare and other needs of society are concerned (Rogerson, 2002). New liquor laws must normalise the operation of this sector of the economy by proactively restructuring the sale and distribution of liquor to achieve economic empowerment of historically disadvantaged sectors of our society. In particular, new laws must seek to empower informal liquor traders – those individuals who earn their living by trading in liquor – but against whom the strictures of past and current legislation discriminate unfairly. Formalisation of this sector must also ensure the participation of public

representatives and of the public itself in the registration process. Recognising that liquor is a potentially harmful substance, and recognising that its abuse is widespread in our society, government seeks to introduce laws which will regulate the sale and distribution of alcohol in the public interest in a way that will promote economic development and empowerment.

The legislation will include harsh penalties and will be enforced by an inspectorate who will monitor the industry and ensure that these penalties are imposed on those who contravene the legislation and act against the public interest. The Department of Trade and Industry is committed to ensuring compliance and has initiated a study on the establishment of inspectorate services. The initial legislation flowing from this policy must be enacted without delay in order to facilitate the necessary restructuring of the industry as rapidly as possible. However, this initial legislation must be seen as part of an ongoing process (Prinsloo, 1991).

There are various pieces of legislation relating to the liquor industry, including notably the Liquor Products Act and the Wine and Spirits Control Act under the Department of Agriculture, which must be reviewed. A process of consolidating this legislation in a consistent and coherent manner will be undertaken over the medium term. The second aspect is addressing the economic and social costs of excessive alcohol consumption.

3.3.2.2 Addressing the economic and social costs of excessive alcohol consumption

The first democratic government has demonstrated a new approach to policy in that policy formulation is taking the broader public interest into account. Many new policies explicitly incorporate cross-cutting socioeconomic goals and objectives. The social and economic costs of existing approaches as well as strategies to address these costs are identified. The socioeconomic costs of the historical development of alcohol production and consumption are enormous and must be addressed as a matter of urgency. In the following pages, the interventions government envisages to achieve these objectives are set out. Public participation is seen as central, not only to the way programmes are established and the way the new regulatory framework evolves, but also to monitoring, and feedback with input, of ways in which local

problems are more effectively addressed than in the past. This study will determine the readiness and compliance level of shebeens for such a change.

FIGURE 3.3: PROCESS MAP TO FORMALISATION OF UNLICENSED SECTOR



Source: Researcher’s own compilation

Figure 3.3 illustrates a process map of areas that will possibly impact the shebeen during the application stages. These include land use requirements, municipal regulations, application procedures, dealing with negative consequences on community members, and business development requirements such as taxation and human resources. These areas will determine the continuation of the shebeen or possible re-location of premises in compliance of the act. The process map appears complex and the application process is very detailed and difficult. The said map indicates all areas of impact, making it easier for the shebeen owner to understand the process. The next section will draft a clear list of requirements that needs to be followed.

3.4 THE PROCESS MAP TO FORMALISATION OF THE INFORMAL UNLICENSED SECTOR

3.4.1 Ensuring the entry of the unlicensed trader into regulated trade

The provincial liquor legislation will provide for measures to encourage existing unlicensed liquor traders who wish to enter the regulated trade to apply for liquor licences. The intention is not to create new informal outlets, but to encourage existing unlicensed traders who meet the objective requirements to apply for liquor licences (Berry *et al*, 2002):

- Existing unlicensed traders who qualify will be allowed to continue trading, pending the consideration of their applications.
- Possible extensions will be granted by the Minister for Community Safety if needed.
- To deal with traders who want to be “illegal” by terminating their business.
- Simultaneous with the submission to the relevant municipality of an application for a liquor licence and the correct land-use application (e.g. for consent use), an applicant who wishes to benefit from the above-mentioned moratorium will be required to apply through the municipality to the designated liquor officer to be registered for it. The permit issued will be valid for 18 months.

An existing “unlicensed trader or shebeen” who is an applicant, will have to meet the following requirements to be considered: (Berry *et al*, 2002)

- Proof that a duly completed licence application has been lodged with the municipality.
- Proof that a duly completed application for the correct land-use requirements has been lodged with the municipality.
- Submission of an application for a moratorium, accompanied by the applicant's fingerprints and proof of having been an existing unlicensed trader on the premises (for which a licence is being sought) for a period of three years or longer.

The purpose of the required applications to be lodged is to ensure that the necessary process of regularising the applicant's business has commenced, and it is therefore

not the duty of the designated liquor officer to assess the various applications for correctness or completeness (Schneider, 2002).

- Copies of the applications containing an acknowledgement of their having been lodged with the municipality will be sufficient.
- A designated police officer must determine whether the moratorium should become applicable as he or she is in a position to determine whether the applicant is a person who qualifies to be a liquor licence holder. The Liquor Board may only approve the liquor licence application conditionally for a two-year period. If the land-use rights applicable to the premises are found to be incorrect when the municipality is considering whether it should grant approval, and if the municipality has lodged an objection to the effect that an insubstantial land-use application has been lodged with it, the Liquor Board may take this into account in coming to its decision.

The following will be proof of having traded for a continuous period of two years before the commencement of the 18-month period (Schneider, 2002):

- registration with a national liquor traders association, or a regional association that is affiliated to a national association for the preceding three years; or
- proof of prosecution for the offence of selling liquor without a licence on a continuous basis during the preceding three years; or
- proof of purchasing liquor for trading purposes on a continuous basis during the preceding three years; or
- any other prima facie proof of the existing unlicensed trader having traded in liquor from the premises for a period of three years before the date of commencement of the moratorium.

3.4.2 Considerations in granting a licence

Liquor abuse needs to be controlled at source and shebeen owners are the only controllable and accountable body in achieving this. Before granting a licence, serious considerations must be taken into account (Ross, 2003):

- Registered unlicensed traders will be encouraged to join recognised trade associations that adhere to an approved code of conduct.
- As the registered unlicensed trader who is an applicant is required to be in direct control of the premises for which he or she is applying for a licence, the

moratorium will apply only in respect of such premises. Even if the applicant meets the criteria for registration in respect of several premises, he or she may not benefit from the moratorium for all such premises. The benefit of the moratorium is not transferable from one person to another or from any specified premises to other premises. The registered unlicensed trader must at all times when liquor is traded from the premises be in charge of the premises, and trading in liquor must be to the exclusive financial benefit of the registered unlicensed trader.

- Nature of the business. This has a disadvantageous effect on the residential character of the surrounding area, perhaps more so than most other businesses that are conducted from residential premises. In an attempt to ensure that the residential nature of an area is protected, stringent requirements are placed on trading in liquor by planning authorities. In most town planning schemes some form of consent from the municipality is required before an applicant may trade in liquor. These consents or departures are normally linked to strict conditions to reduce the negative impact of trading in liquor in residential areas.
- Land-use rights requirements. One of the most intractable problems facing the existing unlicensed liquor traders, the licensing authority and the municipality, is that these businesses are in residential areas, but do not meet the land-use requirements to conduct business from the premises.

The next section will explain in more detail the requirements laid down for land use versus municipal regulations.

3.4.3 The businesses premises will be deemed to meet the land-use planning requirements set by the municipality for the premises on the following conditions

As stated earlier, shebeens usually operate in residential houses with no facilities. However, a shebeen owner must satisfy municipal requirements in the application process which may lead to a substantial capital layout. The structure of the premises must remain residential in nature and the licence holder must reside on the stand where the proposed licensed premises are located. In those instances where the prospective licence holder resides in the same dwelling unit, that section of the unit

that will be used for trading of liquor must be separated from the remainder of the dwelling unit by means of a wall or securable door (Morange, 2003).

The licence is not transferable to any other person. If, upon expiry of the period of two years, the requirements of the planning authority have not been met, the premises will revert to being residential. During the 18-month period the conditional licence holder must substantially meet the land-use requirements set by the municipality for the premises or relocate to a more suitable location. Once the Liquor Board is satisfied that the land-use requirements have been met, an unconditional liquor licence will be issued instead of the existing conditional licence. In the course of the 18-month period the conditional licence holder will have to undergo such further training as the Liquor Board may prescribe. In this regard cognisance must be taken of the contents of that section of this policy document that relates to training and business development (Ross, 2003).

The training will include explanation of the policy; of the business support that can be provided; and of help centres available for addressing problem areas that the shebeen might face during the formalisation process. The use of the term “conditional licence” in this policy relates to licences that are granted on condition that certain obligations are fulfilled within the set period, and are subject to review, as provided for therein. The purpose of conditional licences is to enable the existing unlicensed traders to meet all relevant legal requirements in a phased manner. The Liquor Board may nevertheless approve an application conditionally and prescribe that the applicant should undergo the training deemed necessary. Education, training and access to government services are incentives to enter the regulated trade. Most unlicensed liquor traders enter the liquor trade without any formal business skills training (Stols, 2008).

In many instances, therefore, the basic skills required to conduct a business, such as bookkeeping, stock control and business principles, are lacking. These businesses may be seen as emerging entrepreneurs entitled to the support that is normally associated with black economic empowerment. Similarly, the distinction between the liquor-consuming public and the unlicensed trade has been ignored by the licensed off-site consumption trade. The volumes purchased, by unlicensed liquor traders, from the licensed off-site consumption trade have comprised the main source of income for many off-site consumption retail traders. These traders conveniently state

that the identity of the purchaser or the intended purpose of the purchased liquor is unknown to them. The reality is that the volumes, frequency of purchases and the nature of the products purchased provide reasonable grounds for suspecting that the intention of the purchase is that of resale of the liquor (Pieters, 2008).

The draft of the national legislation currently available establishes a three-tier system consisting of manufacturers, including micromanufacturers, distributors and retailers. The only possible source of stock for the shebeens will be the holders of retailer licences, including micro-manufacturers and registered manufacturers and distributors who have obtained retail licences, who may sell to the consuming public. The licensed retailer, including the registered liquor trader, will be able to purchase his or her stock from other licensed retailers, manufacturers or distributors and enjoy any benefits of discounts that these suppliers are able to provide (Jernigan *et al*, 2000).

It is important to understand the considerations of the final licence application as it will not be accepted if not all of the requirements are met. The process is very detailed and complex and may cause a lot of frustration.

3.4.3.1 Considerations in granting of final licences

It is the intention that the licence itself will set out in detail the rights, privileges and conditions of a particular licence and that the licence holder will be obliged to abide by these conditions and the provisions of the provincial liquor legislation. In considering the granting of a licence or permit application, the competent authority (whether the Liquor Board or the municipality) will not be entitled to grant an application unless it is satisfied that the following requirements have been met Liquor Act (59/2003):

- The granting of the licence or permit must be in the public interest. The competent authority may not grant a licence where it will prejudice the residents of a residential area, the learners of a school or the congregants of a religious institution located in the vicinity. A new provision is being introduced which requires the competent authority to determine whether the granting of the licence will be detrimental to the health, safety or wellbeing of the community within which the licensed business will be located.

- The competent authority may not grant a licence unless it is satisfied that the applicant is of good character and is not disqualified from holding the licence concerned. If an applicant is qualified to hold a licence, the competent authority must have the discretion to refuse a licence to a person whom it considers not to be of good character. As a condition for granting an application, the Liquor Board may require an applicant or an employee of the applicant to undergo such accredited training as the Liquor Board may determine.
- Lastly, it is provided that a licence may not be granted unless the board is satisfied that the premises to which the licence is applicable are already suitable for the purposes for which such premises will be used or, if the premises have not yet been built or completed, that such premises will on completion be suitable for the purpose. The municipality must provide the Liquor Board with the original application and the designated police officer's report within the prescribed time.
- The chairperson of the Liquor Board is responsible for the appointment of a suitable and responsible manager nominated by him or her to manage the business conducted under the licence. The chairperson may require the responsible manager to have undergone or to undergo prescribed training.
- In respect of incomplete premises, the Liquor Board must issue a certificate informing the applicant of the approval of the licence subject to the condition that the holder will not be entitled to trade upon the premises until such time as the holder has provided conclusive proof that he or she has complied with the conditions of the licence relating to the completion of the premises in accordance with the approved plan or any other conditions which the Board may have imposed upon granting the application, including, but not limited to, the successful completion of a prescribed training programme. Where the conditions imposed per certificate by the Liquor Board on the approved licence (issued in respect of incomplete premises) are not complied with within a period of 24 months from the date upon which the certificate has been issued, the approval will lapse and become of no force and effect. A new liquor licence application will have to be lodged and considered upon expiry of the two-year period if the applicant still intends proceeding with the trading of liquor from the premises. The holder of a licence may not structurally alter, extend or reconstruct the licensed premises without the prior approval of the Liquor Board. In view of the fact that in practice many licensed premises completely

alter the nature of the business conducted there, after the approval of the licence the provincial liquor legislation will provide that the holder of a licence may not at any time alter the nature of the business which is being conducted upon the premises without the consent of the Board. This will prevent the very common practice of obtaining a restaurant liquor licence in respect of premises and then proceeding to operate a bar or night club.

3.4.3.2 Requirements regarding the process of applying for new licences

An application for a new liquor licence or a permit for a special events or a traditional African beer seller's permit must be lodged with the municipality in whose area of jurisdiction the proposed premises are situated. Provision is made by the provincial Minister responsible for economic development for the appointment of municipalities which have the capacity to fulfil the functions of competent authorities. If the premises are located in the area of jurisdiction of a municipality that has not been designated a competent authority, the application will be lodged with the Liquor Board Administration, which will ensure that the functions of a competent municipal authority are complied with.

An applicant must provide the following information and documentation as part of the application and any additional information or documentation that the competent authority may require (Liquor Act 59/2003):

- The full name of the applicant, his or her identity number, company or close corporation number, residential and business addresses, postal address, business telephone number;
- Particulars of the applicant, including a curriculum vitae and particulars enabling the competent authority to establish whether the applicant is qualified and competent to be granted the licence concerned;
- In the case of an applicant being a company, close corporation or trust, the names, etcetera of the shareholders, directors, members or trustees;
- Full particulars of all other interests in the liquor industry held by the applicant or any functionary of the applicant;
- In the case of applications by registered manufacturers or distributors, proof of the waiver of the right to review the terms of the registration or the terms of the revised registration by the national Minister must be provided;

- Type of licence applied for;
- Proposed name of the licensed business;
- A full description of the proposed business;
- The address of the proposed premises, furnishing the property stand, street or farm number;
- Whether the applicant will have the right to occupy the premises and the nature of the right, in other words whether the applicant is the owner of the premises or occupies the premises in terms of a lease agreement;
- The place or places where the liquor will be dispensed, stored and consumed;
- If the premises have been completed, colour photographs clearly depicting the inside and outside of the premises;
- If the premises have not been completed, a detailed description of the proposed premises, the date upon which construction has commenced or will commence and if construction has commenced, the progress that has been made and when construction will be completed;
- A plan of the premises showing the dimensions of each room and the construction of the premises, the layout, furnishings, décor, fixtures, fittings and floor coverings, accompanied by specifications;
- If the premises are properly zoned for the conduct of the licensed business, written proof of this fact;
- If the premises are not properly zoned, full particulars of the steps taken to obtain the consent of the local authority to conduct the licensed business on the premises. This may also consist of a copy of an application lodged with the municipality in this regard. It is envisaged that in most instances where the correct land-use rights for the proposed premises have not already been obtained, the application to the municipal planning authority for the correct land-use rights will be lodged simultaneously with the application for the liquor licence (Morange, 2003).

3.4.4 Land-use management policy guidelines

The following definitions are used, for the purposes of the liquor policy, to apply to land-use planning and business development as contained in this chapter. It must be noted that these categories are not liquor licence categories that are to be considered and approved by the Liquor Board (Ross, 2003).

- Off-site consumption (formal) and (informal): This refers to establishments where liquor is sold, but not consumed, on the premises. In this study off-site consumption (informal) is used to refer to businesses in the poorer, residential parts of the municipality. In certain schemes this category is referred to as consisting of “liquor shops”. The existing unlicensed liquor traders generally find themselves in it at present. Off-site consumption (formal) is referred to as “bottle stores” in certain schemes.
- On-site consumption (formal) and (informal): These terms are used where liquor is consumed on the premises. On-site consumption (informal) refers to a more informal establishment, predominantly located in poorer, residential parts of the municipality. Certain schemes have referred to this category as shebeens. The term “shebeen”, however, is also used to refer to an illegal unlicensed outlet and in the policy document is used in that context. This category is that where the existing unlicensed liquor traders generally find themselves at present. On-site consumption (formal) refers to more formalised businesses, in certain schemes known as “bars”.
- Tavern or restaurant: Both of these refer to establishments where meals are prepared and consumed with liquor on the premises. “Tavern” refers to more informal establishments located in poorer, residential parts of the municipality, whereas “restaurant” refers to businesses in more established parts of the municipality. In the current situation municipalities throughout South Africa make varying provisions for liquor trading activities.
- The following headings summarise the typical definitions used by municipalities: affordable and informal housing, residential areas and established and formal housing.

3.4.4.1 Liquor type description

For the purpose of the application process, the following are the only two license type applications considered for an enterprise to be categorised as a shebeen (Pool, 2004).

- Shebeen, bar or pub. These terms are used where liquor is consumed on the premises.

- Tavern and restaurant. Both of these refer to establishments where meals are prepared and consumed with liquor on the premises. Most current municipal zoning schemes allow for these activities to varying degrees.

Some municipalities have allowed liquor shops, shebeens and taverns on properties zoned for residential use, through consent by the municipality. This use requires the retention of residential use (generally 60%) and that the owner resides on site. The arguments used in favour of this requirement include the assumption that the activities and behaviour of customers can be monitored by the owner at all times; the operator saves on renting expensive business premises; the property will not be left vacant at night and the building will still have the appearance and function of a dwelling unit (Morange, 2003).

The arguments against this requirement are the impact of liquor activities on normal family activities, in particular if the family includes minors and school-going children. In some zoning schemes these activities are regarded as a “home industry” and have been allowed as consent uses, whereas taverns have been allowed to be located on properties zoned for business use as a primary use (Lewis, 2001). There has, however, been a realisation that liquor trading has a far greater impact on residential areas than other home-based businesses and there has therefore been a move away from using the “home industry” zoning category.

Not all municipal zoning schemes make provision for the liquor trade as a primary activity and most schemes allow this activity as a consent use. In order to facilitate consistency, it is therefore recommended that municipalities make provision for liquor shops, shebeens, taverns, bottle stores and bars/pubs to operate as a primary use in areas zoned for business and industrial purposes. A distinction is made between business development and land-use management guidelines for established and emerging liquor traders, depending on the location of the premises.

3.4.4.2 Overriding principles

There are, however, overriding principles that are applicable to both established formal and emerging traders, including the following (Liquor Act 59/2003):

- The approval of a new liquor licence application should not result in an alteration in the character of the local area in which it is to be located, without the accompanying approval of the responsible municipality for such land-use.
- It should generate economic activity through the provision of income and employment opportunities for the local community.
- It should result in increased convenience for the local community in terms of access to this service.
- The operator must be in a position to contain and remove any nuisance factors resulting from the operation of the liquor business (these include factors such as noise, smell, safety, littering and parking.).
- Access to a liquor licence is not a right and must be accompanied by duties and responsibilities that limit the negative social impact of the sale of liquor..
- This policy directive focuses on existing unlicensed liquor traders predominantly located in affordable housing and informal residential areas. These areas generally have a combination of licensed and unlicensed liquor outlets.

3.4.4.3 Key issues and concerns

In most of these areas few licensed liquor outlets are to be found, providing an opportunity for unlicensed trading in liquor by shebeens in residential areas. Key concerns and issues raised with regard to the existing unlicensed liquor traders include the following (Jerrigan *et al*, 2000):

- There is a conflict between residential and business activities;
- The majority of existing unlicensed liquor traders do not operate within formal taxation and regulatory systems, resulting in a loss of revenue and disregard for the rule of law;
- Although existing unlicensed liquor traders are not legally registered, they are able to access public sector assistance in terms of advice and support for business development;
- As with other businesses in affordable housing and informal areas, redlining by financial institutions prevents existing unlicensed liquor traders from gaining access to funding for business establishment and expansion;
- There is limited progression from unlicensed to more formal liquor establishments, resulting in stagnation in terms of business development;

- Law enforcement with regard to the illegal liquor trade differs from area to area and there is a tendency towards greater enforcement in formal areas than informal areas; and
- Business development strategy and policy guidelines for informal and emerging traders are necessary.

The issues and concerns indicate that the mere application of regulatory measures will not address the long-term developmental challenges posed by the existing unlicensed traders.

There are a number of possible scenarios in dealing with the existing unlicensed traders (Schaefer, 2001):

- Existing unlicensed liquor traders remain illegal and operate outside the system. This is undesirable for the reasons mentioned.
- Existing unlicensed liquor traders are legalised through the issuing of liquor licences and a temporary waiver of zoning requirements. Newly licensed traders would then proceed to apply formally for land-use permission. Although this could result in a significant number of traders being incorporated into the liquor licensing system, it does not deal with planning concerns where this activity is embedded in the residential areas. It is possible that the problem could reoccur, after the conditional approval period, and traders would then revert to trading illegally.
- Existing unlicensed liquor traders are legalised through the issuing of conditional liquor licences which provide for the granting of a temporary waiver of zoning requirements.
- A strategy is then put in place to deal with the land-use issues, allowing conditional licence holders, with the approval of the municipality and the Liquor Board, the opportunity to apply for the correct land-use dispensation, with the possibility of extensions if they can demonstrate sufficient progress. It is recommended that the latter option should be adopted and an appropriate strategy should be formulated to deal with the land-use issues.

New shebeens might re-locate to affordable housing premises and a strategy must be in place as these areas are considered developed areas and the community needs to be taken into account.

3.4.4.4 Proposed land-use strategy in affordable housing areas

A phased approach will be followed: initially allowing existing unlicensed liquor traders who meet the objectives criteria to become licensed, subject to conditions that are less favourable than those imposed on outlets that are located in more acceptable areas.

If the owner chooses to retain an existing operation run from residential premises, the onus should be on the licence applicant to take responsibility for the following (Morange 2003):

- The applicant should demonstrate that the operation will be licensed.
- The establishment is acceptable to the surrounding community; the applicant must address nuisance factors such as noise disturbance and the adjoining neighbours' right to privacy by means of the following:
 - Soundproofing of walls;
 - Proper screening through vegetation or high walls;
 - Ensuring that there is no loitering of customers within a predetermined zone from the residence; and
 - Other related conditions as determined by the municipality.
- Health and safety standards must not be compromised and must be addressed through:
 - Proper garbage disposal and management;
 - Lockable storage facilities;
 - Adequate ablution facilities; and
 - Structures which comply with the National Building Regulations for businesses.
- Parking areas for patrons, taking into account that limited space is available:
 - If on-site consumption takes place, then this should be clearly separated from the residential component of the premises by means of a wall or securable doors; and
 - Signage should comply with municipal regulations for residential areas;
 - Hours of sale should be substantially reduced for liquor outlets operating from residential premises; whereas hours of trade for liquor outlets located in identified business areas should be less restrictive. This must be imposed by means of a by-law of general application that

provides for the differentiation of liquor trading days and hours for liquor trading activities within the outlets located in residential areas from those for outlets that are located where liquor trading is a primary right, and not per individual instance.

The running of a formalised business requires certain skills in controlling expenses, stock management and daily recordings of expenses. This becomes more complex when dealing with suppliers who stipulate very strict credit policies and procedures. Municipal regulations and statutory compliances add still more pressure and a need for business support.

3.4.5 Business development support services for license applicant and conditional license holders

The responsibilities and duties associated with a liquor licence set this type of business activity apart from other informal small, medium and microbusiness operations. Formalisation of this activity will lead to better services and increased competitiveness in the industry and will marginalise unlicensed traders who have no intention of complying with the law. It is therefore clear that the current impasse can only be addressed through the transformation of unlicensed businesses into formal businesses. While some of the existing unlicensed liquor traders have been accepted in certain areas, the negative connotation of shebeens in townships relates to a large extent to the type of structure, the associated activities and the management style of the operator.

Liquor establishments operating in a fashion similar to that of formal businesses, abiding by codes of conduct and doing business from structures that comply with the National Building Regulations are generally more acceptable in these communities. The formalisation of existing unlicensed liquor traders will require the provision of business training, support and advice and, if possible, also access to funding. The business development strategy is based on the assumption that the provision of advice and support to newly licensed liquor traders would lead to better services, increased access to products, viability and profit margins and act as an incentive for shebeeners to formalise their activity.

The success of formalisation will be based on full compliance which will ensure full control over the channel and that all standards are met. This will be discussed in the next session.

3.5 ADDRESSING THE NEGATIVE CONSEQUENCES OF THE ABUSE OF ALCOHOL

3.5.1 Protection through policy and legislation

There are four main ways in which the liquor policy and legislation aim to protect communities against the harms associated with alcohol abuse (Pool, 2004):

- Restricting or controlling access to liquor.
- Education and training initiatives of sellers of liquor and the consumer public.
- Improved enforcement of regulations and handling of complaints relating to the sale of liquor.
- Increasing access to information by the public and enforcement agencies, and improved accountability of the sellers of liquor. Restricting or controlling access to liquor.

The following section indicates “rules” that must be followed by the shebeen to ensure that the above aims are met.

3.5.2 Controlling the sale of alcohol

The following rules must be obeyed (Tren Grove & Breitenbach, 2005):

- Limits on days and hours of business as determined by municipal by-law, subject to prescribed norms and standards, with increased limits on liquor outlets operating in residential areas outside business nodes and corridors imposed either by by-law or by licence conditions.
- Restricting public drunkenness.
- Restricting the sale of liquor to persons who are drunk.
- Prohibiting the supply of liquor to employees in lieu of remuneration.

- Restricting the sale or supply of clearly harmful forms of liquor or of liquor in packaging deemed to be harmful.
- Restricting the sale of liquor at or near certain sensitive locations.
- Restricting the sale of alcohol by supermarkets to wine.
- Instituting a variety of measures to decrease access to liquor by persons under the age of 18.
- Prohibiting the use of liquor in motor vehicles or opened or unsealed alcohol containers in motor vehicles.
- Prohibiting the use of vending machines to sell liquor.

While some of these provisions exist in current legislation, others are new or have been made more explicit, such as limits on days and hours of business. A major frustration with the current liquor legislation is the perceived lack of participation by community members in determining matters such as the days and hours of sale of liquor in a particular area.

3.6 CONCLUSION

Formalisation of the sector impacts directly on the shebeen as the process map figure 3.3 on page 81 indicates. The formalisation process was discussed and the requirements to be met by the shebeen have been summarised. Figure 3.1 illustrated the layout of the liquor industry. Figure 3.2 covered the formalisation process and government in achieving these objectives. Understanding these factors and areas of impact may lead to a suggested solution for major role players such as government, manufacturer and shebeen owners. The next chapter describes the empirical study which researched the various factors to determine whether they have an impact on the shebeen.

4 EMPIRICAL STUDY

4.1 INTRODUCTION

The various factors affecting the formalisation of shebeens have been discussed in Chapter 3. Data were collected from shebeen owners and staff in the West Rand for the purpose of understanding these factors. There are two types of shebeens in this respect, namely “newly licensed” and shebeens with permits. Data were collected regarding these.

4.2 RESEARCH METHODOLOGY

The primary objective of this study:

is to analyse the potential key business factors impacting shebeens in the formalisation process. This study will focus on two key aspects that could influence the approval of licenses and sustain the continuation of the business. These factors were described earlier and include

- Municipal requirements (as described earlier), business factors, governmental requirements, dealing with suppliers and the skill needed to bring all the factors together for enhanced management and sustainability.

The secondary objectives are to:

- determine the advantages and disadvantages of legalisation of the informal industry liquor.
- identify the barriers to entry for current unlicensed shebeens.

- identify the needs and requirements of converted shebeens to ensure business success and continuation.
- determine the effect on real growth in the liquor trade of the lifting of prohibition.
- establish whether alterations in legislation lead to easier penetration of the black market by retailers and manufacturers, by means of changes in the distribution channel.

Page and Meyer (2000:35), Cooper and Schindler (2001:61) and Welman and Kruger (1999: xiii) mention three different illustrations of the research process. However, there is an great element of commonality between these three processes. For the purpose of this dissertation, the research process of Cooper and Schindler was adopted, along with reference being made to the other two research processes, supplemented by the work of other authors on the subject of research methodology (Viljoen, 2003:63).

The **research process** model of Cooper and Schindler (2001:61) consists of **seven phases**, namely:

- 1 Discovering the formalisation impact factors, defining the impact question and research question(s) and refining the question(s).
- 2 Writing the research proposal.
- 3 Research design, which consists of a design strategy, data collection design, sampling design, testing of questions and instrument pilot and finally instrument revision.
- 4 Data collection and preparation.
- 5 Data analysis and interpretation.
- 6 Research reporting.
- 7 The management decision.

The seven phases can be grouped in one of **three stages** (Cooper and Schindler, 2001:62):

Stage 1 - Research planning and design, consisting of:

- Discovering the impact of the formalisation dilemma.

- Defining the impact questions.
- Define the research question(s).
- Refining the research question(s).
- Designing the research strategy.
- Designing data collection.
- Sampling design.

Stage 2 - Data gathering, comprising:

- *Questions and instrument pilot testing.*
- Data collection and preparation.

Stage 3 - Analysis, interpretation and reporting, which includes:

- The research proposal.
- Revision of the design instrument.
- Analysis of data and interpretation.
- Reporting on the research.
- The management decision.

4.2.1 Research question

The empirical research into the present topic starts from where the topic has been identified and terminates when the recommendations are complete. The research will investigate factors that need to be addressed. The literature study in Chapters 2 & 3 highlighted the importance of formalisation.

Data collected through the questionnaires may be classified as consisting of either variables or attributes. Variables are those characteristics which are measurable, normally expressed in numerical terms, for example the amount spent on medical surveillance per annum or actual use of a specific service, while attributes are characterised by either a conformance or non-conformance to a statement / specification (Wisniewski, 2002:15). It is important that the input attributes identified relate to the objectives of the study which has been proposed (McGarrie, 2003:58).

4.2.2 Research design

Any research design consists of the strategy for a study and the plan by which the strategy is to be carried out. It specifies the methods and procedures for the collection, measurement and analysis of data. Cooper and Schindler (2001:134) and Page and Meyer (2000:41) all state that research design is the blueprint for fulfilling an objective and answering questions, and it is suggested that the process consists of the following stages:

- Translating the research question into research variables. This can be achieved by means of secondary data published by authors outside the organisation (Cooper and Schindler, 2001:141). In this study, a literature review was undertaken using articles, books and periodicals on the research subject, while secondary or existing data were an invaluable addition to (Page and Meyer, 2000:96).
- Choosing an appropriate sampling and data collection method. The research design used in this study was that of a questionnaire survey. Page and Meyer (2000:114) regard a survey as enabling the researcher to study the population sample in order to infer the characteristics of a population (to generalise findings).
- Choosing an appropriate analysis method.
- Deciding on a time frame and budget.

4.2.3 Statistical techniques

In order to conduct a statistical analysis of the results of the questionnaire one must first develop an understanding of the theory of statistical techniques. This section details those techniques used in this study.

4.2.3.1 Statistical background

Statistics takes generally three accepted meanings, namely:

- It is a collection of quantitative data pertaining to any subject or group, especially when the data are systematically gathered and collated.
- It is the science that deals with the collection, tabulation, analysis, interpretation, and presentation of quantitative data.
- It is an important tool in transforming masses of raw data into meaningful, useful and usable information for decision making (Wisniewski, 2002:91 and Wegner, 2003:2).

Wisniewski (2002:91) and Wegner (2003:5) state that there are two major components of statistics:

- Descriptive statistics, which condenses large volumes of data into a few summary measures by describing and analysing a subject or group, to determine some measure of an average and some measure of variability around the average.
- Inferential or inductive statistics, which endeavours to determine from a limited amount of data (sample) an important conclusion about a much larger amount of data (universe or population).

4.2.3.2 Statistical definitions

The statistical terminology applied in the present study can be defined as follows:

- Population: Wisniewski (2002:100) defines a population as that part which relates to the entire data set that is of interest.
- Sample: Sampling can be defined as a selection of only a part of the research population (Page and Meyer, 2000:43 and Wisniewski, 2002:100).
- Sample mean: Wisniewski (2002:92) and Wegner (2003:55) inform one that there are two measures of the average:
 - The arithmetic mean, which is a sum of the total values divided by the *number of values measured*.
 - The median, which is the middle value from the total values recorded.
- Standard deviation: The standard deviation of a sample is a measure that reflects how the numerical data are dispersed (Berenson & Levine, 1996:121).

For the purpose of this study it will be used to indicate the level of agreement between the responses on any particular question. A standard deviation of 1 or less indicates a high level of agreement, while a value higher than 1 indicates disagreement of responses.

4.2.4 Statistical application

The informal sector shebeens being researched encompass different language, education and “hidden” elements due to their being illegal operations; hence a univariate tabulation method will be used to interpret the data. Univariate tabulation is the tabulation of the responses to one question at a time (Struwig & Stead, 2001)

4.2.5 Sampling design

The researcher should decide between sampling, selecting some of the elements in a population, and a census, which includes all the elements in a population (Parten, 1950:109). Sampling design (stage 2 according to Page and Meyer (2000:41)) entails the identification of a target population and selecting a sample. The best sample designs ensure that the sampled data represent the research population efficiently and reliably, (Viljoen, 2003:68). The size of the population usually makes it impractical and uneconomical to involve all members of the population in a research project (Welman & Kruger, 1999:47) and according to Page and Meyer (2000:106), it is often funds rather than research requirements that determine the size of the sample.

Consequently, a sample of the population was selected and this was assumed to be representative of the population. Quota sampling was thus applied for this study, meaning that respondents are selected by the interviewer rather than randomly (Page and Meyer, 2000:100). Interviewer bias is possible in quota samples. It is possible that sections of the population will be either deliberately or subconsciously omitted from the sample. Because of this possible bias in quota samples, it is dangerous to generalise the findings from a quota sample to the entire population (Page and Meyer, 2000:101).

Purposive sampling: In purposive or judgmental sampling the researcher does not necessarily have a quota to fill from within various strata, but neither does he or she just pick the nearest warm bodies; rather, the researcher uses his or her own judgement about which respondents to choose, and picks only those who best meet the purposes of the study (Bailey, 1987). In terms of the sources available, the size of the shebeen in the informal sector cannot be determined. The size of the sample was arrived at after taking into consideration limitations imposed by the nature (as explained above) of the study, geographical constraints and the limited time in which to collect the required data. There are many shebeens and to narrow the scope down, the settlement of Khagiso on the West Rand was chosen.

The sample was thus constituted as follows:

TABLE 4.1: SAMPLE SELECTION

Category	Population	Sample Size
Licensed	80 Estimated	8
With permits	300 Estimated	32

The Liquor Act refers to a legalised outlet as the only recognised legal entity in selling liquor. The process of legalisation has been described. The impact can be best understood by interviewing outlets that have become licensed and have been trading for a while and shebeens currently operating with a permit and in the process of being licensed. The split between licensed and unlicensed is 20% and 80%.

4.2.6 Data collection design

The existing scenario was determined for the purpose of this study, with the use of a questionnaire. These were distributed through personal visits; the questionnaires were completed at the shebeens or place of business. The return of the questionnaires was followed up by means of telephone calls, and a second visit to ensure a high return rate and completion rate. All questionnaires were treated confidentially to ensure that facts were not distorted. The diverse nature of the target

population of interviewees suggested semi-structured interview sessions as the technique best suited to gathering the information sought.

Questions asked were prepared in advance and were open-ended in their nature. Their sequence was flexible and depended entirely on the logical flow of the interview. Open-ended questions provide a more accurate picture of the respondent's true position on some issues while the flexibility in asking those questions prevents a fragmentation of the flow of logic in responses. The major consideration was to afford an opportunity for complete and accurate communication of ideas between the researcher and the respondents. The results were statistically analysed and used to draw conclusions and offer recommendations in terms of the topic.

4.2.7 Data gathering

4.2.7.1 Target population

This was discussed above.

4.2.7.2 Preparation and structuring of the questionnaire

For study objectives to be met, the questions used in the questionnaires should be related to the issues under investigation. It was therefore necessary to conduct a literature study (Chapter 2 & 3) to become familiar with the said issues.

The questionnaire also included items to supply manufacturers' insight into constraints in dealing and delivering directly to the shebeens.

The following sections of it (A-E) appear as appendix 1 where the detailed questions can be found there, while in Appendix 2, the outcome of these questions is presented in a table format:

Section A - Quota controls and screening

Section B – Length of period of business, surrounding and space of shebeen.

Section C – Staff

Section D – Business logistics and equipment

Section E – Business association, expertise and legal compliance.

The survey questionnaire (Appendix 1) was constructed by formulating a total of 40 questions divided into the above impact areas as identified during the literature study.

Shebeen owners' literacy and the survivalist type nature of the shebeen required structuring the questions so that it was easy to choose a option. Each question indicates options most applicable to that section. The questions were structured with specific formalisation requirements needed as stipulated by the literature study which would determine if the shebeens were compliant if not; the respondents included shebeen owners, employees who were part of management, or other job categories identified..

4.3 RESEARCH FINDINGS

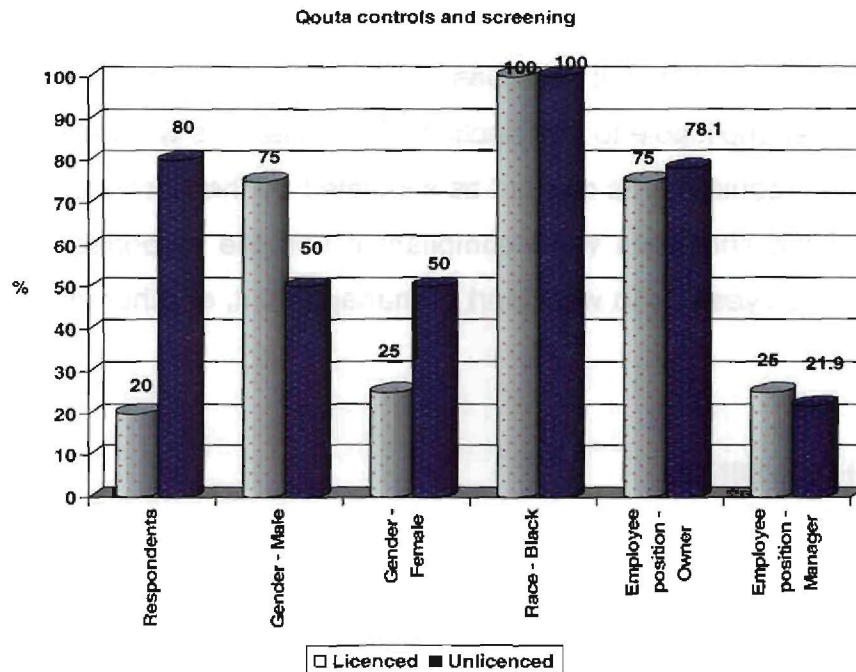
4.3.1 Section A - Quota controls and screening

The questionnaires in section A include gender, race, age, relationship to the business and the status of the liquor licence. As indicated in graph 1, only respondents from shebeens with licences and shebeens with 18-month permits completed the questionnaire. The following section displays the data. As regards the gender of the people completing the questionnaires, 50% of permit holders were women and 25% of license holders. All (100%) of the questionnaires were completed by black people. In the permit holder segment, 43.8% of respondents fell in the 40-49 year age group; 21.9% in the 50-59 age group, and 21.9% between 30-39 years. For licence holders, 25% were between 50-59% and 25% between 40-49 years. Most respondents (37.5%) fell in the age group between 30-39 years.

Finding work is difficult, as explained in the literature; therefore the number of relatively young people operating in the shebeen is a clear indication that it is a employment hub for the “unregistered” workforce. Permit holders recorded a higher

percentage (78.1%) of owners working versus 75% of owners in the licensed segment. The liquor application states clearly that a licence will be granted if the shebeen is fully operated by the owner. The results indicate a problem in this category of the application process. Both licence and permit holders are 100% involved in the buying of products. No questionnaires were completed by other than licensed or permit holders.

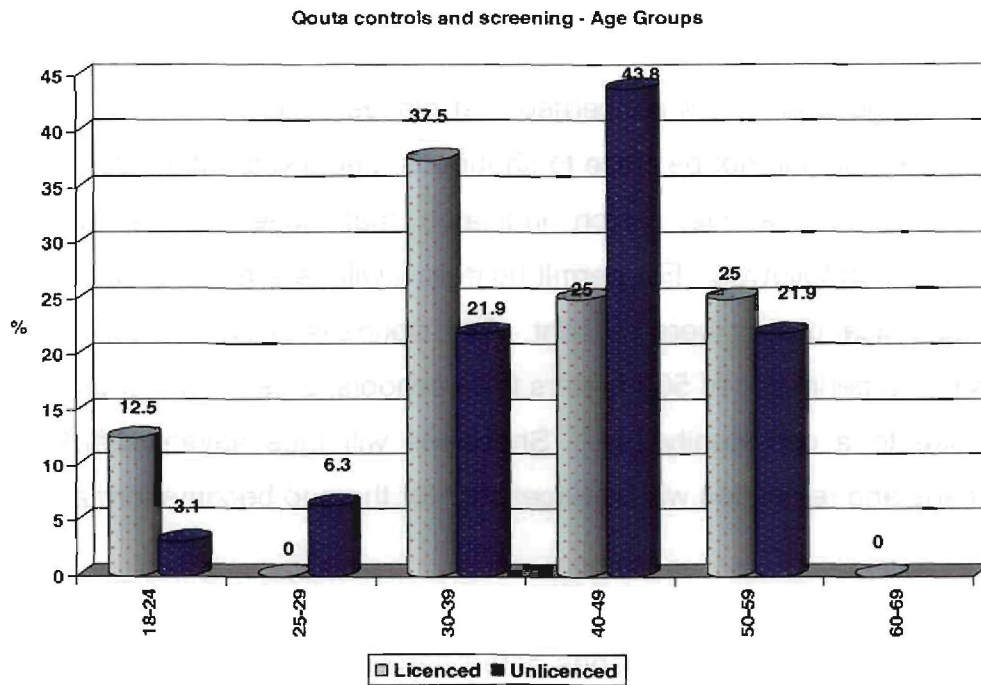
GRAPH 4.1: QUOTA CONTROLS AND SCREENING



Source: Researcher's own compilation

Graph 4.2 illustrates the age groups for unlicensed and licensed shebeens as explained above.

GRAPH 4.2: AGE GROUPS



Source: Researcher's own compilation

4.3.2 Section B – Length of period in business, surroundings and space of shebeen

Shebeen applicants must have been trading for 5 years or more to be considered for a licence. The results of the question relating to years in business indicate that more than 77,5% of permit holders in the shebeen industry have been trading for more than 7 years. The next question regarding any period of closure of the business is important as it determines whether shebeens are faced with difficulties such as crime, death and other experiences and for how long. Temporary closure of a shebeen is serious, as per the literature (section 2.1), since the business is of a survivalist nature.

Of licensed shebeens, only 25% faced closure. Fifty percent closed for between 0-3 months and 50% closed for between 12 and 36 months. Reasons were mainly financial difficulties (50%) and shooting (crime) incidents (50%). For permit holders, 18.1% were also faced with closure during operations. Reasons also include

financial difficulty (50%), illness (33.3%) and personal problems (16.7%). It is clear that financial difficulty in both areas in operating a business plays a huge factor.

As mentioned, the government is concerned that places such as schools, churches and community halls should not be close to shebeens. Legalised outlets do not report being near any of the above, which indicates that government's application procedures have been followed. For permit holders it will be a more difficult process as the following critical places were present. As responses showed, 25% shebeens are located within a perimeter of 500 meters from schools, 21.9% from churches and 12.5% are close to a community hall. Shebeens will face severe difficulties in receiving licenses and relocation will be necessary for them to become formal.

The answer to the next question regarding size of premises (land area) is regarded as important by municipalities for reasons noted earlier. The research showed that license holders operate a business on an area between 201-400 square metres of land. Most of the permit holders (59.4%) also operate on an area between 201 – 400 square metres. Only 15.6% operate below on a piece of land less than 201 square metres. Shebeens doing so will face difficulties in becoming formalised.

The next question determines adherence to a municipal requirement regarding separate toilets which must be supplied to consumers (male and female). The research indicated that both segments (licensed outlets (75%) and permit holders (70%) comply in this respect. Of the permit holders, 40.6% have two toilets while 37.5% of licensed outlets do. Another municipal factor is the availability of sufficient parking space. Research showed that there is still a problem for licensed outlets as only 50% have sufficient parking space available for patrons, while 62.5% of permit holders do not comply. For legislative reasons, permit holders might pass the license requirements but for the future, more requirements for parking might be imposed on shebeens for the sake of the residents.

The next questions indicated the extent of the parking space problem with regards as to how many cars could be accommodated on the premises: for licensed outlets the mean was an average of 5.3 cars and for permit holders 5.9 cars. A storeroom facility is an important factor for both the shebeen and manufacturer. The licence

application states that the shebeen must have at least 20 cases of stock holding capacity per week. All licensed outlets can stock more than 20 cases per week which means that the license application criteria are being adhered to but permit holders face a challenge as only 75% have enough space to stock 20 cases. According to South African Breweries (Stols, 2008) a shebeen should have more than 30 square metres of storage space available to accommodate sufficient stock for one week of sales before the next delivery. The 30 square meters is equal to at least 50 cases of 12 x 750ml cases of beer. The mean number of cases that licensed shebeens can stock is 351.3 cases, which is adequate for them to qualify for manufacturers' direct delivery requirements. In permit holders the mean for holding stock is 176.7 which is also sufficient.

For a shebeen to be formal and to operate as a legal business, as part of the liquor application, approved architectural plans must be submitted to the municipality. Of licensed outlets, 75% report plans that have been approved while 50% of permit holders do so. The remaining outlets (25%) still struggle to gain approval which will have an impact on their formalisation. Furthermore, plans are very costly.

4.3.3 Section C – Staff

The next set of question outcomes will focus on employment and the employment conditions required by the licence application. Before formalisation, shebeens could employ whomever they wanted, including family members aged 18 years and younger. Employment is an important resource in every business and government's labour policies are clear regarding minimum wage, employment registration and employment regulation procedures. The Liquor Act states that persons under the age of 18 are not allowed to work in a shebeen. Due to its survivalist nature, however, frequently all the family members in the household help there.

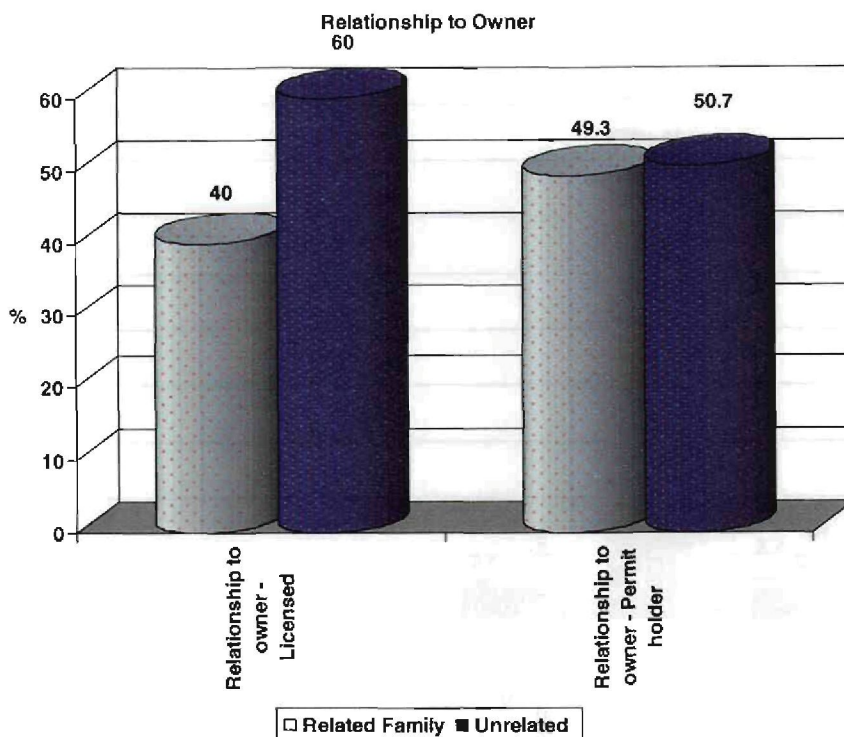
Children who arrive from school may work in the shebeen, which includes general cleaning and cashier functions. The mean number of people working in a shebeen is two for licensed firms and one for permit holders. The question also enquires about the status of employment (permanent or part time): most employees are part time, since for licensed outlets 62.5% of all employees work part time and for permit

holders 59.4% do. This will have a huge impact on shebeens becoming formal since the government considers an employee permanent if he or she works for more than three days a week in a business. Minimum wage and UIF registration will add additional cost for the formalised outlets.

Shebeen which employ family members under the age of 18 will feel the greatest impact short term. Both permit holders and licensed outlets employ part time workers between the ages of 14-20: licensed outlets (10%) and permit holders (10.1%). Most of the employees are the children of the owner or a neighbour. The majority of employees in the licensed shebeens fall into the age group of 21-30 years (40%) while in the permit holders' group most are between 41-50 years (31.9%). Those aged 51 or older represent 20% of responses amongst licensed holders and 13% for permit holders. The registration of these employees for UIF will create an extra cost for shebeens while the part time factor as indicated above must be altered to a permanent working contract. Labour law also states that each employee must agree to a contract stating hours of work, sick and annual leave arrangements and a set of minimum employment conditions. Formalisation of the informal sector will create a safer environment for employees but those below 18 will fall away.

The following graph 3 shows the employee's relationship to the owner. This is a clear indication that shebeens exhibit a strong element of family employment.

GRAPH 4.3: RELATIONSHIP TO OWNER

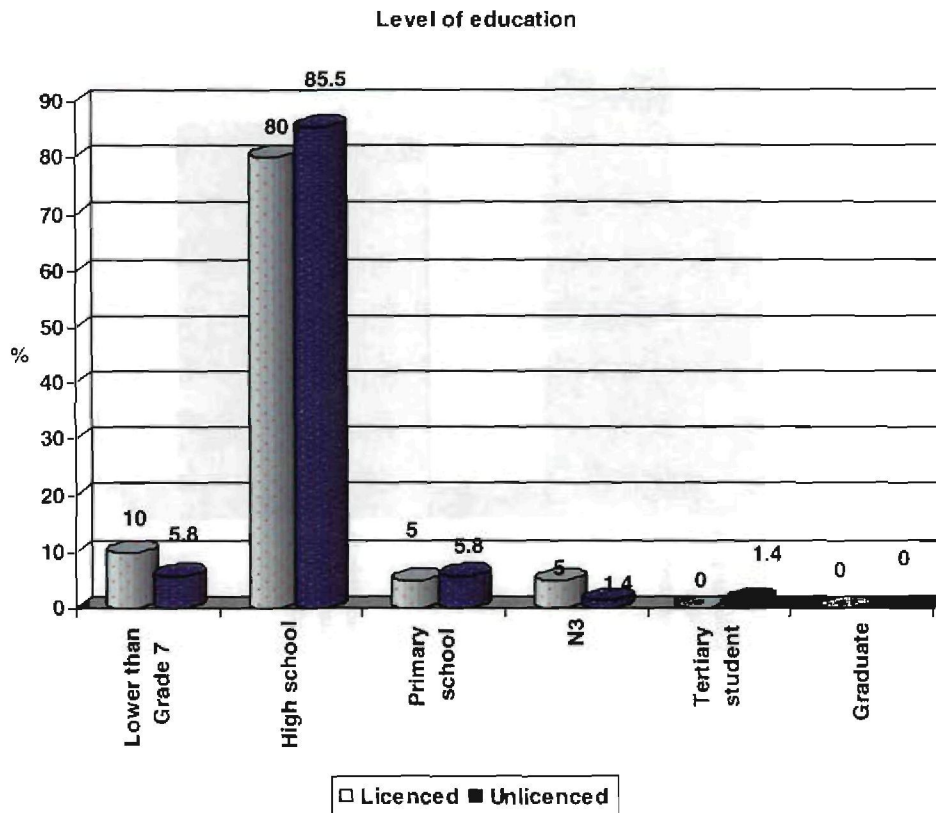


Source: Researcher's own compilation

From graph 4.3 it is clear that for licensed shebeens, the family contribution is lesser. Only 40% of the employees working in the licensed outlets are related to the owner, but amongst permit holders 50% are.

Running a business requires a level of education since formalised outlets operate under certain business conditions (VAT payments, personal tax payments and regional and governmental levies and payments). The next question therefore indicates the level of education. Dealing with suppliers requires commercial competence when dealing with credit and the management thereof as well as maintaining and ordering the correct stock. Further competencies required are those of dealing with stock cover, book keeping, financial transactions, supplier demands, customer service, managing credit, personal taxes and government legislative procedures. Graph 4.4 indicates the level of education of employees working for a shebeen, including the owner.

GRAPH 4.4: LEVEL OF EDUCATION



Source: Researcher's own compilation

High school represents the highest level of education amongst employees. At licensed outlets, 80% have completed high school while 85.5% of permit holder employees have done so. The need for training to operate as a formal outlet will be covered in the next few sections.

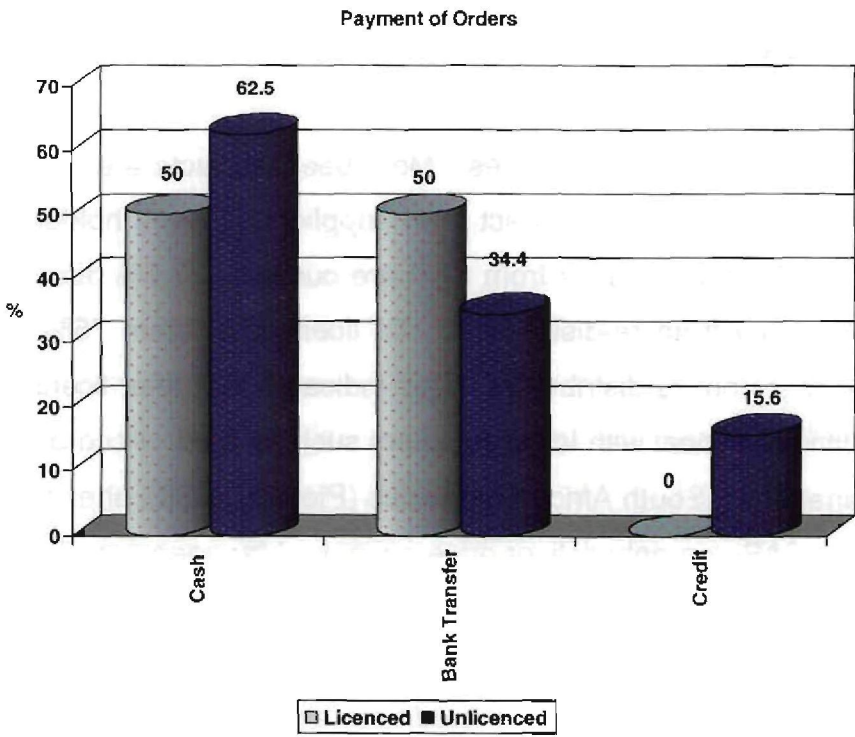
4.3.4 Section D – Logistics and equipment

Shebeens can only apply for an on-premise drinking license. The research shows that all licensed shebeens are 100% compliant as they all have a drinking area for consumers. Of unlicensed outlets, only 93.8% are compliant while the remaining outlets, if being formalised, will be required to create a space for consumers to drink. This will affect these shebeens as extra costs will be incurred, which may delay formalisation. No drinking outside of the premises, for example in the street, is allowed. The question relating to outside drinking indicates for licensed outlets that no drinking is taking place outside the premises, but for permit holder shebeens, 20%

of drinking activity is (in the street and on the pavement) which breaches the liquor policy. This is a concern for government as mentioned earlier. Unlicensed shebeens may fall foul of strict legislation.

The next section covers product purchases. Most beer products are obtained from SAB. Shebeens can now purchase direct from suppliers. Permit holders are very dependent on SAB. Their purchases from SAB are currently 87.5% direct while the remaining shebeens buy from re-distributors. Of licensed holders 75% buy direct from SAB and the rest from re-distributors. This indicates that after licensing, some shebeens find it difficult to deal with large suppliers such as SAB. According to Ryan Pieters, depot manager for South African breweries (Pieters, 2008), shebeens cannot stock for a week as SAB can only deliver once a week. Management of credit is the most difficult part of a business and shebeens default constantly on this area. Graph 5 below shows clearly that none of the licensed outlets receive stock on credit any longer; dealing with SAB is strictly cash or credit but after one default the shebeen's credit status is revoked. SAB, according to Robert Stols, a distribution manager also states that shebeens do not know how to deal with credit. Stols also states that shebeens' cash inflows and outflows are not managed well due to lack of understanding of credit procedures and correct ordering patterns. Graph 4.5 illustrates the number of licensed shebeens that buy using cash, making bank transfers and have a credit facility with SAB.

GRAPH 4.5: PAYMENT OF ORDERS



Source: Researcher’s own compilation

The next section will indicate the ability of shebeens to record business transactions. Formalisation will require the business to record all transactions for possible VAT calculations and payments. Profit must also be calculated for personal tax purposes and payments. In licensed shebeens, 75% of transactions are recorded by owners and 25% by managers. Amongst permit holders, 87.5% of transactions are recorded by owners, 12.5% by shebeen managers and 3.1% by book keepers. Due to the high amount of transactions handled by owners, and the lack of understanding of proper financial skills, difficulty may be experienced here. Formalisation clearly changes the method of handling business transactions. Only a small portion of shebeens allow bookkeepers to record business transactions. This competency factor will add extra cost to the business if done properly, although it does form part of a formal outlet.

4.3.5 Section E – Business association and legal compliance

The liquor policy requires that shebeens belong to a registered professional liquor association for protection and for Government to communicate through. The responses showed that only 37.5% of licensed shebeens and 43.8% of permit

holders belong to registered associations, for example: Khagiso Liquor Traders Association, Mogale City Liquor Traders Association and South African Liquor Traders Association (SALTA). Joining one will again add cost to the business and regulation by government will be controlled on a more micro level.

The next question is essential as shebeens must complete the liquor licence application properly if they are to obtain the final licence within the 18-months period. Licensed holders were not asked to comment as they had received their licences but amongst permit holders, only 71.9% are aware of the correct procedure. The other 28.1% find it very difficult to understand the process, which makes the formalisation process more complicated and will result in shebeens continuing to trade illegally.

Table 4.2 and 4.3 states the advantages and disadvantages of possessing a liquor licence. As indicated, there are more advantages than disadvantages.

TABLE 4.2: ADVANTAGES AND DISADVANTAGES OF A LIQUOR LICENCE

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ The biggest advantage for shebeen owners is that a shebeen can trade legally (87.5% - Licensed outlets and permit holders (40.6%). 	<ul style="list-style-type: none"> ▪ Before formalisation, licensed holders traded in hours outside set times as indicated in the Liquor Act. This will reduce profit and turnover as customers will not be able to buy outside these set hours, as licensed holders (25%) and permit holders (6.2%) indicate.

Source: Researcher's own compilation

TABLE 4.3: ADVANTAGES AND DISADVANTAGES OF A LIQUOR LICENCE (2)

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ No police interference. Permit holders (46.9%) state that this is their biggest advantage as police raided their stock often. 25% of licence holders agreed. 	<ul style="list-style-type: none"> ▪ The liquor act is too strict and calls for too much compliance which creates extra costs that cannot be absorb through pricing. Licensed outlets (25%) and permit holders (31.2%)
<ul style="list-style-type: none"> ▪ Direct purchases for suppliers. Permit holders (18.8%) feel this is a strong advantage. The reason is that the business will be recognised and they can give protection to their customers. 	<ul style="list-style-type: none"> ▪ Shebeen owners say they face more crime as people think one has more money. 25% of licensed outlets and 6.2% of permit holders felt this.
<ul style="list-style-type: none"> ▪ Proper employment of staff will also be a possibility as business will start growing (Permit holders – 12.5%) 	
<ul style="list-style-type: none"> ▪ Licence holders indicated the following advantages: <ul style="list-style-type: none"> ▪ Receiving discounts from suppliers – 12.5% ▪ Operational advice on trading times – 12.5% ▪ It is now affordable to trade – 12.5% 	

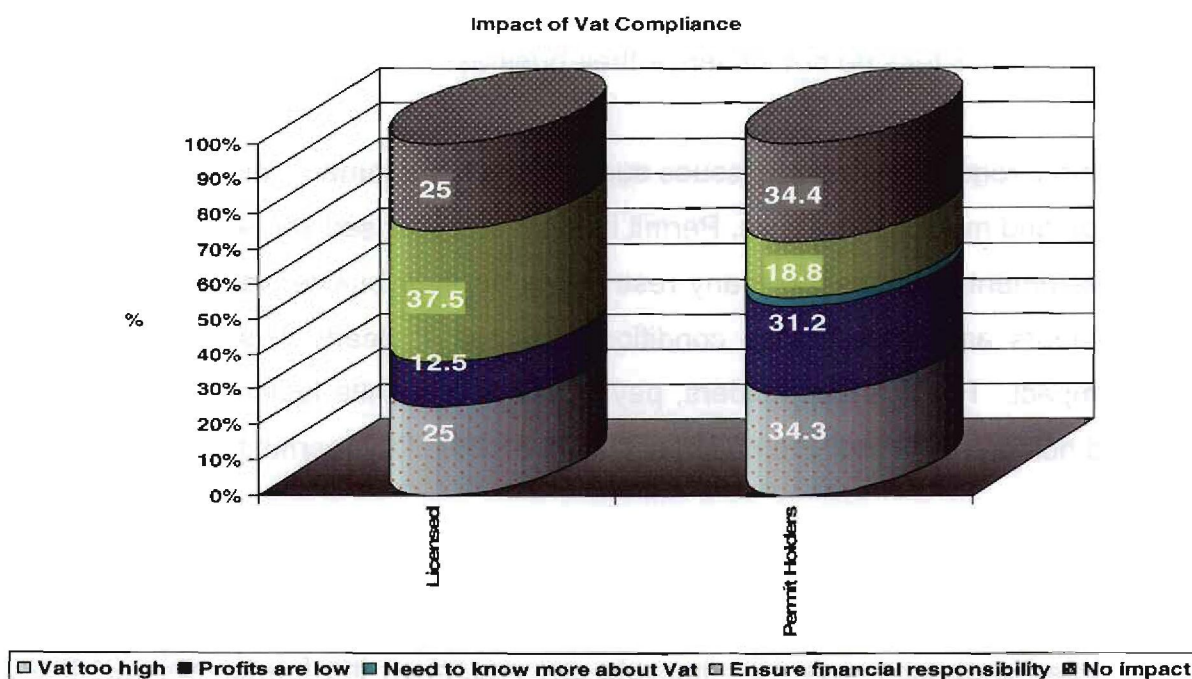
Source: Researcher's own compilation

The majority of the licensed shebeens (62.5%) indicated that there are no disadvantages at all to formalisation. Research did show that permit holders are not sure as 21.9% saw disadvantages and 34.4% indicate that there are no

disadvantages. The remaining permit holders (43.7%) indicate that there are disadvantages as explained in table 4.3.

The next section deals with Value Added Tax (VAT) as illustrated in graph 4.6. This is a legal issue since shebeens must pay VAT to the government. This will be the biggest new source for the government’s fiscus and in the past the informal sector never complied with this requirement. Graph 4.6 will show where shebeens indicate the impact of paying VAT on their businesses.

GRAPH 4.6: IMPACT OF VAT



Source: Researcher’s own compilation

As regards the licensed outlets, the research indicates that VAT has a fundamental impact on the business. For permit holders becoming formalised, factors such as VAT are too high (34.3%) while secondly profits are too low to pay VAT (31.2%). Both combined contribute to 65.5% of respondents reporting an impact on the shebeen. Licensed outlets show a lesser impact.

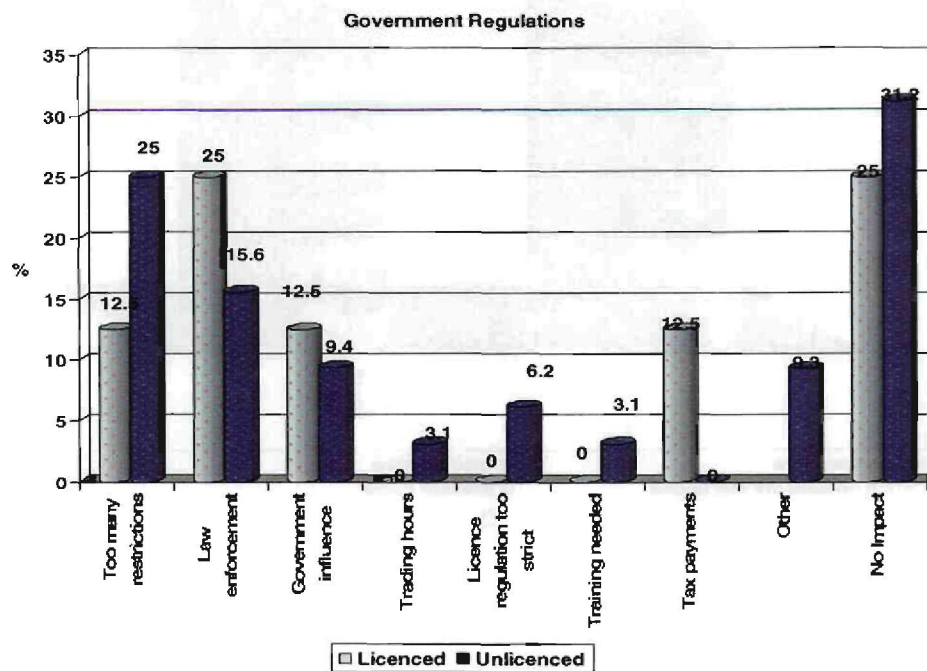
After VAT payments, the issue of paying personal tax arises. Individuals in the informal sector never previously paid personal taxes. Licensed shebeens are more aware of tax registration and the procedure for reclaiming some tax benefits. Of

licensed outlets, only 50% state that tax can be reclaimed; 12.5% state that paying tax has no impact. For permit holders, 18.8% claim that profits are too low to pay tax and that the income is not sufficient to sustain a proper living. Both shebeen segments indicate that paying personal tax is too onerous for the business and will leave no sustainable income to develop the business further. The question regarding employee registration (for UIF, and employees' contracts) indicates that the majority of permit holders (78.1%) feel that this has no impact on their business. Licensed outlets (62.5%) indicate that these factors have no impact. Formalised shebeens will be liable for municipal levies and council fees as they will be registered at the municipal council as a business and accordingly will pay business rates. More than half of permit holders (59.4%) and 50% of licensed shebeens indicated that municipal levies and council fees do not influence their business.

Government regulation, include issues such as law enforcement, levies, taxes, labour regulation and municipal by-laws. Permit holders and licensed shebeens feel strongly that government imposes too many restrictions on their businesses such as limited trading hours and strict license conditions. Graph 7 clearly illustrates areas that cause impact. For licensed holders, paying tax is a definite factor (12.5%). Of the licensed holders, 25% indicate no impact while 31.2% of the permit holders concur.

Formalisation of a shebeen will finally be approved if no community complaints are raised and resolved. Communities appear to support the shebeens actively. From the licensed shebeens, only 25% indicate any impact on the former while 21.9% of permit holders report this. The biggest effects are those of noise, broken bottles and loitering by customers. The impact of crime, as indicated in section B, does influence the continuation of a shebeen. A robbery can wipe out the entire cash flow which will prevent the shebeen owner from buying stock and continuing with his business. Licence holders (75%) indicate that due to good policing and control of the customers, crime is reduced and impact is low.

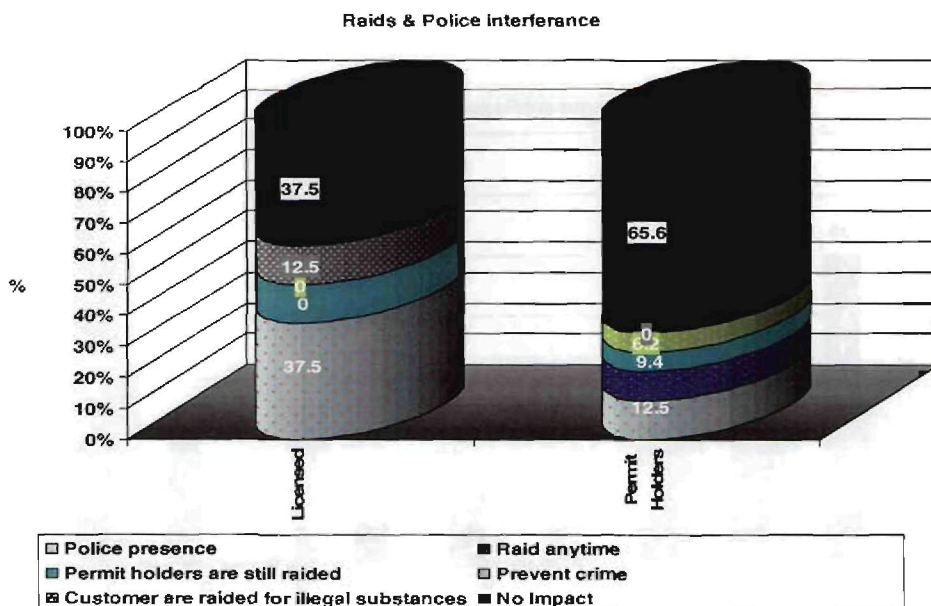
GRAPH 4.7: GOVERNMENT REGULATIONS



Source: Researcher’s own compilation

Customers do however still feel unsafe owing to crime and 25% of licensed liquor outlets indicate that it influences their business daily. Of permit holders, 71.9% indicate that crime has no effect on their businesses but fear that formalisation will bring about crime as mentioned earlier. Shebeens face many raids and police interference due to the illegal status of their business. Police presences are evident in the outlets. Outlets indicate that police do probe regularly for bribes for protection and minimum interference. Outlets are still raided as indicated by permit holders (6.2%) and licensed outlets (12.5%). Police find other ways to “harass” formalised outlets such as raiding their respective customers for illegal substances though formalisation leads to a huge decline in harassment from the police services. Licensed outlets (63.5%) and permit holders (34.4. %) reported that police interference has an impact on their business. Graph 4.8 will indicate reasons for police raids.

GRAPH 4.8: RAIDS & POLICE INTERFERENCE

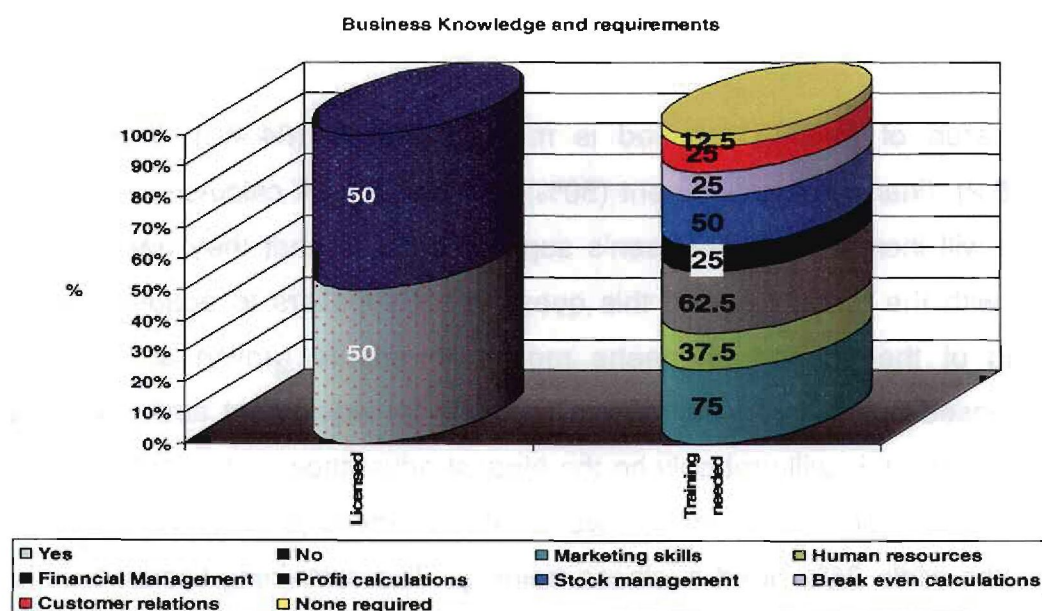


Source: Researcher’s own compilation

The impact of municipal regulations claimed by both segments is at 37.5% for license holders and 32.2% for permit holders. A negative factor is the slow processing of liquor license applications. The next question indicates whether transport is a constraint. Both segments feel that transportation constraints have low impact. From the licensed outlets, 37.5% of respondents indicate transport as a constraint and 25% of permit holders. The largest impact is that of economic factors such as the cost of fuel. Advantages of formalisation for shebeens include a positive cash flow as suppliers can now deliver directly. Permit holders however still spend money on hiring transport as they require more frequent deliveries. Formalisation also calls for changes, for example to structures. Lack of funds in this respect will hinder shebeens from applying for a liquor licence. The question of the impact of financial support indicated the following. Both segments (licensed and permit holders) 75%, indicate that financial support is needed. Credit is a new feature licensed outlets indicate that they do require this (12.5%), but delivery frequency is an obstacle. As regards buying from suppliers, 12.5% of the licensed outlets would like more discounts as part of financial support. Of licensed outlets, 62.5% and of permit holders 50% consider that such support has no impact.

Irrespective of their competencies, shebeen owners claim that their competencies are sufficient to run a business. Licensed outlets were asked if they were well equipped with knowledge to run the business efficiently. Of licensed outlets, only 50% indicate that they are competent. The licensed shebeens which indicate they are not explained the areas of improvement and gaps. In figure 4.9, the graph indicates for licensed outlets what knowledge or training they still require and need. The following is the breakdown of skills and support needed: marketing skills 75% reported the highest percentage, followed by mark-up and margin calculation 62.5%, subsequently stock management and lastly procurement at 50%. Lack of above skills in running a shebeen dealing with customers, suppliers and cost control will have a negative impact.

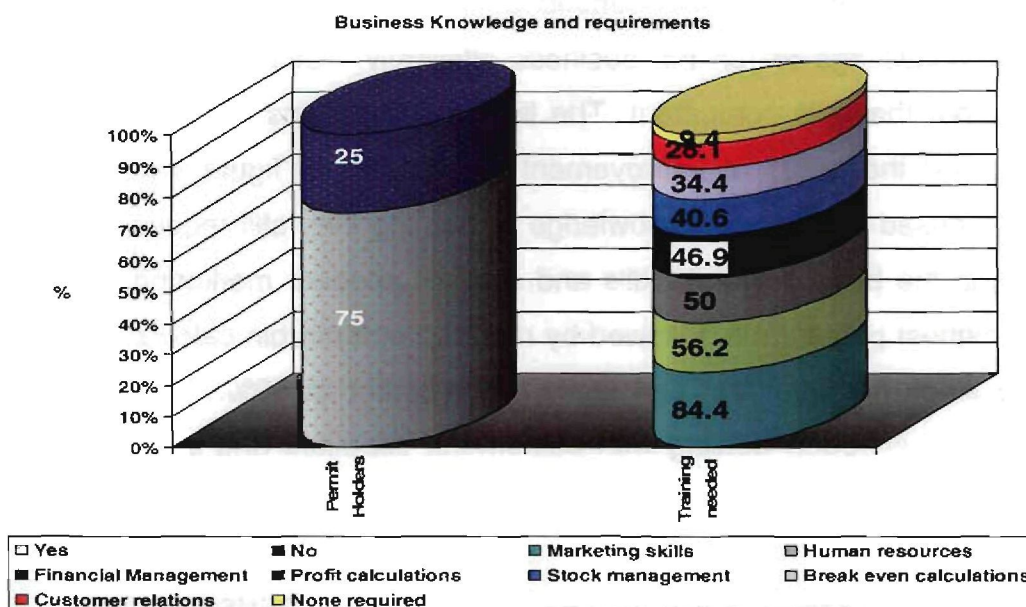
GRAPH 4.9: BUSINESS KNOWLEDGE AND REQUIREMENTS: LICENSED OUTLETS



Source: Researcher's own compilation

Graph 4.10 indicates training needs for permit holders categorised by reason.

FIGURE 4.10: BUSINESS KNOWLEDGE AND REQUIREMENTS: PERMIT HOLDERS



Source: Researcher's own compilation

The biggest area of training required is marketing skills (84.4%), then human resources (56.2), financial management (50%) and lastly profit calculations (46.9%). Formalisation will increase the shebeen's supplier base so that they need to form partnerships with the latter. I added this question for suppliers to acquire a better understanding of the support shebeens require to ensure growth and financial stability. Licensed outlets report extensive requests for equipment such as fridges and table cloths and this will probably be the biggest advantage in dealing direct with suppliers. Their requirements are as follows: Licensed outlets (37.5%) require fridges and table cloths while 25% need business training. The remaining licensed outlets require promotional offerings (25%). Permit holders owing to their low profile in the past express a great need for sign boards, umbrellas, pamphlets (37.5%), followed by fridges and table cloths (18.8%) and financial support (25%).

Support required from the Government by licensed and permit holders can be summarised as follows: Both permit holders and licensed outlets request financial support (28.1% and 37.5%). There is a strong feeling regarding a need for local council advertisements (12.5%), a reduction of municipal costs (12.5%) and training skills for staff (12.5%). Permit holders require a more speedy process in liquor application processing, and a reducing of government regulations (12.5%). Permit

holders also request a greater police presence in the street. The demand by permit holders for training from government is 9.4% as the application process is difficult, too detailed and shebeen owners require assistance completing the process fully.

4.4 SUMMARY

This chapter began with a literature review regarding the research process, including *the methods of preparing a questionnaire and of gathering and analysing data for the empirical study*. Questions were specifically formulated to determine the impact of formalisation factors during the 18-month permit period and after receiving the liquor licence. Questionnaires were conducted one-on-one with the shebeen owners and staff involved in management and general activities of the shebeen.

Results were presented which illustrated the outcome of the questions that explained the impact of the factors. The details of each question were discussed and comments made on the factors as perceived at this moment in licensed and permit holder shebeens in the West Rand. Conclusions from this study, and recommendations to address identified gaps, will be considered in chapter 5.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5 CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

In this final chapter, conclusions and recommendations will be made relating to the objectives of the study. The conclusions reached from the empirical study will first be discussed, whereafter a number of recommendations will be made. These will be based on the following:

- The views of experts and researchers as discussed in the literature study (Chapter 2 and 3).
- Results gained from the empirical investigation on the factors that have an impact on shebeens becoming legalised (Chapter 4).

Finally, a brief evaluation will be carried out to confirm that the objectives of this study have been met. In this study, respondents were required to supply their reasons for the potential key business factors impacting on their businesses in the legalisation process, moving from unlicensed to licensed outlets. The expectation of diverse opinions is grounded in theory, as Robbins (1983) puts it: "Perception can be defined as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment. However, as we have noted, what one perceives can be substantially different from objective reality. It needs to be, but there is often disagreement."

5.2 CONCLUSIONS BASED ON THE EMPIRICAL STUDY

Shebeen formalisation has a definite economic role to play and the evolution of this illegal entity into a legalised and controlled one, will deliver a significant economic contribution to the economy. Factors that have an impact on this formalisation process will determine the future existence of the shebeen as well as the achieving of the Liquor Act's objectives. To make the formalisation a reality, the factors impacting on the process must be addressed by the various contributors; hence the suggested recommendations and solutions that will be found in this chapter.

Table 5.1 will include areas of impact on the formalisation process as identified by the shebeen segments. The questions indicated in the table can be referenced in Appendix 1 by means of the detailed questionnaire.

TABLE 5.1: FACTORS IMPACTING ON THE FORMALISATION PROCESS

<i>Potential key business and legislative factors impacting on shebeens in the formalisation process</i>	
1	Years in the business (Question B1)
	<p>The Liquor Act requires shebeen owners to have been in the shebeen liquor trade operation for more than 5 years as part of the qualifying criteria in the liquor application process.</p> <ul style="list-style-type: none"> ▪ The criteria actually have no impact on the process as 62.5% permit holders have been trading for more than 5 years as have 37.5% of licensed shebeens.
2	Financial stability (Question B2 & B3)
	<p>Financial stability has a low impact on the shebeens as 81.2% of permit holders have never been closed due to financial difficulty, though 18.8% did close and re-open as a result of crime and sickness. The smallest set-back such as death in the family, robbery and stock theft by employees strongly influences the viability of the shebeen. Shebeens that did close, were dormant for between 6-12 months.</p>
3	The liquor act states clearly that “special places” such as schools and

churches must be further than 500 meters from the shebeen. (Question B5)

All permit holders waiting for approval will not be granted a liquor license. Of the 40 said shebeens, 8 are situated near a school and 7 are situated near a church. Hence 46.9% will not be granted a liquor licence unless they re-locate further than 500 meters away. This exerts a major impact on them.

4 Size of the premises: >200 square meters. Application states that sufficient square meters must be available to accommodate consumers. (Question B7, B8, D2 & D3)

This requirement has no impact as 84.4% are situated on a premise in excess of 200 square meters. The only consideration is the percentage of the house available for customers. Amongst all the permit holders, 79.1% have more than 50% of the property/house available for drinking activity. A small percentage (6.2%) of permit holders do not offer a drinking facility for their customers. This will be a requirement and police raids will be enforced on those that do not comply, which will lead to immediate closure. This also counts for drinking outside the allocated drinking area, which is illegal. Shebeens where consumers drink outside the shebeen count for 20%, likewise a situation which must be addressed before approval.

5 Separate and sufficient toilets on premise (Question B9 & B10)

This requirement has an effect. The toilets currently on the premises mostly belong to the residents. Of the shebeen permit holders, 37.5% currently allow patrons to use the toilets that are situated in the house. Further, 18.8% only have one toilet available for consumers. The remaining permit holder outlets do have separate toilets available for male and female customers. The others will incur costs to comply in this respect.

6 Sufficient parking space available (Question B11 & B12)

This criterion has a major impact. Only 37.5% of permit holders have sufficient parking space available. They will need to re-locate to bigger premises, which will increase cost and affordability.

7 Approved architectural plans (Question B15)

Municipalities require architectural plans when submitting liquor application. This criterion has a major effect. Only half the permit holders have

architectural plans.

8 Employees (Question C1, C2, C3 & E6)

That employees must now fall under the Labour Act will have an impact specifically on under-aged employees who are usually closely related to the family. Of all employees interviewed (89 staff inclusive of owner), only 18.8% are unrelated. The rest include family members and under age children (10.1%). Extra costs will eventuate since the family members do not work for money as the income is used for paying rent, food and domestic survival. Such staff multi-task in shebeens and will need to be replaced.

Permit holders (question E6), states that employee registration and the paying of UIF has no impact on their business (78.1%). It is also evident that shebeens are not aware of the procedure in registering people nor of the labour law and procedures. They will need to adhere to these.

9 Registered with a professional liquor association (Question E2)

This has an impact as the the Liquor Act requires new applicants to register themselves with a professional liquor association. Only 43.8% of the permit holders belong to such a body; yet it costs money to belong to such an association.

10 Liquor license procedure (Question E3)

This criterion has an impact as many permit holders are not very clear in understanding the procedure. Although 71.9% do, completing the liquor license cycle is still unclear though manufacturers such as SAB currently assist them with permit application.

11 VAT and Tax registration (Question E6)

This factor has a definite impact as shebeens claim that profits are very low (31.2%) and that a too high mark-up and provision for VAT at 14% will make the product not affordable. Shebeens also indicate that VAT is too high (34.4%).

Shebeens are aware that it can be re-claimed (34.2%) although fees are high in claiming it (12.5%). Little knowledge was evident in answering the question as the shebeen owners know that it must be done but they see it as a controlling measure from government. Compliance still needs to be questioned and investigated.

12	Municipal levies and council fees (Question E6)
	This factor on the whole has no impact as permit holders state that municipal levies are under control but increasing them will have an effect (59.4%).
13	Government regulations (Question E7)
	Government regulations have an impact. Permit holders regard government as imposing too many restrictions (68.8%), yet offering no training in licence applications.
14	Community demands (Question E7)
	Currently community demands have no impact (71.9%) and the community supports the shebeens.
15	Crime (Question E7)
	Shebeens indicate that crime does not exert a huge influence (71.9%) except for customers that commit crimes such as fighting and drunkenly harass customers.
16	Raids and Police interference (Question E7)
	Permit holders state that police presence prevents crime from happening. This has no impact on their business (65.6%), although police do sometimes raid customers for illegal items (guns and drugs) (12.5%).
17	Financial support (Question E7)
	This criterion has an impact as more than 50% of permit holders indicate that shebeens do not flourish because of lack of funds. They require discounts from suppliers, need credit and products must be affordable.
18	Business experience (Question E8)
	Has no impact. Research indicates that 75% of the shebeens feel that they have enough knowledge to run the business. The other 25% feel a strong need for training in each category: marketing skills (84.4%), financial calculations (96.9%) and stock management (40.6%).

Table 5.2 considers factors that manufacturers may use if they wish to penetrate the shebeen market after formalisation. The factors only apply to manufacturer's requirements.

TABLE 5.2: PENETRATION OF THE SHEBEEN MARKET BY MANUFACTURERS

<i>Penetration of the shebeen market by retailers and manufacturers (Sustainability of the business)</i>	
1	Sufficient storeroom space (Question B13 & B14) <i>This criterion has no impact for both shebeen and manufacturer.</i> The majority of permit holders (75%) have store space which can store more than 50 cases: sufficient stockholding for one week's sales. It will be easy for manufacturers such as SAB to start focusing on the 75% permit holders first while the other 25% create stock space.
2	Products sold in outlets (Question D1) All shebeens (100%) sell beer and 94% also sell ciders. For SAB it will constitute a competitive advantage as their full range of products is sold. Shebeens also sell other types of alcohol such as vodka (40% of researched shebeens), while wine (37.5%), spirit coolers (59.4%), brandy (62.5%) and whisky (34.4%) are also popular. Companies with below an 80% penetration can use this as a growth strategy to increase penetration in the shebeens with large success.
3	Supplier purchases (Question D4) Of permit holders interviewed, 87.5% currently buy direct from SAB while the remaining shebeens purchase from informal redistributors. That gives SAB a 12.5% opportunity to deliver direct.
4	Quantity of purchases per week (cases) (Question D6) A mean of 73.3 cases (12 x 750 millilitre clear beer) is purchased per week. Many shebeens (34.4%) purchase between 51-75 cases per week and 28.1% in the range of 76-100 cases per week.
5	Display and other fridges available in the shebeen (Question D7 & D8) A mean of 1.7 was reported as regards display fridges which is sufficient to keep beer cold and to service customers. Manufacturers could use this as an opportunity to supply branded fridges and increase competitive advantage. Permit holders with two fridges count for 37.5%.
6	Payment of stock (Question D12) Payments to suppliers are done through cash (62.5%), bank transfer (34.4%)

and credit facility (15.6%). Manufacturers can extend a credit facility to create a competitive advantage.

7 Commercial competencies (Question D13 & E1)

Only a very small percentage (3.1%) of transactions are recorded by a book keeper. Most businesses are not registered (71.9%) while only (15.6%) are registered as a close corporation. To enable trading and registering for VAT, manufacturers might consider offering support.

8 Supplier interface and trading compliances (Question E6 & E10)

Though manufacturers may be concerned about rules and trading procedures in dealing with shebeens regarding credit, delivery frequency, payment terms, 53.1% of shebeens have indicated that dealing with suppliers has no impact.

Shebeens do need the following from suppliers:

- Signage and pamphlets – 37.5%
- Financial support – 25%
- Display fridges, equipment and promotional items – 27.2%
- Business training – 6.2%
- Assistance with the license application – 9.4%

Source: Researcher’s own compilation

The following section forms part of the secondary objectives as per paragraph 1.6.2. In table 5.3, the advantages and disadvantages of a liquor licence are indicated.

TABLE 5.3: ADVANTAGES AND DISADVANTAGES OF HAVING A LIQUOR LICENSE

Advantages (Question E4)	Disadvantages (Question E5)
<ul style="list-style-type: none"> ▪ The biggest advantage for shebeen owners is that a shebeen can trade legally (87.5% of licensed outlets and 40.6% of permit holders. 	<ul style="list-style-type: none"> ▪ Before formalisation, licensed holders traded in hours outside set times as indicated the act. This will reduce profit and turnover as customers will not be able to buy outside these set hours. Licensed holders (25%) and permit

	holders (6.2%).
<ul style="list-style-type: none"> ▪ No police interference. Permit holders (46.9%) state that this is their biggest advantage as police raided their stock a lot. 25% of license holder report this. 	<ul style="list-style-type: none"> ▪ The liquor act is very strict and too much compliance is demanded, which creates extra cost that cannot be absorbed through pricing. Licensed outlets (25%) and permit holders (31.2%)
<ul style="list-style-type: none"> ▪ Direct purchases for suppliers. Permit holders (18.8%) feel this is a strong advantage. The reason is that the business will be recognised and they can give protection to their customers. 	<ul style="list-style-type: none"> ▪ Shebeen owners say they face more crime. Licensed outlets – 25%; 6.2% for permit holders
<ul style="list-style-type: none"> ▪ Proper employment of staff will also be a possibility as business will start growing (Permit holders – 12.5%) 	
<ul style="list-style-type: none"> ▪ Licensed holders indicated the following advantages: <ul style="list-style-type: none"> ○ Receiving discounts from suppliers – 12.5% ○ Operational advice on trading times – 12.5% ○ It is now affordable to trade – 12.5% 	

Source: Researcher's own compilation

Since the impact factors have been identified the following section offers recommendations in addressing these.

5.3 RECOMMENDATIONS

Taking all the results and identified gaps into consideration as discussed, recommendations will be made which suggest that all contributors (government, manufacturers and shebeens) are responsible for creating a suggested formalisation plan to achieve the set objectives. Table 5.4 will indicate the impact factors identified with recommended actions.

TABLE 5.4: SUPPLIERS / MANUFACTURERS

<i>Recommendations: Manufacturers / Suppliers</i>	
1	Sufficient storeroom space (Question B13 & B14)
	Suppliers could assist by increasing delivery frequency so that not that much floor space is required. Regular empty case collection will also assist to free up space for liquor which delivers the highest profits. The collection will create a better cash flow that will free up cash for more stock and a larger brand mix offering to customers.
2	Products sold in outlets (Question D1)
	Suppliers must consider offering consignment stock to shebeens, e.g. five cases in the product mix to increase the availability of all brands. This will increase brand penetration.
3	Supplier purchases (Question D4)
	Manufacturers can compile a service package which they can offer to shebeens (such as equipment support, merchandising items, and signage, regular visits by representatives) to create a complete service package. Understanding the business of the shebeens and their needs could produce a tailored package ensuring shebeen and supplier growth.
4	Quantity of purchases per week (cases) (Question D6)
	Follow up deliveries (top up) of mainstream products. Supply weekend credit to shebeens – supply products on credit and collect the money on Monday. This will assist shebeens to maximise peak selling periods.
5	Display and other fridges available in the shebeen (Question D7 & D8)
	Suppliers offer world-class products and demand can be created by displaying these to consumers for selection. Manufacturers can sign a two way brand agreement for a shebeen to receive a fridge. The condition of only stocking this manufacturer's products could be

	included in the agreement.
6	Payment of stock (Question D12)
	Manufacturers can increase their credit offering to shebeens but extensive training, reminders and sales trends assistance should be given to make sure shebeens manage credit effectively.
7	Commercial competencies (Question D13 & E1)
	Assistance could be provided in this respect.
8	Supplier interface and trading compliances (Question E6 & E10)
	Manufacturers need to consider supplying the following to shebeens: <ul style="list-style-type: none"> ▪ Signage and pamphlets ▪ Financial support ▪ Display fridges, equipment and promotional items ▪ Business training ▪ Assistance with the license application.

The following section indicates recommendations on the potential key business and legislative factors impacting on shebeens in the legalisation process.

Potential key business and legislative factors impacting on shebeens in the legalisation process	
1	The liquor act states clearly that “special places” such as schools and churches must be further than 500 meters from the shebeen. (Question B5)
	<ul style="list-style-type: none"> ▪ Shebeens need to re-locate to a more suitable place. They should focus on new development areas. ▪ Or their business hours can also be adjusted during times where church services are conducted. ▪ They should liaise with churches to accommodate any special requests not to inconvenience any churchgoers.
2	Employees (Question C1, C2, C3 & E6)
	Contracts must be obtained from the Department of Labour which all employees must sign. All must be registered with the UIF. No persons under the age of 18 to work in shebeens.

3	Registered with a professional liquor association (Question E2)
	Shebeens must choose a liquor association but should assess services required from it very carefully. All liquor associations should offer a service package that can address governmental legislative issues.
4	Liquor license procedure, crime, social responsibility (Questions B5, B7, B8, B9, B10, B11, B12, B15, D2, E3)
	Shebeen staff need training as regards issues of a safe drinking environment, applying for a liquor license, addressing crime and how to prevent liquor abuse.
	The following detailed actions must be explained to the shebeens as part of the education process:
	<ul style="list-style-type: none"> ▪ the licensing requirements relating to the selling of liquor, the different types of licences, the licence fees that are applicable, the functions of off-consumption premises, the functions of on-consumption premises, the special events type of licence, the process relating to the granting of applications, the procedure as regards the delivery of liquor, the storage of liquor, the functioning of off-consumption tasting facilities, the conditions relating to restrictions and offences, the issuing of compliance notices, the prosecution of offences process, and the trading hours and days as determined by municipalities.
5	Financial calculations, VAT and Tax registration and business competencies (Question E6)
	Training will ensure that the largely unlicensed trade enters the regulatory framework; training of the new licence holders is an incentive to ensure the entry of formerly unlicensed traders into the system and an opportunity for economic empowerment, particularly for the historically disadvantaged business community, through the provision of basic small business development skills. The acquisition of business skills through an existing training programme needs to be conducted by manufacturers. This training programme should ensure the effectiveness of correct training for the profitability and sustainability of currently unlicensed outlets.
	A effective training programme will result in the following benefits:

- Increase in monthly turnover
- Debtors outstanding decrease
- Savings and investment increase
- Any training programme for licence holders, both existing and prospective, must encompass information on the licence holders' legal and social obligations, awareness of their responsibilities to the society that allows them to trade and profit, and the acquisition of the basic skills needed to run a profitable business enterprise. Training needs will vary from one licence holder to another. Not all entrants to the liquor trade require business training. Training in legal and social responsibilities relating to the particular category of licence may be sufficient to ensure that the licence holder is placed in a position to conduct the business in accordance with the provisions of the legislation. For this reason the curriculum will have a modular format, thus allowing authorities to prescribe appropriate module(s) in accordance with the particular needs of the licence holder or conditional licence holder.

Training must include the following which will assist government to achieve its objectives in protecting the community and ensuring a safe trading environment:

- To empower licence holders with knowledge of their legal and moral obligations so that expectations of compliance on their part are fair and reasonable.
- To enlighten licence holders regarding the responsibilities that business enterprises have to the society that permits their existence, and to demonstrate that discharging those responsibilities is in their own interest.
- To make available business skills training to those who require it, and particularly those currently operating outside the legal framework so that there is informed appreciation of the benefits of legal trading.
- With these specific objectives in mind, the training programme must be divided into three parts. The first part of the training programme will deal with legal and social aspects of trading in liquor. The theme of the first part will be an explanation of the legislative framework around

liquor use in the West Rand.

- This part deals with basic business skills that are often lacking among existing unlicensed traders because of the disadvantages imposed by policies of the past. The following broad outline consists of items that are being considered in developing the training module that relates to the development of basic business skills.

The training programme must touch on the following areas of the business.

- Defining a business
- Ownership and employees
- Finance (basic and advanced)
- Material (stock and cash management)
- Machinery
- Numeracy
- Costing and pricing
- Credit control, with customers and with suppliers
- Code of practice as proposed by the Association for Responsible Alcohol Use.

6 Financial support (Question E7)

- Government to distribute financial assistance opportunities available in an easy communication medium.
- Procedure in applying for assistance must be easy and offices accessible for shebeens to apply.

7 Training & municipal zoning (Question B7, B8, B9, B10, B11, B12, B15, D2, D3, E7, E8,)

Government is responsible for facilitating the training and municipal zoning process and should consider the following areas of responsibility:

- To define the licensing system
- To demonstrate an understanding of the role of local communities
- To define the role of the provincial Liquor Board
- To define the role of the enforcement agencies
- To define the role of the municipality in facilitating and controlling land uses, including business activities such as liquor establishments.

The specific outcomes include:

- a brief overview of municipal zoning schemes and other legislation impacting on land use, a consideration of the potential impact of liquor establishments on other land uses and mitigating measures which liquor licence holders should consider to minimise impact on surrounding land uses.
- To demonstrate an understanding of the promotion of commercial enterprise and entrepreneurship
- To demonstrate an understanding of the various control measures
- To explain the different kinds of liquor
- To explain licences required to trade
- To explain the trading hours and days and the role of municipalities and the Liquor Board in setting these
- To demonstrate an understanding of the monitoring, evaluation and accountability principles
- To define the code of conduct to be applied.

The second theme of the first part will relate to an explanation of the generic framework regarding liquor in the in South Africa. The learning outcomes envisaged are:

- To explain the historical background of liquor use in South Africa
- To explain the causes of alcohol abuse
- To explain the burden placed on communities by alcohol abuse
- To define the economic contribution liquor makes
- To define the health hazards relating to liquor
- To define “drinking in moderation”
- To define the potential health benefits of moderate liquor use for older persons
- Define the social hazards relating to liquor.

The third theme that will be explored is barriers of entry relating to liquor in varying contexts. The learning outcomes that have been defined are:

- To explain the historical background relating to liquor use
- To define the transitional measures relating to liquor
- To define enforcement measures.

The next theme to be explored is the governmental responsibilities with regard to the control of the use of liquor. The learning outcomes that are

envisaged are the following:

- To explain the constitutional position of the sale of liquor
- To explain the powers and functions of the provincial governments
- To explain the role of provincial government
- To explain hearings of the provincial Liquor Board
- To explain the role of the provincial Liquor Board inspectorate and the designated liquor officers
- To explain the granting/discharging of interim orders
- To explain the powers and functions of municipalities and the liquor forums.

The licensing process in the province will be the next training theme.

The following outcomes are expected:

- To define the process of new applications for licences
- To define the objections process
- To demonstrate an understanding of the adjudication process
- To explain the monitoring, evaluation and accountability process

Further to the above, the following summarised recommendations will ensure the overall success of the formalisation process.

5.4 STUDY EVALUATION

5.4.1 Primary Objective

The primary objective of this study, to *“analyse the potential key business factors impacting on shebeens in the legalisation process, moving from unlicensed to licensed”* was achieved by intensive feedback on all aspects of elements involved in the legalisation process and environment in and around the shebeen.

5.5 SECONDARY OBJECTIVE

The following secondary objectives were achieved through the empirical study:

- *“Determine the advantages and disadvantages of legalisation of the informal industry liquor.”* There is a clear advantage in becoming legalised. The disadvantages can be addressed by means of a constructive plan and contributions from all parties. Advantages should be sufficient reason for “illegal” shebeens wanting to become legalised.
- *“Identify the needs and requirements of converted shebeens to ensure business success and continuation.”* Licensed shebeens have already started to reap benefits but their business has reached a milestone that requires micro focus on critical factors ensuring growth and sustainability. Through the empirical study, these needs and requirements were determined.
- *“Determine whether changes in legislation lead to easier penetration of the shebeen market by retailers and manufacturers by means of distribution changes and changes in the distribution channel.”* The empirical study determines elements that may be important decision factors for suppliers and retailers in penetrating the black market. The outcome is clear and can be applied in the penetration model.

5.6 RECOMMENDATIONS FOR FUTURE RESEARCH

With the factors in mind and the effect of changes in the liquor industry in legalising the shebeen industry it is suggested that the following be investigated:

- Extend the survey to include views from runners and informal redistributors that are directly affected.
- Extend the survey to accommodate the community and the impact of the shebeen on sexual abuse and harassment of the community members situated near the shebeens.
- It will be of economic value to determine the revenue (Tax and VAT) potential for government.

- Extend the survey to a national one and to differentiate between rural and metropolitan areas in order to identify whether the drivers of the formalisation process deviate from these study findings.

5.7 CONCLUSION

The survival of the shebeen in the West Rand constitutes a longitudinal study in the world of the city's common people. More precisely, it represents an investigation into a research frontier concerning the historical geography of the informal sector. Studies on the historical dynamics of the informal sector may be sharply focussed through the lens of a shifting balance of forces promoting the conservation, as opposed to the dissolution, of specific income pursuits.

As applied to the shebeen, it is evident that the forces of conservation/dissolution impacting upon this informal, soon to be legalised, niche have changed markedly over time. Throughout this study the most consistent element is the acknowledgement by all contributors that shebeens play a huge economic role and that the formalisation process needs to be followed, implemented and growth created. From the time of its origin in the development of the early mining camp through to as late as 1976 agents of the State have sought to destroy the shebeen, which was perceived as a criminal institution. Only against the backdrop of the central State's reformist initiatives to foster a privileged urban Black middle class in the townships has a shift taken place in the State's position from favouring dissolution to accepting the partial conservation of shebeening. The tentative steps taken towards legalisation of the shebeen are part of the broader programme of relaxing controls on the South African informal sector (Rogerson, Beavon 1982; 1985). The position of mining and industrial capital towards the shebeen trade has been hesitant, moving from a position of outright opposition towards favouring its presence. Underpinning this change in attitude is the progressively deteriorating level of black unemployment, the reduction of the threat of alcohol affecting worker productivity and the profits of capital. However, the significance of the shebeens has been equally noteworthy as a marketing outlet for the products of the large capitalist liquor enterprises which has resulted in the major brewing companies to throw their weight behind movement towards shebeen legalisation.

Notwithstanding the changing roles of the availability of capital and the State, the historical persistence of the shebeen trade in the West Rand has been the most crucial factor pertaining to the pressures for the conservation of the shebeens, emanating from the common people of the city. Support from the West Rand's black working classes has shaped the shebeens' evolution into an institution of cultural and social significance in township life. Against the conventional view of the compliance of members of the informal sector, the historical geography of shebeening amplifies the ability of people themselves to actively contribute towards the conservation of their activities. In the face of direct repression, the importance of internal and external pressures for the survival of this particular informal sector niche is demonstrated in the tradition of opposing municipal beer halls from 1937 through to the present-day in the organisation of an association to pursue legalisation. Ironically, however, the achievement of legalisation is sharpening a major rift in the business of shebeening between, on the one hand, the small group of licensed establishments moving in the direction of petty capitalism and on the other, of the mass of township shebeens struggling for continuing survival against State efforts to destroy the non-licensed trade. The road to legalisation is a reality and soon all unlicensed shebeens will possess licenses and a new chapter can be written, contributing to economic growth and overcoming all obstacles towards creating growth, manufacturer's value, a reduction of alcohol abuse and better employment conditions. Along the road to legalisation, manufacturers and Government must play a supportive role to ensure the survival of this sector and continued success.

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APPENDIXES

LIST OF APPENDIXES

APPENDIX 1: ONE-ON-ONE QUESTIONNAIRE

APPENDIX 2: ANALYSIS OF QUESTIONNAIRES

APPENDIX 1: DISSERTATION QUESTIONNAIRE

Yes, we can do the interview now		1	CONTINUE	
No. I am not willing to participate in the study		2	CLOSE INTERVIEW	
SECTION A: QUOTA CONTROLS AND SCREENING				
A1	RECORD PLACE OF INTERVIEW		1	CONTINUE
			2	
			3	
A2	OBSERVE & RECORD GENDER	Male	1	CHECK QUOTA
		Female	2	
A3	OBSERVE & RECORD RACE	Black	1	CONTINUE
		Coloured	2	
		White	3	
		Indian/Asian	4	
A4	ASK ALL: Into which of the following age groups do you fall? READ OUT. SMO	Less than 18 years	1	CLOSE
		18-24 yrs	2	CONTINUE
		25-29yrs	3	
		30-39yrs	4	
		40 - 49yrs	5	
		50-59yrs	6	
		60 - 69yrs	7	
		70 yrs and older	8	
A5	ASK ALL: What position do you hold in this shebeen?	I am the owner	1	CONTINUE
		I am the manager	2	
		I am the share holder	3	
		I am an employee	4	
A6	ASK ALL: Which of the following statements apply to you personally regarding procurement and signing for stock as well as the administrative day to day running of the shebeen? READ OUT.	I am directly involved in the ordering/buying of stock, signing for it and am familiar with the financial and general administration that goes on in the shebeen.	1	CONTINUE
		I am not directly involved in the ordering/buying of stock or signing for it, nor am I familiar with the financial and general administration that goes on in the shebeen.	2	ASK TO BE LINKED TO PERSON WITHIN THE COMPANY WHO IS DIRECTLY INVOLVED AND START THE INTERVIEW FROM THE BEGINNING
A7	ASK ALL: Under which of the following categories does your shebeen fall? Please note that this information will be kept confidential. READ OUT. SMO	We have a Licence to sell liquor	1	CHECK QUOTA
		We only have a permit to sell liquor	2	CLOSE
		We have neither permit nor licence to sell liquor	3	
		I do not know	4	
		Refused (DO NOT READ OUT)	5	
SECTION B: LENGTH OF PERIOD IN BUSINESS, SURROUNDING AND SPACE OF SHEBEEN				
INTERVIEWER: I WOULD NOW LIKE US TO TALK ABOUT THE SURROUNDING ENVIRONMENT AND THE AMOUNT OF SPACE YOUR SHEBEEN OCCUPIES				
B1	ASK ALL: In which year did your shebeen start operating as a place that sells liquor?	WRITE IN THE YEAR		CONTINUE
B2	ASK ALL: Has the tavern ever closed for a period of time and reopened ever since it was first opened?	Yes, the shebeen has closed and reopened	1	CONTINUE
		No, the shebeen has never been closed	2	SKIP TO B5
B3	ASK ONLY IF YES IN B2: How long was the shebeen closed?	WRITE IN THE PERIOD (In months).....		CONTINUE
B4	ASK ONLY IF YES IN B2: What was the reason for the closure of the shebeen for that period? DO NOT READ OUT.MMP	Financial difficulties	1	CONTINUE
		Trouble with the law	2	
		Other (Specify).....	3	

B5	ASK ALL: Which of the following places/centres is situated within 500 meters from your shebeen? SHOW CARD. MMP	Another shebeen/tavern	1	CONTINUE
		A hair salon	2	
		A school	3	
		A Butchery	4	
		A church	5	
		A community hall	6	
		None of the above	7	
B6	ASK ALL: What is the size of the premise in which the shebeen is situated? SHOW CARD. SMO	100 - 200 square meter s	1	CONTINUE
		201 – 400 square meters	2	
		401 – 600 square meters	3	
		601 -800 square meters	4	
		801 – 1000 square meters	5	
		Over 1000 square meters	6	
INTERVIEWER NOTE: FOR QUESTIONS B7 TO B8 OBSERVE THE PREMISES & COMPARE YOUR ESTIMATES TO THE ANSWERS GIVEN BY THE RESPONDENT				
B7	ASK ALL: What proportion of the premise size do you think the main building (Tavern and main house) occupy? SHOW CARD. SMO	Less than a quarter	1	CONTINUE
		About a quarter	2	
		About half	3	
		About three quarters	4	
		More than three quarters	5	
B8	ASK ALL: What proportion of the premise size do you think the shebeen occupies? SHOW CARD. SMO	Less than a quarter	1	CONTINUE
		About a quarter	2	
		About half	3	
		About three quarters	4	
		More than three quarters	5	
B9	ASK ALL: How many toilets are there in the premises that are dedicated exclusively to the shebeen customers? DO NOT READ OUT. SMO	None	1	CONTINUE
		1 toilet	2	
		2 toilets	3	
		3 toilets	4	
		4 toilets	5	
		5 toilets or more		
B10	ASK ALL: Are there separate toilets for males and females available for your customers?	Yes	1	CONTINUE
		No	2	
B11	ASK ALL: Is there parking space available on the premises where shebeen customers usually park their cars?	Yes	1	CONTINUE
		No	2	
B12	ASK ALL: How many cars can the shebeen premise accommodate on the parking area?	WRITE IN THE NUMBER OF CARS THAT CAN BE ACCOMODATED INSIDE THE PREMISES		CONTINUE
B13	ASK ALL: Does the shebeen have a storeroom where liquor stock is stored?	Yes	1	CONTINUE
		No	2	SKIP TO B15
B14	ASK ONLY IF YES IN B13: How many cases can you pack in your storeroom?	WRITE IN THE NUMBER OF CASES		CONTINUE
B15	ASK ALL: Does the shebeen have an approved architectural plan?	Yes	1	CONTINUE
		No	2	
		I do not know/Not sure	3	

SECTION C: STAFF

C1	ASK ALL: How many employees are currently employed by the shebeen on a full time basis?	WRITE IN THE NUMBER OF EMPLOYEES	CONTINUE
C2	ASK ALL: How many employees are employed on a part-time or contract basis?	WRITE IN THE NUMBER OF EMPLOYEES	CONTINUE

C3
ASK ALL: You are kindly requested to provide the following details about your employees. Please note that the information will not be disclosed to any third party, and will be used solely for research purposes.

Gender & age of employee (e.g. F, 23yrs)	Job Title (e.g. Cleaner/waiter)	Job description (e.g. serving customers/ collecting bills)	Relationship to owner (Owner's child/niece or unrelated)	Level of Education (e.g. Grade 9/Matric/diploma)	Number of years employed (e.g. 5/6/3 yrs)
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					

SECTION D: BUSINESS LOGISTICS AND EQUIPMENT

D1	ASK ALL: Which of the following alcoholic drinks are sold in your shebeen? READ OUT. MMP	Beer	1	CONTINUE
		Whisky	2	
		Brandy	3	
		Vodka	4	
		Ciders	5	
		African home-brewed beer	6	
D2	ASK ALL: Does your shebeen have a facility for customers to drink the liquor on the premises (drinking area)?	Yes	1	CONTINUE
		No	2	SKIP TO D4
D3	ASK ONLY IF YES IN D2: Do most of your customers drink their alcohol on your premises or outside?	On the premises	1	CONTINUE
		Outside the premises	2	
		Not sure, cannot tell	3	
D4	ASK ALL: Who is the main supplier of liquor to your shebeen?	WRITE IN THE NAME OF SUPPLIER		CONTINUE
D5	ASK ALL: Which other supplier(s) do you buy from?	WRITE IN THE NAME OF SUPPLIER(S) 1 2 3		CONTINUE
D6	ASK ALL: On average, how many cases of liquor do you order per week? READ OUT. SMO	WRITE IN THE NUMBER OF CASES		CONTINUE

D7	ASK ALL: How many display fridges do you have in your shebeen?	WRITE IN NUMBER OF FRIDGES		CONTINUE
D8	ASK ALL: How many fridges do you have other than display fridges in your shebeen?	WRITE IN NUMBER OF FRIDGES		CONTINUE
D9	ASK ALL: How do you order your liquor? DO NOT READ OUT.MMP	I have to send someone to buy the liquor physically	1	CONTINUE
		I phone in to order stock	2	
		I order over the internet/email	3	
		Other (Specify)	4	
D10	ASK ALL: How do you get your order to the shebeen? READ OUT.MMP	Own collection, always	1	SKIP TO D12
		Direct delivery to my shebeen, always	2	CONTINUE
		I have a choice to get the order delivered or I can collect	3	
D11	ASK ONLY THOSE WHO ANSWERED OPTIONS 2 AND OR 3 IN D10: Who delivers the order to your shebeen? DO NOT READ OUT	The Redistributor		CONTINUE
		The bottle store		
		The redistributor's runner		
		The manufacturer		
		Other (please specify)		
D12	ASK ALL: In which of the following ways do you pay for your order? READ OUT.MMP	Cash	1	CONTINUE
		Bank transfer	2	
		Cheque	3	
		Credit facilities	4	
		Debit card	5	
		Other (Specify)	6	
D13	ASK ALL: Who is responsible for recording business transactions in the shebeen on a day to day basis? DO NOT READ OUT.MMP	The owner him/herself	1	CONTINUE
		Some member of the owner's family	2	
		The shebeen manager	3	
		The shebeen book-keeper	4	
		Other (Please specify)	8	

SECTION E: BUSINESS ASSOCIATION & EXPERTISE AND LEGAL COMPLIANCE

INTERVIEWER, SAY THE FOLLOWING: WE WOULD NOW LIKE TO TALK ABOUT YOUR ASSOCIATION WITH ANY ORGANISATIONS IN THE LIQUOR INDUSTRY.

E1	ASK ALL: How is the shebeen registered as a business? READ OUT. SMO	One man business/ not registered	1	CONTINUE
		Closed Corporation	2	
		Company (Pty Ltd)	3	
		Informal trading under a private capacity	4	
		Other (specify)	5	
E2	ASK ALL: Please mention any business or professional liquor associations that your shebeen belongs to. Please give a short description of the association. OPEN ENDED. PROBE FULLY	1		
		2		
		3		
E3	ASK ONLY THOSE BUSINESSES THAT HAVE PERMITS ONLY AND NO LICENCES: You mentioned earlier in the interview that you have a liquor permit and not a licence, are you aware of the procedure followed in applying for a liquor licence?	Yes	1	CONTINUE
		No	2	

E4	ASK ALL: What do you think are the advantages of having a liquor licence? OPEN ENDED. PROBE FULLY
E5	ASK ALL: What do you think are the disadvantages of having a liquor licence? OPEN ENDED. PROBE FULLY
E6	ASK ALL: What impact do you think formalisation of shebeens in the form of liquor licences has on your business from a compliance point of view regarding the following? READ OUT, OPEN ENDED, PROBE FULLY	VAT Registering for personal tax and income declaration Employee registration (e.g. UIF, employee contracts etc.) Municipal levies and council fees Supplier interface and trading compliances (e.g. payment method, credit, delivery adherence, etc.)
E7	ASK ALL: What impact do the following contributors have on your business? READ OUT, OPEN ENDED, PROBE FULLY	Government regulations Community demands Crime Raids/Police interference Municipality regulations Employee factors (e.g. wages, competencies etc.) Manufacturers such as SAB..... Transport constraints Financial support.....

E8	ASK ALL: Do you feel that you are well equipped with knowledge to run your business? DO NOT READ OUT.SMO	Yes	1	CONTINUE
		No	2	
E9	ASK ALL: Regardless of the level of your expertise on running the business, which of the following areas do you need additional training on? READ OUT. MMP	Stock management and procurement	1	
		Mark-up and margin calculations	2	
		Break-even calculations	3	
		General financial management	4	
		Customer relations	5	
		Human resources	6	
		Marketing skills	7	
		Other (Please specify)	8	
E10	ASK ALL: What support do you need from the following? READ OUT. OPEN ENDED, PROBE FULLY.	Suppliers such as SAB		
		Government		
E11	ASK ALL: What factors do you think are important to the growth of your business? OPEN ENDED, PROBE FULLY.		

THANK RESPONDENT FOR THE INTERVIEW AND CLOSE

RESPONDENT NAME:	INTERVIEWER NAME:
SHEBEEN NAME:	DATE:
TELEPHONE NO:	TIME STARTED ENDED
CELL	CHECKED BY:
PHYSICAL ADDRESS	BACKCHECKED BY:
.....	SIGNED
.....	
.....	
.....	

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES
Shebeen Mix

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
	40	8
	100.0	100.0
LICENCE HOLDERS	20.0	100.0
PERMIT HOLDERS	80.0	
A1. Area		

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
	40	8
	100.0	100.0
Kagiso (Krugersdorp)	40	8
	100.0	100.0
A2. Gender		

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
	40	8
	100.0	100.0
Male	22	6
	55.0	75.0
Female	18	2
	45.0	25.0
A3. Race		

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
	40	8
	100.0	100.0
Black	40	8
	100.0	100.0

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES
A4. Which of the following age groups do you fall into?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
18 - 24 yrs	2 5.0	1 12.5
25 - 29yrs	2 5.0	-
30 - 39yrs	10 25.0	3 37.5
40 - 49yrs	16 40.0	2 25.0
50 - 59yrs	9 22.5	2 25.0
60 - 69yrs	1 2.5	-

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

A5: What position do you hold in this shebeen?

	TOTAL	TYPE OF PERMIT Licence Holders
	40 100.0	8 100.0
I am the owner	31 77.5	6 75.0
I am the manager	9 22.5	2 25.0

A6: Which of the following statements apply to you personally regarding procurement and signing for stock as well as the administrative day to day running of the shebeen?

	TOTAL	TYPE OF PERMIT Licence Holders
	40 100.0	8 100.0
I am directly involved in the ordering\buying of stock, sig	40 100.0	8 100.0

A7. Under which of the following categories does your shebeen fall?

	TOTAL	TYPE OF PERMIT Licence Holders
	40 100.0	8 100.0
We only have a permit to sell liquor	32 80.0	-
We have a Licence to sell liquor	8 20.0	8 100.0

B1: In which year did your shebeen start operating as a place that sells liquor?

	TOTAL	TYPE OF PERMIT Licence Holders
	40 100.0	8 100.0
2001 - 2008	21 52.5	1 12.5
1991 - 2000	12 30.0	4 50.0
1981 - 1990	5 12.5	2 25.0
1970 - 1980	2 5.0	1 12.5

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

B2: Has the tavern ever closed for a period of time and reopened ever since it was first opened?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
Yes, the shebeen has closed and reopened	8 20.0	2 25.0
No, the shebeen has never been closed	32 80.0	6 75.0

B3. How long was the shebeen closed?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	8 100.0	2 100.0
3 Months	2 25.0	1 50.0
4 Months	1 12.5	-
6 Months	1 12.5	-
8 Months	1 12.5	-
12 Months	2 25.0	-
36 Months	1 12.5	1 50.0
Mean	10.5	19.5

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

B4: What was the reason for the closure of the shebeen for that period ?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	8 100.0	2 100.0
Financial difficulties	4 50.0	1 50.0
Illness	2 25.0	-
SAB could not give us support	1 12.5	-
Shooting incident	1 12.5	1 50.0
Personal problems	1 12.5	-

B5: Which of the following places/centres is situated within 500 meters from your sheeben?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
Another shebeen/tavern	32 80.0	6 75.0
A hair salon	17 42.5	4 50.0
A school	8 20.0	-
A Butchery	8 20.0	1 12.5
A church	7 17.5	-
A community hall	4 10.0	-
None of the above	3 7.5	1 12.5

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

B6: What is the size of the premise in which the shebeen is situated?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40	8
	100.0	100.0
100 200 square meter s	6	1
	15.0	12.5
201 400 square meters	26	7
	65.0	87.5
401 600 square meters	5	-
	12.5	
601 800 square meters	3	-
	7.5	

B7: What proportion of the premise size do you think the main building occupy?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40	8
	100.0	100.0
About a quarter	7	-
	17.5	
About half	13	2
	32.5	25.0
About three quarters	12	3
	30.0	37.5
More than three quarters	8	3
	20.0	37.5

B8: What proportion of the premise size do you think the shebeen occupies?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40	8
	100.0	100.0
Less than a quarter	5	-
	12.5	
About a quarter	20	3
	50.0	37.5
About half	9	3
	22.5	37.5
About three quarters	5	2
	12.5	25.0
More than three quarters	1	-
	2.5	

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

B9: How many toilets are there in the premises that are dedicated exclusively to the shebeen customers?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
	40	8
	100.0	100.0
None	12	-
	30.0	
1 toilet	8	2
	20.0	25.0
2 toilets	16	3
	40.0	37.5
3 toilets	3	2
	7.5	25.0
4 toilets	1	1
	2.5	12.5
MEAN	2.33	3.25

B10: Are there separate toilets for males and females available for your customers?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
	28	8
	100.0	100.0
Yes	20	6
	71.4	75.0
No	8	2
	28.6	25.0

B11. Is there parking space available on the premises where shebeen customers usually park their cars?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
	40	8
	100.0	100.0
Yes	16	4
	40.0	50.0
No	24	4
	60.0	50.0

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

B12: How many cars can the shebeen premise accommodate on the parking area?

	TOTAL	TYPE OF PERMIT Licence Holders
	16 100.0	4 100.0
2	2 12.5	-
3	3 18.8	1 25.0
4	2 12.5	-
5	4 25.0	2 50.0
7	1 6.3	-
8	3 18.8	1 25.0
20	1 6.3	-
Mean	5.8	5.3

B13: Does the shebeen have a storeroom where liquor stock is stored?

	TOTAL	TYPE OF PERMIT Licence Holders
	40 100.0	8 100.0
Yes	32 80.0	8 100.0
No	8 20.0	-

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES
B14: How many cases can you pack in your storeroom?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
	32	8
	100.0	100.0
10 - 50	10	1
	31.3	12.5
51 - 100	5	-
	15.6	
101 - 150	2	-
	6.3	
151 - 200	5	3
	15.6	37.5
251 - 300	3	1
	9.4	12.5
301 - 350	1	-
	3.1	
351 - 400	2	1
	6.3	12.5
400+	4	2
	12.5	25.0
Mean	220.3	351.3

B15: Does the shebeen have an approved architectural plan?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
	40	8
	100.0	100.0
Yes	22	6
	55.0	75.0
No	14	2
	35.0	25.0
I do not know/Not sure	4	-
	10.0	

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

C1: How many employees are currently employed by the shebeen on a full time basis?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40	8
	100.0	100.0
Zero	3	1
	7.5	12.5
1	17	-
	42.5	
2	17	7
	42.5	87.5
3	3	-
	7.5	
Mean Excl Zero	1.6	2.0
Mean Incl Zero	1.5	1.8

C2: How many employees are employed on a part_time or contract basis?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40	8
	100.0	100.0
Zero	24	5
	60.0	62.5
1	8	2
	20.0	25.0
2	4	-
	10.0	
3	3	-
	7.5	
4	1	1
	2.5	12.5
Mean Excl Zero	1.8	2.0
Mean Incl Zero	0.7	0.8

C3. Gender of employee 1

	<u>Total</u>	<u>TYPE OF PERMISSION TO SELL LIQUOR</u> <u>Licence holder</u>
Total	89	20
Male	49	11
	55.1	55
Female	40	9
	44.9	45

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

AGE

TYPE OF PERMISSION TO SELL LIQOUR

	Total	Licence holder
AGE		
Total	89	20
14 - 20	9	2
21 - 30	10.1	10
31 - 40	24	8
41 - 50	27	40
51 - 60	15	4
Dont know	16.9	20
	24	2
	27	10
	13	4
	14.6	20
	4	0
	4.5	0

JOB TITLE

TYPE OF PERMISSION TO SELL LIQOUR

	Total	Licence holder
Total	89	20
Owner	26	4
Waiter \serving customers	29.2	20
Cleaner	22	8
Sales	24.7	40
Manager	18	4
Teller	20.2	20
Packer	12	2
	13.5	10
	12	3
	13.5	15
	5	1
	5.6	5
	4	0
	4.5	0

**APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES
JOB DESCRIPTION**

TYPE OF PERMISSION TO SELL LIQUOR

	Total	Licence holder
Total	89	20
Serving customers\ Waiter	45	10
	50.6	50
Management	16	4
	18	20
Selling	13	2
	14.6	10
Cleaning	9	1
	10.1	5
Ordering stock	4	2
	4.5	10
Collecting bills	4	0
	4.5	0
Checking books	2	0
	2.2	0
Delivering	1	0
	1.1	0
Packing	1	0
	1.1	0
Collecting empty bottles	1	1
	1.1	5

RELATIONSHIP TO OWNER

TYPE OF PERMISSION TO SELL LIQUOR

	Total	Licence holder
Total	89	20
Owner \ No relationship	34	7
	38.2	35
Unrelated	13	5
	14.6	25
Son	9	2
	10.1	10
Daughter	7	2
	7.9	10
Husband	4	0
	4.5	0
Cousin	4	1
	4.5	5
Brother	4	0
	4.5	0
Partner	3	0
	3.4	0
Wife	3	1
	3.4	5
Niece	2	1
	2.2	5
Friend	2	0
	2.2	0
Uncle	1	1
	1.1	5
Nephew	1	0
	1.1	0
Sister	1	0
	1.1	0
Neighbour	1	0
	1.1	0

**APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES
LEVEL OF EDUCATION**

TYPE OF PERMISSION TO SELL LIQOUR

	Total	Licence holder
Total	89	20
High school	75	16
Primary school	84.3	80
	5	1
N3	5.6	5
	2	1
Tertiary student	2.2	5
	1	0
Graduate	1.1	0
	0	0
Don't know	0	0
	6	2
	6.7	10

NUMBER OF YEARS EMPLOYED

TYPE OF PERMISSION TO SELL LIQOUR

	Total	Licence holder
Total	89	20
05-Jan	55	9
	61.8	45
10-Jun	23	5
	25.8	25
15-Nov	6	4
	6.7	20
16 - 20	4	1
	4.5	5
20+	1	1
	1.1	5

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

D1: Which of the following alcoholic drinks are sold in your shebeen?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
	40	8
	100.0	100.0
Beer	40	8
	100.0	100.0
Ciders	38	8
	95.0	100.0
Spirit coolers	26	7
	65.0	87.5
Brandy	24	4
	60.0	50.0
Wine	16	4
	40.0	50.0
Vodka	16	3
	40.0	37.5
Whisky	14	3
	35.0	37.5
African home brewed beer	5	1
	12.5	12.5

D2: Does your shebeen have a facility for customers to drink the liquor on the premises (drinking area)?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
	40	8
	100.0	100.0
Yes	38	8
	95.0	100.0
No	2	-
	5.0	

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

D3: Do most of your customers drink their alcohol inside or outside your premises?

	TOTAL	TYPE OF PERMIT
		Licence Holders
	38 100.0	8 100.0
Inside the premises	32 84.2	8 100.0
Outside the premises	6 15.8	-

D4. Who is the supplier(s) do you buy from?

	TOTAL	TYPE OF PERMIT
		Licence Holders
	40 100.0	8 100.0
SAB	34 85.0	6 75.0
FISTALAND TARVEN	1 2.5	-
MISSISSIPI TARVEN	1 2.5	1 12.5
MOKALE BOTTLE STORE	1 2.5	-
EASY PACK BOTTLE STORE	1 2.5	-
SHIMMY	1 2.5	-
WESTEND LIQUORS	1 2.5	1 12.5

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES
D5. Which other supplier(s) do you buy from?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
DISTELL	5 12.5	-
MISSISSIPI TARVEN	4 10.0	-
TSHOLOFELO BOTTLE STORE	3 7.5	1 12.5
CAPTAIN LIQUOR STORE	2 5.0	2 25.0
MOKANE LIQUOR STORE	2 5.0	-
SHIMIS TARVEN	2 5.0	-
BRAND HOUSE	2 5.0	-
MOBB'S TARVEN	1 2.5	1 12.5
MAGREGA BOTTLE STORE	1 2.5	-
MOLEFE BOTTLE STORE	1 2.5	-
MASREG BOTTLE STORE	1 2.5	-
SWANIS BOTTLE STORE	1 2.5	-
GRITTS	1 2.5	-
Westend bottle Store	1 2.5	-
EXPO WHOLE SALES	1 2.5	1 12.5
ITSOSENG BOTTLE STORE	1 2.5	-
ONE RAND	1 2.5	-
HAC	1 2.5	-
NONE	15 37.5	4 50.0

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

D6: On average, how many cases of liquor do you order per week?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
	40	8
	100.0	100.0
01 - 25	7	-
	17.5	
26 - 50	12	1
	30.0	12.5
51 - 75	3	1
	7.5	12.5
76 - 100	9	-
	22.5	
101 - 125	1	1
	2.5	12.5
126 - 150	2	2
	5.0	25.0
176 - 200	3	1
	7.5	12.5
200+	3	2
	7.5	25.0
Mean	122.8	320.5

D7: How many display fridges do you have in your shebeen?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
	40	8
	100.0	100.0
Zero	8	2
	20.0	25.0
1	14	2
	35.0	25.0
2	11	2
	27.5	25.0
3	3	1
	7.5	12.5
5	2	-
	5.0	
6	1	1
	2.5	12.5
8	1	-
	2.5	
Mean Excl Zero	2.2	2.5
Mean Incl Zero	1.7	1.9

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

D8: How many fridges do you have other than display fridges in your shebeen?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
Zero	2 5.0	1 12.5
1	8 20.0	1 12.5
2	12 30.0	3 37.5
3	10 25.0	2 25.0
4	7 17.5	-
6	1 2.5	1 12.5
Mean Excl Zero	2.5	2.7
Mean Incl Zero	2.4	2.4

D9: How do you order your liquor?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
I phone in to order stock	30 75.0	7 87.5
Supplier calls us	9 22.5	-
I have to send someone to buy the liquor physically	2 5.0	1 12.5
Go there directly	1 2.5	-

D10: How do you get your order to the shebeen?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
Own collection, always	2 5.0	2 25.0
Direct delivery to my shebeen, always	35 87.5	6 75.0
I have a choice to get the order delivered or I can collect	3 7.5	-

D11: Who delivers the order to your shebeen?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	38 100.0	6 100.0
The manufacturer	32 84.2	5 83.3
The bottle store	6 15.8	1 16.7
The supplier	3 7.9	1 16.7
The Redistributor	2 5.3	-

D12: In which of the following ways do you pay for your order?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
Cash	24 184	4

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

	60.0	50.0
Bank transfer	15 37.5	4 50.0
Credit facilities	5	-

D13: Who is responsible for recording business transactions in the shebeen on day to day basis?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
The owner him\herself	34 85.0	6 75.0
The shebeen manager	6 15.0	2 25.0
The shebeen book_keeper	1 2.5	-

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES
E1: How is the shebeen registered as a business?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
One man business\ not registered	26 65.0	3 37.5
Closed Corporation	9 22.5	4 50.0
Sole trader	4 10.0	1 12.5
Informal trading under a private capacity	1 2.5	-

E2: Please mention any business or professional liquor associations that you belong to.

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
Ntha	6 15.0	1 12.5
Salta Association	3 7.5	-
Kagiso Liquor Traders Association	2 5.0	2 25.0
Mogale City Liquor Traders Association	2 5.0	-
Sambo Association	1 2.5	-
Westrand Association	1 2.5	-
Community stokvel	1 2.5	-
Salco	1 2.5	-
None	23 57.5	5 62.5

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

E3: Are you aware of the procedure followed in applying for a liquor licence?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
HAVE PERMIT TO SELL LIQUOR	32 100.0	-
Yes	23 71.9	-
No	9 28.1	-

E4: What do you think are the advantages of having a liquor licence?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
Trade legally	20 50.0	7 87.5
Trade freely \ stress free\ no problems	17 42.5	2 25.0
Minimum police interference	6 15.0	-
Purchase directly from SAB	5 12.5	2 25.0
The business will be recognized	4 10.0	-
Will be able to employ staff	2 5.0	-
Protects the customers \ community	2 5.0	-
Get discount when purchasing liquor	1 2.5	1 12.5
Operational advice on trading times	1 2.5	1 12.5
It is cheap / affordable	1 2.5	1 12.5

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

E5: What do you think are the disadvantages of having a liquor licence?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
They have strict laws	12 30.0	2 25.0
You have restricted trading times	4 10.0	2 25.0
People having a perception of you being rich\lots of money	2 5.0	-
Constant monitoring by law	1 2.5	1 12.5
There are specified trading distance from e.g. schools,churches,etc	1 2.5	-
Tax is too high	1 2.5	-
Nothing	16 40.0	5 62.5
Don t know	7 17.5	-

E6: What impact do you think formalisation of shebeens in the form of liquor licences has on your business from a compliance point of view regarding the following?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
VAT	40 100.0	8 100.0
Vat is too high	13 32.5	2 25.0
Profits are low	11 27.5	1 12.5
Ensures financial responsibility	9 22.5	3 37.5
Need to be knowledgeable about vat	1 2.5	-
No Impact	13 32.5	2 25.0

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

E6: What impact do you think formalisation of shebeens in the form of liquor licences has on your business from a compliance point of view regarding the following?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
Registering for personal tax and income declaration	40 100.0	8 100.0
Tax can be reclaimed	14 35.0	4 50.0
Profits are low	8 20.0	2 25.0
Fees are high	5 12.5	1 12.5
Employee s income does not qualify to pay tax	1 2.5	-
Helps the government monitor the employees in the industry	1 2.5	-
Need to be knowledgeable about tax	1 2.5	-
Need to abide by the law	1 2.5	-
Have to be registered	1 2.5	-
Need to pay extra money when reclaiming	1 2.5	1 12.5
No impact	10 25.0	1 12.5

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

E6: What impact do you think formalisation of shebeens in the form of liquor licences has on your business from a compliance point of view regarding the following?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
Employee registration (UIF,Employee Contracts)	40 100.0	8 100.0
Expensive to maintain employees	3 7.5	-
Helps prepare for employee retirement	3 7.5	2 25.0
Help prepare for UIF benefits	2 5.0	1 12.5
Registering of staff once business has established	1 2.5	-
Need to abide to the rules / regulations	1 2.5	-
No Impact	30 75.0	5 62.5

E6: What impact do you think formalisation of shebeens in the form of liquor licences has on your business from a compliance point of view regarding the following?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
Municipal levies and council fees	40 100.0	8 100.0
Rendering their services	9 22.5	3 37.5
Fees have to be paid	3 7.5	-
High charges	2 5.0	1 12.5
It will destroy my business since the profit is less	2 5.0	1 12.5
They don t collect the refuse that contains bottles	2 5.0	-
No Impact	23 57.5	4 50.0

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

E6: What impact do you think formalisation of shebeens in the form of liquor licences has on your business from a compliance point of view regarding the following?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
Supplier interface and trading compliances (payment method etc)	40 100.0	8 100.0
Reliable suppliers	5 12.5	1 12.5
Should extend payment time	2 5.0	-
Instills financial responsibility	2 5.0	1 12.5
Less expensive \ affordable	2 5.0	1 12.5
Inconvenient payment points	2 5.0	-
No impact / pay cash	2 5.0	-
Don t know	2 5.0	-
They deliver the stock in their own time	1 2.5	-
Convenient suppliers	1 2.5	-
High charges	1 2.5	-
No Impact	22 55.0	5 62.5

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

E7: What impact do the following contributors have on your business?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
Government Regulations	40 100.0	8 100.0
Too many restrictions	9 22.5	1 12.5
Law enforcement \ maintaining order	7 17.5	2 25.0
Have to abide by the law of the government	4 10.0	1 12.5
They restrict us to trade late	2 5.0	1 12.5
Liquor license regulations are too strict	2 5.0	-
No training on license application	1 2.5	-
Cannot get a license if you are close to a school, church etc	1 2.5	-
Good for monitoring the industry	1 2.5	-
They do not give permit holders a problem	1 2.5	-
Paying of tax	1 2.5	1 12.5
No Impact	12 30.0	2 25.0

E7: What impact do the following contributors have on your business?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
Community demands	40 100.0	8 100.0
Good support	9 22.5	2 25.0
Problem with closing times	1 2.5	-
Contributing towards community initiative which are never implemented	1 2.5	1 12.5
Community demands realistic level of noise	1 2.5	-
No Impact	28 70.0	5 62.5

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

E7: What impact do the following contributors have on your business?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
Crime	40	8
	100.0	100.0
Crime kills the business \ customers feel unsafe	5	2
	12.5	25.0
Affects business growth negatively	3	-
	7.5	
No crime due to continuous police patrol	2	-
	5.0	
Less crime due to selling to older customers only	1	-
	2.5	
Police close the business if there is crime	1	-
	2.5	
No Impact	29	6
	72.5	75.0

E7: What impact do the following contributors have on your business?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u>
		<u>Licence Holders</u>
Raids / Police interference	40	8
	100.0	100.0
Law enforcement	7	3
	17.5	37.5
They raid at anytime they feel	3	-
	7.5	
Business with permits are also raided	3	1
	7.5	12.5
Prevents crime	2	-
	5.0	
Customers are raided for illegal substances eg guns etc	1	1
	2.5	12.5
No Impact	24	3
	60.0	37.5

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

E7: What impact do the following contributors have on your business?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
Municipality Regulations	40 100.0	8 100.0
Too many procedures to extend premises	3 7.5	-
Very slow process of license application	3 7.5	1 12.5
We abide by their requirements	2 5.0	-
Neutral \ neither positive nor negative impact	1 2.5	1 12.5
Restrict business growth with their regulations	1 2.5	-
Good for plan approval	1 2.5	-
Inconvenience collection of refuse \ waste removal	1 2.5	1 12.5
Rendering their service	1 2.5	-
No Impact	27 67.5	5 62.5

E7: What impact do the following contributors have on your business?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
Employee factors(wages etc)	40 100.0	8 100.0
Don t have employee	3 7.5	1 12.5
Employees help with the growth of my business	2 5.0	1 12.5
Still need to pay salaries when business is low	1 2.5	-
No impact \ have not registered employees	1 2.5	-
No impact / pay employees on time	1 2.5	-
Incompetent employees	1 2.5	-
No Impact	31 77.5	6 75.0

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

E7: What impact do the following contributors have on your business?

	TOTAL	TYPE OF PERMIT
		Licence Holders
Manufacturers such as SAB	40 100.0	8 100.0
They deliver on time	6 15.0	2 25.0
Provided equipment for the business	3 7.5	-
Prices are too expensive	2 5.0	1 12.5
Inefficient service	2 5.0	-
When they don t have enough stock	2 5.0	-
They inconvenience me in terms of collecting empties	2 5.0	-
Too demanding	2 5.0	-
They sponsor my stock \ alcohol	2 5.0	-
Supplier is reliable	2 5.0	2 25.0
Unnecessary charges	1 2.5	1 12.5
High delivery charges	1 2.5	1 12.5
They do not provide promotional items eg T shirts etc	1 2.5	-
Promotes my business	1 2.5	-
The issue of permits that expires	1 2.5	-
Delivers products that are not ordered	1 2.5	-
They don't provide insurance on stock purchased	1 2.5	-
Prices are cheap / affordable	1 2.5	-
No Impact	14 35.0	2 25.0

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

E7: What impact do the following contributors have on your business?

	TOTAL	TYPE OF PERMIT
		Licence Holders
Transport constrains	40 100.0	8 100.0
Delivering makes it easy to do business	6 15.0	1 12.5
Petrol is too expensive	2 5.0	2 25.0
Spend a lot of money hiring transport	2 5.0	-
Late deliveries affects availability of stock	1 2.5	-
No Impact	29 72.5	5 62.5

E7: What impact do the following contributors have on your business?

	TOTAL	TYPE OF PERMIT
		Licence Holders
Financial support	40 100.0	8 100.0
Business does not grow due to lack of financial support	40 100.0	6 75.0
Offers discounts	4 10.0	1 12.5
Offer to pay on credit	2 5.0	-
The manufacturer is cheap \ affordable	2 5.0	-
Running the business is expensive	2 5.0	-
Offer financial support	1 2.5	-
Manufacturer does not offer discounts	1 2.5	-
No Impact	21 52.5	5 62.5

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

E8: Do you feel that you are well equipped with knowledge to run your business?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
Yes	28 70.0	4 50.0
No	12 30.0	4 50.0

E9: Regardless of the level of your expertise on running the business, which of the following areas do you need additional training

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
Marketing skills	33 82.5	6 75.0
Human resources	21 52.5	3 37.5
General financial management	21 52.5	5 62.5
Mark_up and margin calculations (profit)	17 42.5	2 25.0
Stock management and procurement	17 42.5	4 50.0
Break_even calculations	13 32.5	2 25.0
Customer relations	11 27.5	2 25.0
Nothing \ None	4 10.0	1 12.5

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES
E10: What support do you need from the following?

	TOTAL	TYPE OF PERMIT
		Licence Holders
Suppliers such as SAB	40 100.0	8 100.0
Help with advertising e.g. billboards, pamphlets \ umbrellas	13 32.5	1 12.5
Displays e.g.. Fridges, tables clothes, etc	9 22.5	3 37.5
Financial support	8 20.0	-
Provide business training	4 10.0	2 25.0
Provide promotional gigs	3 7.5	-
Help us with license application	3 7.5	-
Offer discounts	2 5.0	2 25.0
SAB should interact with taverns\ shebeens	1 2.5	-
Allow to purchase above 5 cases	1 2.5	-
Delivery should be done once an order is placed	1 2.5	-
Review license law on distance between tavern and community centres	1 2.5	-
They must be reachable	1 2.5	-
Free or discounted delivery	1 2.5	-
Provide container to store empties	1 2.5	-
No Impact	5 12.5	2 25.0

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES
E10: What support do you need from the following?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
Government	40 100.0	8 100.0
Financial support	12 30.0	3 37.5
Deploy more patrolers especially at night	5 12.5	-
To be lenient with business people	4 10.0	-
Conduct workshops\ Training skills	4 10.0	1 12.5
Help those who need licenses	2 5.0	-
Speed up the license application	2 5.0	-
Provide advertisement for our businesses	1 2.5	1 12.5
Extend trading hours	1 2.5	-
Reduce municipal rates (water and electricity)	1 2.5	1 12.5
Provide a business site	1 2.5	-
Review license law on the distance between tavern and community centres	1 2.5	-
Nothing	3 7.5	1 12.5
No Impact	7 17.5	1 12.5

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

E11: What factors do you think are important to the growth of your business?

	<u>TOTAL</u>	<u>TYPE OF PERMIT</u> <u>Licence Holders</u>
	40 100.0	8 100.0
Marketing strategies	11 27.5	1 12.5
Build enough space for customers	10 25.0	2 25.0
Customer care	9 22.5	2 25.0
Growing customer base	7 17.5	2 25.0
Financial management	6 15.0	3 37.5
Safety of business	4 10.0	1 12.5
More\ enough stock	4 10.0	-
Cleanliness of the place	3 7.5	1 12.5
Business skill training	3 7.5	1 12.5
Conduct more promotion	3 7.5	-
Financial growth	2 5.0	-
Situation of business	2 5.0	1 12.5
Install big screen TV in the building	1 2.5	1 12.5
Make products price reasonable	1 2.5	-
To have representatives to assist with promotions	1 2.5	-
Good quality liquor	1 2.5	-
Fridges	1 2.5	-
Make the place more attractive eg sports bar	1 2.5	1 12.5
Nothing	1 2.5	-

APPENDIX 2 : ANALYSIS OF QUESTIONNAIRES

A7. Under which of the following categories does your shebeen fall?

	TOTAL	TYPE OF PERMIT Licence Holders
	40 100.0	8 100.0
We have a Licence to sell liquor	8 20.0	8 100.0
We only have a permit to sell liquor	32 80.0	-

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

100.0

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

32
100.0

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

16
50.0

16
50.0

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

32
100.0

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

1
3.1

2
6.3

7
21.9

14
43.8

7
21.9

1
3.1

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

25
78.1

7
21.9

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

32
100.0

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

32
100.0

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

20
62.5

8
25.0

3
9.4

1
3.1

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

6
18.8

26
81.3

**PERMISSION TO SELL
LIQUOR**

Permit Holders

6
100.0

1
16.7

1
16.7

1
16.7

1
16.7

2
33.3

-

7.5

**PERMISSION TO SELL
LIQUOR**

Permit Holders

6
100.0

3
50.0

2
33.3

1
16.7

-

1
16.7

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

26
81.3

13
40.6

8
25.0

7
21.9

7
21.9

4
12.5

2
6.3

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

5
15.6

19
59.4

5
15.6

3
9.4

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

7
21.9

11
34.4

9
28.1

5
15.6

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

5
15.6

17
53.1

6
18.8

3
9.4

1
3.1

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

12
37.5

6
18.8

13
40.6

1
3.1

-

2.09

**PERMISSION TO SELL
LIQUOR**

Permit Holders

20
100.0

14
70.0

6
30.0

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

12
37.5

20
62.5

**PERMISSION TO SELL
LIQUOR**

Permit Holders

12
100.0

2
16.7

2
16.7

2
16.7

2
16.7

1
8.3

2
16.7

1
8.3

5.9

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

24
75.0

8
25.0

**PERMISSION TO SELL
LIQUOR**

Permit Holders

24
100.0

9
37.5

5
20.8

2
8.3

2
8.3

2
8.3

1
4.2

1
4.2

2
8.3

176.7

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

16
50.0

12
37.5

4
12.5

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

2
6.3

17
53.1

10
31.3

3
9.4

1.5
1.4

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

19
59.4

6
18.8

4
12.5

3
9.4

-

1.8
0.7

Permit holder

69
38
55.1
31
44.9

Permit holder

69
7
10.1
16
23.2
11
15.9
22
31.9
9
13
4
5.8

Permit holder

69
22
31.9
14
20.3
14
20.3
10
14.5
9
13
4
5.8
4
5.8

Permit holder
69
35
50.7
12
17.4
11
15.9
8
11.6
2
2.9
4
5.8
2
2.9
1
1.4
1
1.4
0
0

Permit holder
69
27
39.1
8
11.6
7
10.1
5
7.2
4
5.8
3
4.3
4
5.8
3
4.3
2
2.9
1
1.4
2
2.9
0
0
1
1.4
1
1.4
1
1.4

Permit holder
69
59
85.5
4
5.8
1
1.4
1
1.4
0
0
4
5.8

Permit holder
69
46
66.7
18
26.1
2
2.9
3
4.3
0
0

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0
32
100.0
30
93.8
19
59.4
20
62.5
12
37.5
13
40.6
11
34.4
4
12.5

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0
30
93.8
2
6.3

**PERMISSION TO SELL
LIQUOR**

Permit Holders

30
100.0

24
80.0

6
20.0

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

28
87.5

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3.1

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PERMISSION TO SELL
LIQUOR

Permit Holders

32
100.0

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34.4

**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

7
21.9

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34.4

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6.3

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28.1

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

32
100.0

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18.8

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37.5

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28.1

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PERMISSION TO SELL
LIQUOR

Permit Holders

32
100.0

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21.9

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28.1

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21.9

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PERMISSION TO SELL
LIQUOR

Permit Holders

32
100.0

23
71.9

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28.1

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PERMISSION TO SELL
LIQUOR

Permit Holders

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100.0

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PERMISSION TO SELL
LIQUOR

Permit Holders

32
100.0

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84.4

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PERMISSION TO SELL
LIQUOR

Permit Holders

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100.0

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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PERMISSION TO SELL
LIQUOR

Permit Holders

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100.0

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PERMISSION TO SELL
LIQUOR

Permit Holders

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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100.0

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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100.0

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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PERMISSION TO SELL
LIQUOR

Permit Holders

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100.0

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78.1

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PERMISSION TO SELL
LIQUOR

Permit Holders

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100.0

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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53.1

PERMISSION TO SELL
LIQUOR

Permit Holders

32
100.0

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25.0

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PERMISSION TO SELL
LIQUOR

Permit Holders

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100.0

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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100.0

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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PERMISSION TO SELL
LIQUOR

Permit Holders

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PERMISSION TO SELL
LIQUOR

Permit Holders

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PERMISSION TO SELL
LIQUOR

Permit Holders

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**PERMISSION TO SELL
LIQUOR**

Permit Holders

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