

CHAPTER 2

THE MARKETING ENVIRONMENT FOR HAWKERS IN THE EAST LONDON CBD

CHAPTER 2

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2.1 INTRODUCTION

Mkhuma (1999:26) says that from the early Nineties to date thousands of workers have been laid off by businesses, mines and the public sector. According to central statistical services expanded definition of unemployment, 29,3% of the population is unemployed. This translates into more than 3,5 million Africans who are out of work – the majority being in urban areas. Looking at the East London area and statistics for this area noted below. It is believed that these more recent statistics are in fact over conservative. It is believed this figure is much higher.

Consider the following statistics, regarded as relevant, selected from Meintjies, Rousseau and Viljoen (1995) in “painting the picture” of the ‘marketing environment’ for Hawkers in the East London CBD. Although these statistics may seem outdated, they are relevant to this study as the hawker boom in CBDs throughout South Africa blossomed after the 1994 change of government after which few reliable statistics are available.

The Eastern Cape is the province with the second largest land area. It represents almost 14% of South Africa’s total surface area, second to the Northern Cape 29.7%. It hosts the third largest population being home to approximately 16,3% of South Africa’s total population is second to Gauteng’s 17% and third to Kwa-Zulu/Natal’s 22%. It has a population diversity, which is on a par with the national average. The province average number of persons per square kilometer was 36.2 in 1991 but it varies from a low of 1,2 in the Aberdeen District to a high of 849.8 in the District of Mdantsane. It is this District of Mdantsane, which borders on East London that has a profound influence on the region. A startling phenomenon in the Province has been the decline in the ability of its economy to provide formal employment opportunities to its large labour force.

The labour absorption capacity of the Province declined from 77,6% in 1980 to 60,5% in 1991 to 45,3% in 1994. Mike Lindley of MBSA (Mercedes Benz of South Africa) argues the unemployment figures to be closer to 80% presently with MBSA only working a 4-day week. (Commercial Park Trust Workshop - 28 October 1997). This position could be influenced by the welcomed investment of the new DCSA (Daimler Chrysler South Africa) in 1999 to 2001. The relative importance of Community and Social Services in the Provinces economy increased from 18,9% in 1980 to 26,5% in

1991. This is relevant in the sense that this sector is mainly supported by government activity with limited self-perpetuating growth potential. It is noticeable that approximately 70% of the population resides in the former traditional homeland areas (Transkei and Ciskei), which represent only 30% of the total surface area.

East London is the main service provider for this area and feels the effects of the fact that the Province's labour force increased at a much faster rate than formal employment with more than 36% of the unemployed in the whole Province residing in the region surrounding East London. To add to this, the East London/Mdantsane areas recorded the second highest population growth rate between 1980 and 1991, second to Umtata in the adjoining Transkei region. The influence of AIDS in this regard in more recent years is as yet an unknown but poses much speculation.

Meintjies et al, (1995) infers that the Province is unable to provide sufficient employment opportunities for its labour force as shown by the high unemployment (the second highest of all provinces), low labour absorption and high male absenteeism (the highest of all provinces). Another disturbing phenomenon is the increasing dependence of the Province on government as a contributor to economic production. This trend seems to indicate a structural problem in the economy of the Province since it has little self-perpetuating growth potential. It is thus possible that a combination of the above factors has played a major role in molding the current hawker industry in the East London area.

For people not able to be absorbed into formal employment, one of the options is to opt for informal self-employment into a sector with which one feels au fait and capable and where ease of entry carries few challenges. The relaxation of regulations, (and simple defiance of any) which may be in existence has thus seen the growth of Hawker numbers into almost all of our South African cities CBD's creating Informal Trading "markets" foreign to the traditional business environment but very common to towns in the historical "homeland" areas. According to the Editor of Financial Mail (8 October 1999:12), there is no easy or comfortable solution to the problems posed, perhaps especially to the dwindling business community in downtown Gauteng, but the clutter, noise and mess of informal traders on the pavements. The city authorities had tried persuasion and sweet talk in their efforts to move hawkers out of some areas in or near

the CBD. Talking obviously did not work. The reason the hawkers are on the pavement in the first place is that it is where their customers are. Moving them to specially serviced enclosures doesn't help them do business. In the East London CBD the inability of the authorities to control the hawker activity is particularly evident.

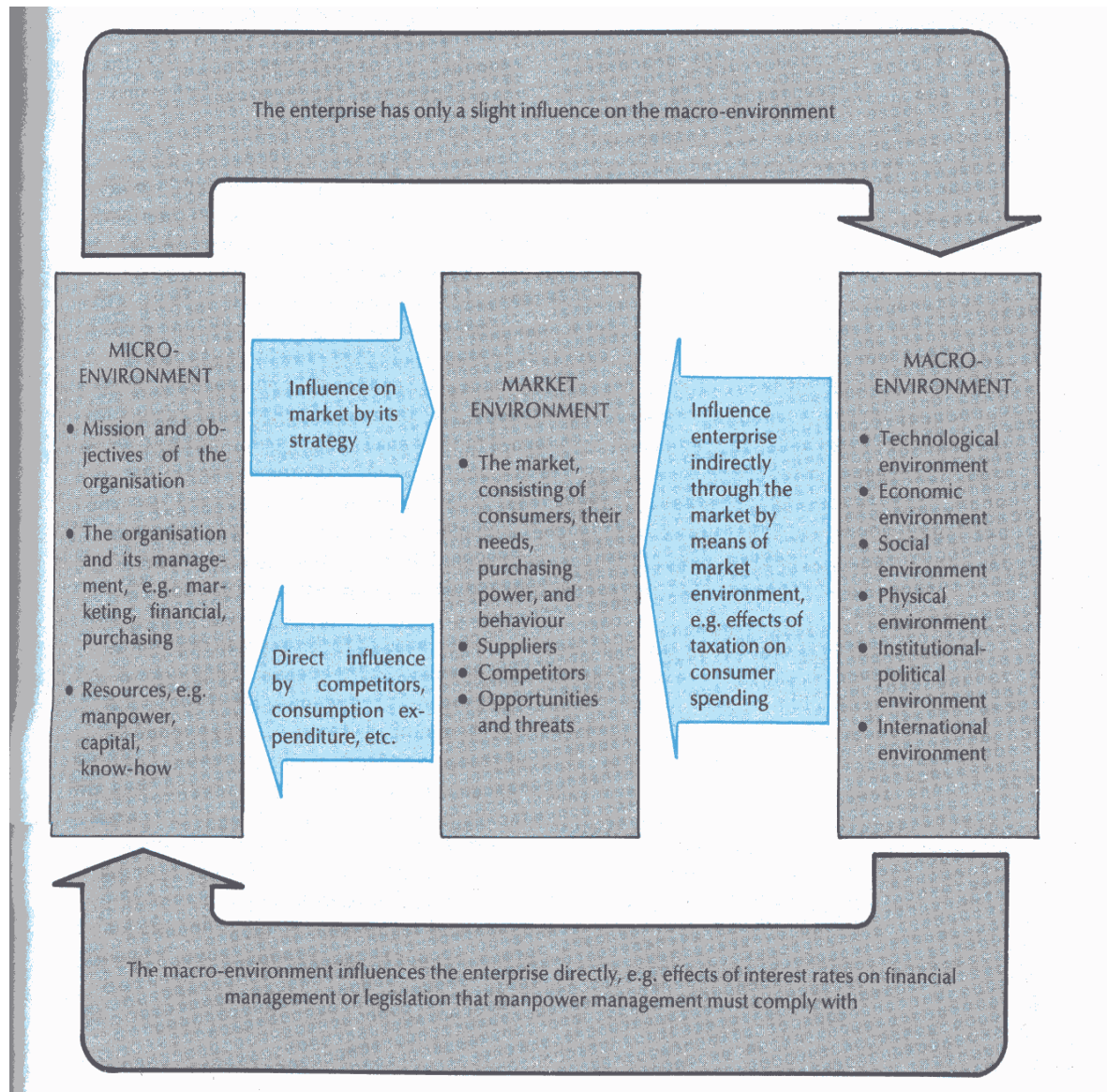
2.2 MARKETING ENVIRONMENT: COMPOSITION

The introductory definition of the marketing environment stated that, "it is the sum of the total of the factors or variables which potentially influence the marketing of a product or service". (Marx & Van der Walt, 1993:40; Strydom, Jooste & Cant, 2000:34) In order to expose a list of possible influencing factors, it is necessary to refer to references made to the marketing environment by recognized authors.

Figure 2.1's model shows the contribution of Cronje, du Toit and Motlatla (2000:61), which divides the Business Environment into three, i.e. the Micro-Environment, the Market environment and the Macro-environment. Although Marx and Van der Walt (1993:40) and Strydom et al (2000) use the caption of Figure 2.1 as "Composition of the Marketing Environment" it is assumed the two terms can be used synonymously.

Figure 2.1 shows the influence of the micro environment made up of the mission and objectives of the organization, the organization and its management, e.g. marketing, financial, purchasing and resources, e.g. manpower, capital, know-how on the market by its strategy. The market environment, made up of consumers, their needs, purchasing power and behaviour, suppliers, competitors, opportunities and threats, directly influence the micro environment through for example, consumption expenditure. The macro environment on the other hand, made up of the technological, economic, social, physical, institutional/political and international environments influences the enterprise indirectly through the market for example through the effects of taxation on consumer spending. The macro-environment influences the enterprise directly, e.g. effects of interest rates on financial management whereas the enterprise has only a slight influence on the macro-environment e.g. where politicians may take note of community/organisations concerns.

FIGURE 2.1: The composition of the business environment

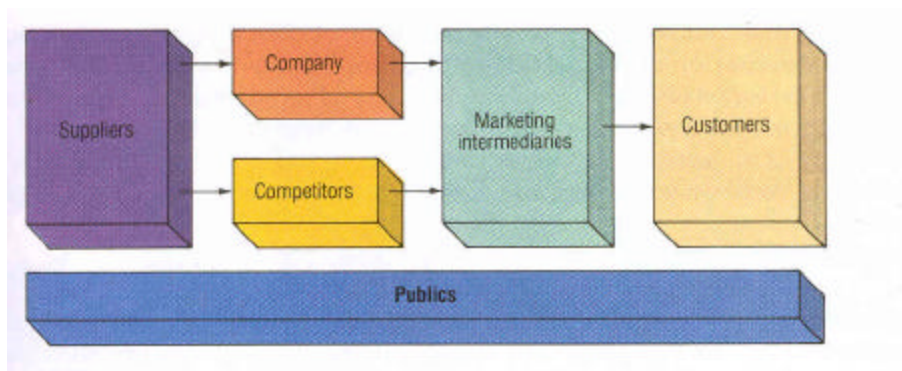


Source: Cronje et al (2000:61)

The influence of a hawker in the model above as an individual is insignificant whereas the influence of hawkers as a group or as groups in the above model is highly significant. For example the fact that even the use of force (Financial Mail 8 October 1999:12) is unable to control the activities of hawkers simply encourages authorities to ignore applying the rule of law and to rather change it to accommodate the situation. The economic or social effects on the cities CBD is clearly evident.

In Figure 2.2 below, Kotler and Armstrong (1990:109) indicate the major actors in a company's Microenvironment, these being suppliers, competitors, the company marketing intermediaries and customers all commonly referred to as publics. Hawkers have the same actors to deal with all be it at a different level. Thus the strategies they may be able to use could in fact be based on the same principles as those used by any organization.

FIGURE 2.2: Major actors in the company's environment

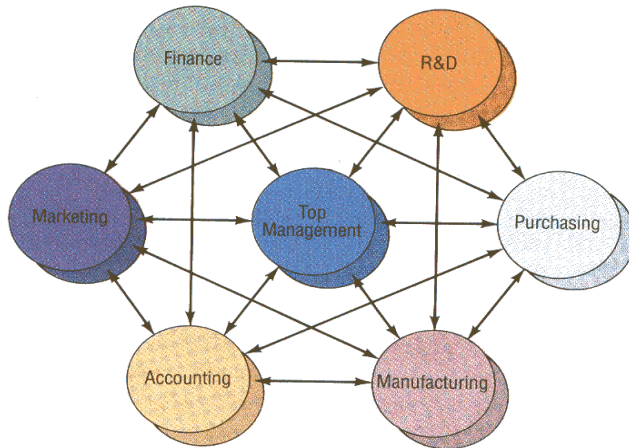


Source: Kotler and Armstrong (1990:109)

From the same source, Figures 2.3, 2.4 and 2.5 detail elements of the company microenvironment (1990:109), basic types of customer markets (1990:112) and types of publics (1990:113). The major focus in the companies Macroenvironment are shown in Figure 2.6. (1990:115).

Figure 2.3 below shows a company's microenvironment and the interaction between its management and the functions of Research and Development, Purchasing, Manufacturing, Accounting, Marketing and Finance. Hereto the depth of the applicability of each function in the hawker sector could be argued to being insignificant. Nevertheless each function could play a role in the strategic planning of the hawker.

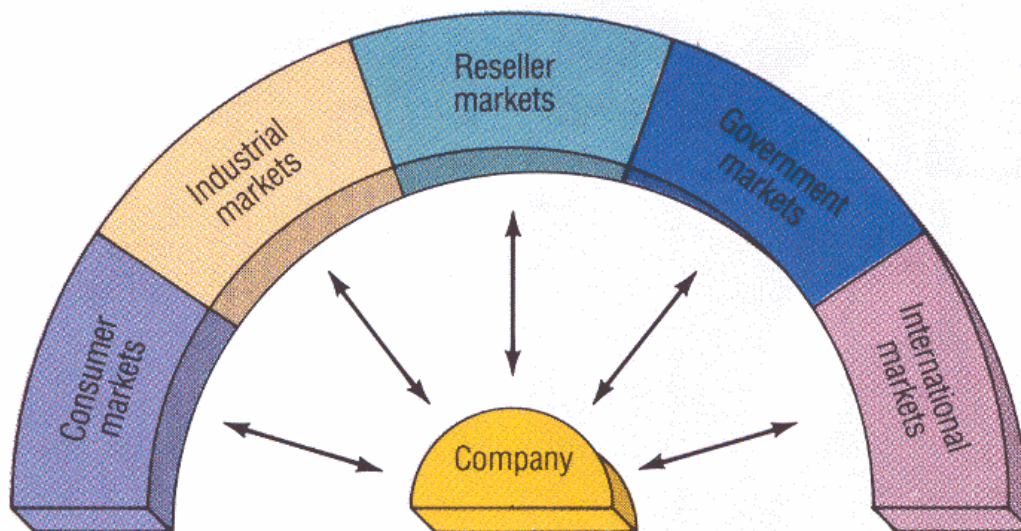
FIGURE 2.3: Company microenvironment



Source: Kotler and Armstrong (1990:109)

Figure 2.4 below shows the different types of consumer markets which may exist for a company, these being consumer markets, industrial markets, reseller markets, government markets and international markets. Once again, each of these markets exist for the hawker and in many cases are in fact used. The international market in particular has accepted the hawker industry as a supplier of local arts and crafts.

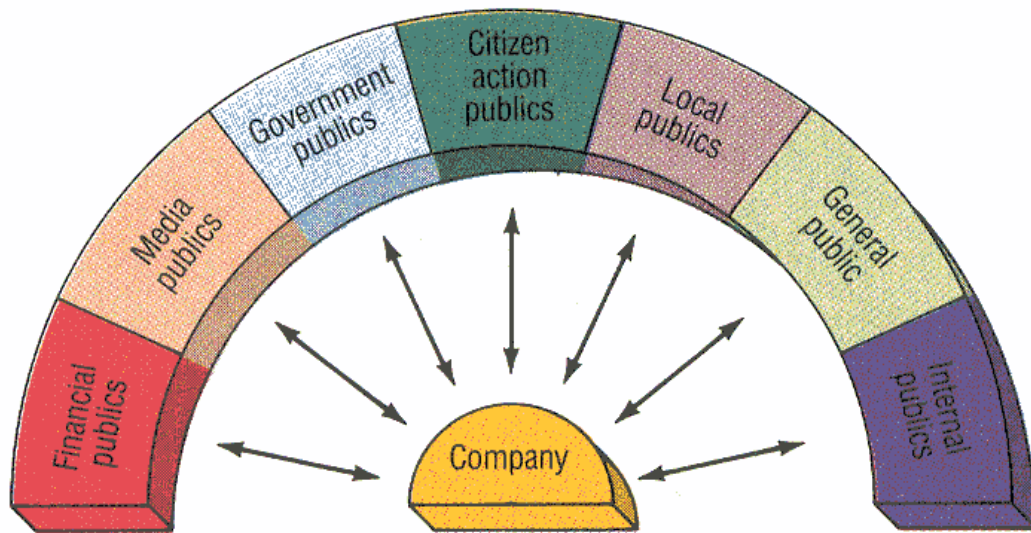
FIGURE 2.4: Basic types of customer markets



Source: Kotler and Armstrong (1990:112)

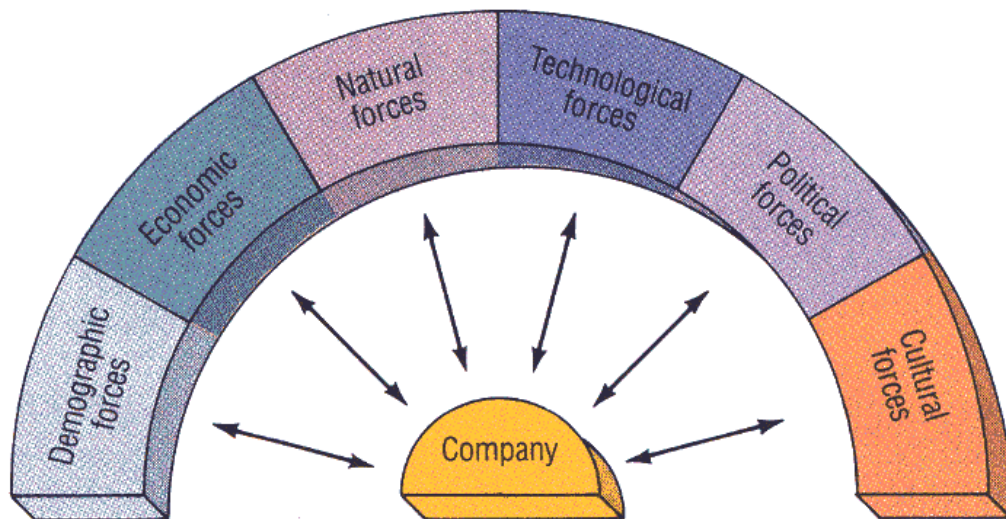
Figure 2.5 below shows a company's publics referred to as the financial publics, media publics, government publics, citizen action publics, local publics, general publics and internal publics. Figure 2.6 below shows the major forces of a company's macro environment those being demographic forces, economic forces, natural forces, technological forces, political forces and cultural forces. In both cases (Figures 2.5 and 2.6) application to the hawker at different levels is relevant.

FIGURE 2.5: Types of publics



Source: Kotler and Armstrong (1990:113)

FIGURE 2.6: Major forces in the company's macro environment



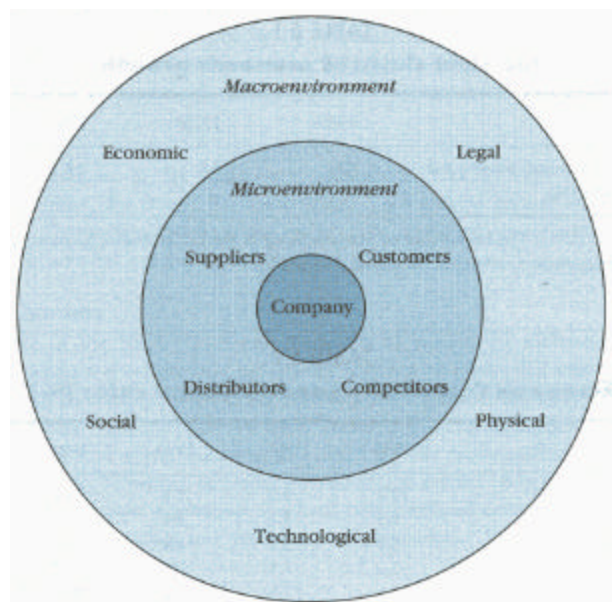
Source: Kotler and Armstrong (1990:113)

In order to simply refer to other perspectives of an enterprise the proposals of Jobber (1995) and Proctor (1996) are noted.

David Jobber (1995:121) shows the Marketing Environment as per Figures 2.7 and Tony Proctor (1996:34) shows the business and its environment as per Figure 2.8.

Figure 2.7 shows the macro environment made up of economic, legal, social, physical and technological elements surrounding the microenvironment factors being suppliers, customers, distributors and competitors with the company as the central point implying a strategic interaction of each of the elements towards both common and individual goals.

FIGURE 2.7: The marketing environment

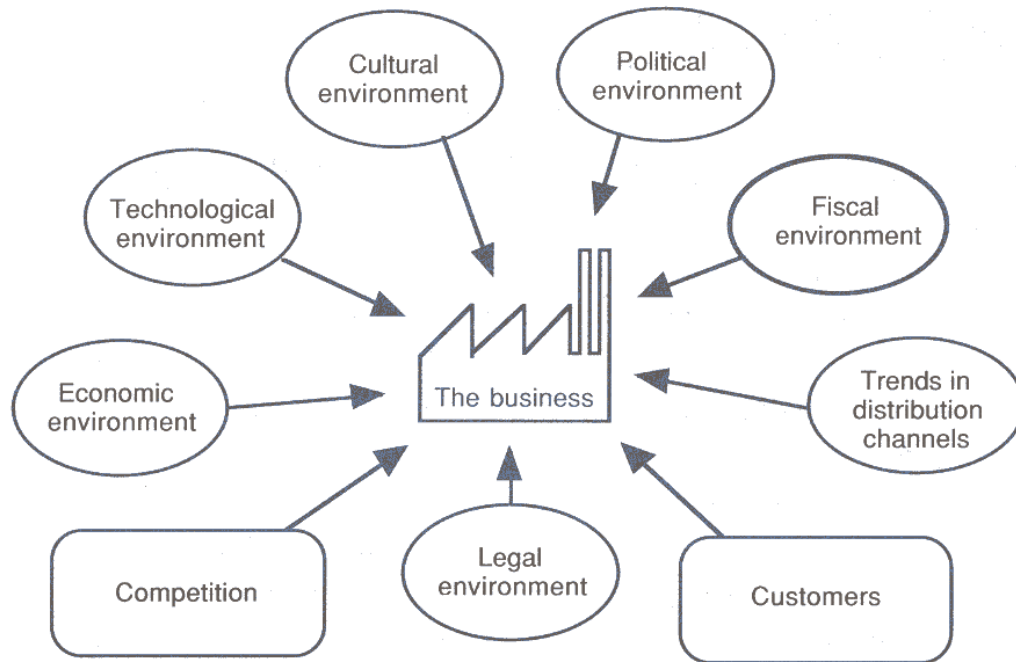


Source: Jobber (1995:121)

Figure 2.8 below shows the elements influencing the strategic and functional operation of a business. These elements are shown as being the economic environment, technological environment, cultural environment, political environment, fiscal environment, trends in distribution channels, customers, legal environment and competition.

Relevance to the hawkers of Figures 2.7 and 2.8 carry the same significance as indicated above.

FIGURE 2.8: The business and its environments



Source: Proctor (1996:34)

In the next section below, the marketing environment for Hawkers in the East London CBD, is specifically looked at. The multiplicity of factors are scrutinized and rationally categorized to indicate those that are relevant to the hawker-marketing environment. Once this is done, each relevant influence/factor is discussed in Chapter 2 to give a clear indication of the marketing environment facing hawkers in the East London CBD. In order to give this discussion below a structured approach it follows the three broad groupings proposed by Strydom et al (2000) and Cronje et al (2000) i.e. the Micro Environment, the Market Environment and the Macro Environment as per Figure 2.1. This discussion is carried out in consideration of the characteristics of the marketing environment. This assists in the explanation of the nature of the marketing environment and the importance of continuous scanning of the factors influencing the marketing environment in order to keep abreast of the current conditions and thus possible scenarios facing each business entity. This next section is thus started by detailing the characteristics of the marketing environment and relating the discussion to hawkers. At the end of this section a model is proposed for the marketing environment of hawkers. See Figure 2.9.

2.3 CHARACTERISTICS OF THE MARKETING ENVIRONMENT

The characteristics of the marketing environment are as follows:

- The environmental factors are mutually related
- The environmental factors are experiencing increasing instability
- The environmental factors face uncertainty.

Each of these characteristics pose specific implications for hawkers and are thus discussed in turn below.

The first characteristic of the marketing environment is that **environmental factors are mutually related**. No enterprise in the free market system exists in isolation.

The hawker enterprise originated from a community in search of a larger market. It began by serving a purpose to its predominantly black community and the community relied on the hawker to satisfy its needs regarding products, services and job opportunities. Evidence of this is based on the fact that they are in existence and have been for many years. The job opportunities on offer were encouraging and highly attractive in an environment where jobs were becoming more and more scarce in the formal employment sector. The one alternative available was to exploit the opportunities present and pursue ways of increasing the size of the market. The CBD of most towns and cities in South Africa became the ideal target. They were a perfect fit in that the hawker could expose his enterprise to a much larger, more diverse and more affluent market. They could compete strongly from a price point of view with the formal sector, which carried much weight in the depressed economy. Their overheads in comparison to competition were insignificant, with, in most cases, no local municipal levies, rates, rent or cost of capital to carry. They could enjoy prime location for a willing customer at virtually no cost. Besides fruit and vegetables, the fact that many of the products sold by hawkers are either “seconds” or factory over-runs or “dumped” imports enhance their competitive edge further because the quality compromise is not easily apparent, and, cost of stock is minimal, enabling the hawkers to either increase their profit or decrease the selling price. From a price point of view, shops in the CBD’s offering similar products offer little competition to the hawkers and thus they experience substantially lower monthly turnover figures and are pressured to relocate as evidenced through informal discussion with the formal sector traders and shop owners. Many of the shop owners also indicated that their customers shopping venue had also changed as they no longer

wanted to frequent the now perceived unsafe CBD. This resulted in the development of “new CBD” areas with increased property prices in the areas into which this migration takes place. This decreases the demand and thus the value of properties in the CBD’s. Although only a small aspect of the effect of the environmental variables relating to the hawker’s is highlighted, the ripple effect of the influence of these environmental factors is strong evidence of the fact that they are mutually related.

The second characteristic of the marketing environment is that of **increasing instability**. In the (not too distant) past, it was possible to plan for 5, 10, if not 20 years ahead. Nowadays it is challenging to plan for just 2 years ahead. Ironically although this proves to be very stressful for most businessmen in the formal market, the informal market operates on a much shorter strategic planning time scale, almost taking things as they come, day-by-day, or possibly week-by-week. This in itself does not bode well for improving / developing stability in the environment. Also, the growth of any enterprise and its survival in the long term is highly dependent on its ability to plan long term. Thus, it is possible that the lack of growth of individual hawkers corresponds strongly with their short-term focus and lack of long-term strategic thought. For the formal market, a million rand investment needs a stable environment in which the investor can plan his return within a reasonable period. Should the period on which the investor can rely be too short, it would imply an environment which is too unstable and thus labeled high risk. The relationship between risk and return for investors would thus possibly demand a return too high for the project to yield. This invariably results in investment elsewhere.

The third characteristic is that of **uncertainty**. Marx and Van der Walt (1989: 44) argue that “the uncertainty about the environment is a function of the amount of information about the environmental variables and the level of confidence in such information”. If there is little information available (as there is regarding the hawker market), or if the value of the information is suspect, the uncertainty about the environment will increase. In South Africa, both of these factors exist. There is not only very little information available, it is also viewed with suspicion. Historically the formal business environment developed independently of the informal market (positioned primarily in the homeland regions) resulting in both markets understanding very little about each other. Also, in the former Ciskei (East London’s neighbour) during the early and mid 1980’s hawking did

not exist as the apartheid supported Sebe government held a strong hold over communities to uphold the law. In those days, one needed a trading licence in order to trade which came with laid down conditions specifically detailing where such trading could be carried out. If one could have predicted the current CBD environment, many investors would have rethought their investment in the CBD in the early 1990's. Essentially the ignorance manifested by the separate operation of the formal and informal business environments magnified the third characteristic of uncertainty.

These characteristics of the marketing environment emphasize the importance of carefully monitoring the environment and managing the change through the application of the principle of strategic management. In other words, making sure a regular analysis of strengths, weaknesses, opportunities and threats is undertaken in order to deploy resources against threats and weaknesses and to utilize strengths for the exploitation of opportunities in order to maximize long-term profitability.

This is highlighted by a quote from Meyers (1996:5) who states: "In order to enhance long-term effectiveness, organizations must develop a learning capacity which is appropriate to the culture, and structure strategy and intent to the competitive environment they operate in". She also highlights the fact that the relevance of the age of knowledge in South Africa is limited with its Third World problems and the enormous demands of the RDP supporting this conclusion. The protection that business in South Africa has experienced from the impact of the information explosion, globalization and the full force of international competition has enabled the needs and expectations of its customers to be taken for granted. If this can be said about the **formal** business sector where many organizations are regarded as being literally paralyzed by the lack of sophistication in their knowledge and development process, then the **informal** sector is prey to this conclusion as per the discussion on this sector above.

2.4 THE MICRO ENVIRONMENT

The micro environment consists of the internal environment of the enterprise. In the informal sector this environment is, in most cases, solely focused on the individual hawker and not on any combined group activity. There are three sets of variables which make up the microenvironment; the objectives of the business, its management, and its

resources. Although these may appear to be severely limited in the hawker market, they are nevertheless essential to their existence as each of these variables are linked to the external environment. The mission and objectives of the hawkers dictate their reason for existence, and the fact that they may not be consciously expressed or written down does not distract from their existence or importance. These enterprises exist and thus they endorse their need to the environment. Consumers support them and thereby give them a reason for existence. If need be, they could formulate their set mission and objectives along the same formal lines as those taught by formally trained marketing academics. The strength of the management and resources of the enterprise is generally left to the instinct of the individual hawker and is enhanced by his/her experience in trading within this external environment. Survival in this market is dependent on the hawker becoming effective in all management aspects of the business. For example, in marketing he needs to keep a close eye on consumers and manage his offer (product, price, promotion and distribution) optimally. Financially he needs to manipulate scarce resources to generate a daily profit and “legally” he needs to ensure he can keep out of trouble by getting to know how the market works as soon as possible. Cronje et al (1987:46; 2000:64) highlight the fact that the microenvironment varies from enterprise to enterprise as do interfaces between organizations and their environments. This is particularly valid for hawker enterprises. The importance of the aptitude/effective managerial input was endorsed in a study by Steiner, noted by Mescon et al (1985:103), where the two factors rated as most important for companies were, “getting high quality top managers” and “training future managers.” Pretorius (1998:25) supported this view in his article “Prerequisites for future success in South Africa” by stating, that critical areas needing excellence are leadership and management. Development of these skills within the hawker industry would transform this sector from the “survivorlist” position to one of strength and economic growth. Certainly a worthy challenge.

2.5 THE MARKET ENVIRONMENT

The market environment, consisting of consumers, their needs, purchasing power and behaviour, suppliers to retailers of stock and raw materials, competitors actions and changing strategic input and identified (and not yet identified) opportunities and threats all relate and have direct influence on the micro environment of organisations. The hawker’s survival is closely linked to the relationships developed within this market.

Daily negotiation and manipulation between these variables determines the degree of success of each. For the hawkers, maintaining and attracting new committed customers is vital. The balance between credit “squeezed” from suppliers and that which is hesitantly and begrudgingly “allowed” to selected customers determines the enterprise's liquidity. This liquidity must also carefully cater for daily drawings by the hawker and thus the protection of his market is jealously monitored. Any form of competition is not tolerated and is generally regarded as a direct threat to their survival. Where competition is traditionally viewed as a mechanism which keeps excessive profits in check, promotes improved standards and stimulates higher productivity, fighting competition is done on the basis of satisfying consumer needs “better than” competition. Through informal discussion it was found that the approach of hawkers to competition is more easily compared with the protection of “home base”. If possible, no competition is allowed in his carefully demarcated area, agreed in a web of association hierarchies, birth rights and community recognition and strength. The fact that East London is situated in one of the poorest provinces in the country with a weak local consumer market which has limited growth, reinforces the need for protecting the small market one has. (Bank L. 1996:1). It may be easy to identify customer needs which present and potential opportunity but unfortunately, before supply being able to go ahead, attempting to take advantage of the opportunity, it becomes essential that your actions are not perceived as being competitive to any existing enterprise carrying the historical community recognition. A good example in the East London area of this exact principle is seen in the taxi industry where not only are taxi rates standardized, but taxi routes as well. Thus if you need to travel to King William's Town you need to catch the “next taxi in the queue” from East London to “e Highway” and from there catch the King William's Town taxi “next in the queue”. You may not go directly from East London to King William's Town and your choice of which taxi to get into is done on a first come first served basis, irrespective of the condition of the taxi. Entering as a taxi operator in itself requires in itself “approval” and only for a particular designated route. It is thus questionable as to the degree of the applicability of what business understands as “free market principles”.

2.6 THE MACRO ENVIRONMENT

Cronje et al (1987:49; 2000:72) describes the macro environment as being made up of those variables, which either directly or indirectly influence the micro and market

environments. He argues that the contemporary literature on management divides the macro environment into six variables. These are indicated as technological, economic, social, physical, institutional or political and international variables or sub-environments which the organization has to observe and react to. Although informal traders may not go through a formal process of observation, evaluation and action as contemporary formal organizations may do, actions and reactions by them are still profound. We shall briefly consider each in turn.

2.6.1 Technological Environment

Trends in technological advancement revolutionize business practices and create a myriad of opportunities and threats to different industries. One man's risk is another man's bread. Change in the environment is generally a manifestation of technological innovation. In many industries new process technologies have led to producing products better and cheaper than other producers. Other trends such as shorter product life cycles, miniaturization, automation, unmanned factories, robotics, miracle drugs, lasers, satellite networks, fiber optics, biometrics, electronic fund processes and their products have in the last two decades, significantly influenced the technological environment. South Africa is experiencing extremes of high technological developments in the urban areas and no technological developments in the extreme rural areas. (Van Aardt and Van Aardt 1997:83). Either way, the effects of technological change influence almost all sectors of the environment. "The economic growth rate is influenced by the number of new inventions. Social change, in which the appearance of a new product such as television brings about a revolution in people's way of life. Conversely, these variables influence technology, so that the process of innovation and change is repeated". (Cronje et al 1987:50) The hawker market essentially used to carry a product range, which was limited to unprocessed agricultural products. The product range is now more diverse and well adapted to the retail trade. The inroads of technology into the electrification of the traditional homeland areas and townships have opened job creation opportunities and increased the standard of living for many South Africans. This is "one of the opportunities identified by Eskom", (Van Aardt and Van Aardt 1997:83) - yet another factor from technology influencing the hawker industry through increased spending powers and additional products demanded within the retail sector.

2.6.2 Economic Environment

From a business point of view, Cronje et al (1987:51) states: “The most important interface between the economic environment and a business concern the economic growth-rate, consumer incomes, inflation, monetary and fiscal policy, and fluctuations in these variables.”. The influence of these factors on the hawker market are generally indirect, and vice versa, and the influence of hawkers on the economy are perceived as inconsequential. Bonong Mohale (1998:7) argues, “I deliberately exclude micro enterprises because to me, these are purely for hand-to-mouth survival – and don’t necessarily contribute in a major way to job and wealth creation”. On the other hand if one considers the hawkers not as individuals, but as a collective group, then their contribution and influence may very well be significant.

Although Mahale’s opinion carries weight, most large organizations with economic muscle began as very small operations. It is more likely in our South African scenario to build on the basic business principles learned running micro-enterprise and develop these entrepreneurs into small and medium enterprises than to jump from “nowhere” into these larger businesses. Although their economic impact may be greater it is heavily reliant on it being successful. In exactly the same way as affirmative action candidates require mentors, structured guidance and assistance to ensure survival and the ability to be able to produce reliable and relevant input, so too are the chances of failure of entrepreneurs, “out of their depth”, high. Also, one should not underestimate the number of “hand-to-mouth survival” family units in existence and their combined economic influence is certainly worth taking note of. The economic factors which may be worth taking note of besides the patterns of economic growth and inflation are the stock market activities, the financial rate of return and the foreign exchange rates as these also affect the amount of money in circulation and pricing from suppliers.

Our South African economy is at present depressed and has experienced major currency devaluations. However, as Graham Palmer puts it “the only way is up”. He argues that South Africa has the knowledge, which is “fundamental to sensible investing in the emerging sector” (Palmer 1999:25). We have a unique situation, which has allowed us to apply first world economic and marketing principles to an environment, which is largely third world in nature. Also, argues Palmer, “when one considers that developed

economics (and their investors) are struggling to boost growth rates, does it not suggest that real growth opportunities be in the emerging sector? – I think it does.” Therefore although the results of investments in emerging markets are “arguably the most difficult in history” says Roy Reynolds, ex Ciskei Development Corporation chief executive, “it is believed that South Africa may show promise through, ironically a situation borne out of apartheid, where our experience in building substantial world-class business in such an environment might show promise in our ability to repeat this process.” Palmer (1999:25) questions whether the new set of economic policies in our country will aid or hinder future investment. He argues that it is unfortunate that many established South African companies appear to consider that their future lies off home turf. Anglo America has listed on the Johannesburg Stock Exchange (JSE), Old Mutual is next and many others wish to follow. In East London, instead of being able to encourage new investment, existing industries have opted to move out. For example, SAB and Distel moved to Port Elizabeth and Romatex moved to Namibia. The number of businesses simply closing their doors (Waverley Blankets, Frame Group, Bryant’s, Hamburger & Wolf, Dions, Scotts, City Girl ...) is cause for concern.

There is no doubt that we are desperately in need of more investment in South Africa. In order to assist the hand-to-mouth survival enterprises to grow and prosper, we need to see a positive economic growth rate of at least 3%, a stable inflation rate, confidence in the JSE, attractive financial rates of return and a strengthening of our currency.

2.6.3 The Social Environment

The rate of change within our environments have been strongly linked to the dramatic changes which have been experienced in the social cultural and demographic spheres. Changes in these variables impact on virtually all products, services, markets and consumers. Van Aardt and Van Aardt (1997:82) argue that trends in these environments are shaping the way we live, work, produce and consume.

They list the following facts as significant trends in South Africa in the 1990’s:

- Black empowerment with regard to entering the job market, training, development and housing;

- More women entering the work force;
- The aging of the White, Indian and Coloured population and the increasing youth of the Black population;
- More emphasis being placed on preserving the natural environment;
- More emphasis on healthy living, both spiritually and physically; and
- Growing squatter communities in need of housing and basic amenities such as water and electricity.

Closer to home, - the NGO CORPLAN in East London conducted a broad social economic survey of Duncan Village, one of the townships bordering East London. Some of their findings included:

- that over 78% of the dwellings in the township represented backyard shacks and freestanding shacks.
- that the average room occupancy in the township is 2.5 people and the residential densities often exceeded 3000 people per hectare.
- that 51% of the population has less than a Std 5 education
- that 43% of the overall economically active population is unemployed
- that 50% of all households have a combined income of less than R400 a month.
- that classroom densities are in excess of 80 students
- that only 6% of all dwellings are electrified.

(Bank 1996:9)

The picture painted by these statistics is much the same if compared with any of the townships on the outskirts of East London. It is from within this framework that the majority of the hawker traders emerge and thus the “survival” nature of their existence is highlighted. Significant changes which have occurred to date relate to attempts to upgrade the townships through electrification programs and excessive urbanization of the economically active proportion of the total population. Thus, “many among the urban poor have left their children behind in the countryside under the care of grandparents or relatives”. (Bank 1996:14) This indicates the existence of a second home in the countryside to which regular monthly outflows of income and groceries are sent. This

also suggests that not all households are trying to cast themselves as stable urban family units. Banks (1996:16) argues that “many are pursuing complex survival strategies which involve forms of risk-spreading and mobility.” This environment does not present itself as being stable and secure and is not an environment in which entrepreneurs are encouraged to invest their resources for the long term. It does however encourage the “rape and run” syndrome where the “survival of the fittest/strongest” philosophy prevails. In the long run this social predicament has serious implications for our natural physical environment as well as for our economic environment, - two cornerstones of positive human existence.

The lack of local commitment and sense of social responsibility does little to curb crime, as does the inability of our Sap and justice system to combat anti-social behaviour in the form of rape and murder. Minister Tswete’s “silencing” of crime statistics questioned as being unreliable adds little confidence to investors looking for opportunities to settle and develop. Thus, the more mobile hawker option poses inherent benefits. Although this solves individual short-term emergencies, it does little to develop stable social upliftment.

2.6.4 The Physical Environment

“At the core of every strategy is the way in which entrepreneurs employ their resources and abilities to generate something of value for someone else “ (Van Aardt and Van Aardt 1997:92). The resources which can be used in order to achieve desired objectives are financial resources, human resources, technological resources and physical resources. The physical environment involves the limited resources from which each and every enterprise obtains its raw materials and into which it discharges its waste. A long-term program of preservation can be employed where the physical environment is nurtured and conserved to increase its ability to produce. Or, a short-term focus, which ignores the need to put anything back into the environment and instead of adopting an anti-pollution policy regarding discharging waste, chooses to selfishly ignore the effect of discharging waste and polluting the environment. In order to avoid the second damaging option, the population needs to feel that the environment is theirs and thus develop a caring attitude for it. Our social environment in which the “rape and run syndrome” prevails is further testimony to further potential physical decay. Bank (1996). The fact that many of these

people regard “home” as somewhere else also impacts negatively on our physical environment and its long term ability to produce optimally. The fact that many of the hawker traders also tend to see their stay in the urban area as short term identifies them as potentially falling into the second short term category where the physical environment is at risk.

On a more macro level, although a broad range of resources are becoming increasingly scarce, water being the most important, South Africa is fortunate in possessing a large proportion of the world’s strategic resources. One of the greatest opportunities for the country lie in its attempts to convert these raw materials into products instead of simply exporting the raw material unprocessed. Also an important opportunity is the recognition of tourism as a potentially valuable industry resting heavily however on the ability to preserve the natural beauty and splendor of its physical environment. This preservation attitude needs to be permeated through to grass root levels and should South Africa succeed in this, the positive effects would be felt at grass root levels. The opportunities for the hawker industry in this regard become endless. Bustling tourist activity always poses a potential focused hawker opportunity.

2.6.5 The Political Environment

2.6.5.1 Historical Perspective

Riley (1993) explained how pre-apartheid South Africa, with its complex set of restrictions and regulations limited the existence of black businesses as well as their ability to grow and become part of the formal economy. There was a long history of denying opportunities to black entrepreneurs. Most of today’s established black firms were created by effectively permitting selected individuals to operate monopolies over the supply of a restricted list of goods to the black community. In the traditional homeland areas, black businesses presence was significant as they received support in the form of training, access to finance and subsidized inputs.

In white urban areas, blacks were regarded as “temporary residents” and were there solely to provide labour for white businesses. Any black entrepreneurial aspirations were killed by the land Act of 1913, which prohibited blacks from purchasing land

outside the so-called native areas. This effectively excluded them from financial markets by denying them the means to provide sound security to prospective lenders. The Influx Control Act enhanced entrepreneurial suppression by denying blacks the right to move freely around the country. White authorities controlled the allocation of all formal business sites and through the Natives (urban areas) Consolidation Act No 25 of 1945, the only black businesses allowed to operate in urban black townships were those supplying the barest daily necessities and, under the group Areas Act the few black entrepreneurs who had managed to secure a business site in a white area were forced to either close their operation or to relocate into township areas. In 1963 a policy document to all local authorities charged with township affairs limited black entrepreneurs to running only one business. They were prevented from forming companies and partnerships with the objective of initiating larger ventures. The 1963 legislation also blocked the creation of black-controlled financial institutions, manufacturing industries and wholesale businesses in white areas. Also, all building necessary for business activities were to be erected by local authorities, not blacks. Prior to 1976, blacks were only permitted to participate in a limited range of twenty-five trades, businesses and professions in urban areas. The policies introduced were closely supported by the policies of Bantu education and job reservation, which restricted blacks from an education point of view and from being given apprentices in jobs in certain skilled trades.

Post-apartheid South Africa paints a different picture. Besides the abolition of the Influx Control Act, the group Areas Act, the Black Land Act, the Development Trust and Land Act and the Population Registration Act, the passing of the Business Act eliminated many of the regulatory burdens on black small business. Of interest to this study in particular was the section in the Act which denied municipalities the right to declare certain areas off-limits to street trading. Deregulation has been the chief tactic for stimulating small business and the informal sector. The creation of the black micro enterprises is seen to be growing as a result of the declining capacity of the South African economy to absorb labour. The informal enterprises are created largely by the unemployed as a matter of basic economic survival. In number they represent the great majority of black businesses.

Brink (1997:33) cites research done by Kent and Michado which focused on the dilemma of the black businessman in an environment which changes at a fast pace and found that;

- “the majority of businessmen do not have the necessary experience to operate a business and are more interested in personal survival than in the long term survival of their businesses”
- “they fail to see the connection between the business itself and the economic climate”
- “they do not appreciate the correlation between high turnover and other environmental factors crucial for long term survival.

The conclusion focuses on the need for black businessmen to become equipped to giving attention to factors such as:

- management skills
- availability of capital
- financial management
- consumer orientation
- an understanding of the economy in the survival of a business.

Brink (1997:34) maintains that “training should go back to the basics to ensure that these businessmen have a basic understanding of business principles, know the importance of adherence to these principles, and possess the necessary drive to see it through”.

2.6.5.2 Black Economic Empowerment (BEE)

It is believed that the issues related to Black Economic Empowerment (BEE) are linked to the environment affecting the hawkers. Thus a brief discussion on this follows:

Black Economic Empowerment (BEE) discussed and expanded below could do well to focus on identified problems to improve and sustain their position. Their strategies would do well to focus on the improvement of general business knowledge and skills and their inadequate perception of marketing. The policies of BEE are thus important to note. These are detailed below.

The “New South Africa” brings with it a host of policies promoting the establishment of self-employment, growth of business, especially black business, the encouragement of entrepreneurship and the promotion of black economic empowerment (BEE). Bomong Mohale (1998:6) explains four considerations in the definition of BEE viz:

- this is primarily about redress with the view of percolating the benefits to the majority of still disadvantaged people
- access to resources, especially capital
- equity ownership and
- management control

He argues that the programme must be holistic, integrated and measurable and that it be geared towards the effective acquisition of assets and their deployment through control and management for the benefit of black people. At government level this is supported by the National Strategic Vision GEAR, (Growth, Employment and Redistribution) and the RDP (Reconstruction and Development Programme) whose six principles are respectively: Mohale (1998:6).

GEAR

1. investment in people
2. employment creation on a large scale
3. enhanced investment in household and economic infrastructure
4. national crime prevention strategy
5. efficient and responsive government
6. welfare “safety nets”

RDP

1. sustainable integrated programme
2. people centered
3. real peace and security
4. linking reconstruction and development
5. nation building
6. democratization of society

Mohale argues that “we need to increasingly lobby government to make BEE a political agenda”. (Mohale 1998:6) In the light of this consider the following elements of the Employment Equity Act (EEA)

E E A

Darcy du Toit (2000:475) explains that employment equity has two main aspects:

- the prohibition of unfair discrimination by all employers
- the duty placed on designated employers to implement affirmative action measures by means of employment equity plans

Key issues surrounding the Employment Equity Act highlight the following:

- evidence of BEE as a political agenda could be argued here
- enforces organizations to ensure majority Black participation
- if not implemented the organizations are legally punishable
- any avoidance measures taken are subject to a R10 000 fine
- a process through which BEE is enacted according to laid down time schedules

The above considerations make it difficult not to apply employment equity in the workplace.

In the Eastern Cape, the Ministry of Economic Affairs, Environment and Tourism in their Economic Policy notes their intention to establish a facilitating economic environment within which all levels of private business ventures can flourish. The Provincial Government lists a number of “enabling institutional structures” to implement, monitor and continually improve economic development policies. These include: (Economic Policy, 1997:V-VII)

- The Ministry of Economic Affairs, Environment and Tourism
- The Economic Advisory Council
- The Eastern Cape Development Cooperation (EDCC)
- The Centre for Marketing and Investment in the Eastern Cape (CIMEC)
- The Eastern Cape Tourism Board
- The Provincial small Business Council
- Provincial Local Business Service Centres (LBSC’s)

- Manufacturing Advisory Centres (MAC's)
- The Eastern Cape Socio-Economic Consultative Council (ECSECC)
- Local Authorities are actively encouraged to assist on-going local economic development
- NGO's and other development-oriented interests are deliberately involved in economic development
- Dedicated Inter-Departmental working Groups and Committees concurrently with Inter-Provincial working groups and Committees and MINMEC meet and hold policy-oriented workshops and discussions to refine and further development within the parameters of National Economic Policy.

Of particular interest in the Economic Policy document is paragraph 2.1.5 on Micro/Informal sector Activity which reads” “It is recognized that large numbers of SMME operations that need assistance are in the micro-survivalist, informal sector category where direct support arrangements are difficult and expensive to administer. Although assistance will be provided to such enterprises only where feasible and cost-effective, the Ministry will, at least, endeavour to provide overall encouragement and an operating environment in which such enterprises have a better chance to survive.” (Economic Policy, 1997:7-8)

Locally our TLC (Transitional Local Council) has a set of by-laws governing the informal street trading. (See appendix 1 for an extract of these by-laws.) It is however, clearly apparent that these by-laws are being ignored by both the hawkers and the relevant policing body responsible for ensuring the by-laws are adhered to. Instead, workshops have been held to address the hawkers with respect to the by-laws in order to negotiate a satisfactory compromise between giving hawkers access to prime “hawker sites” and enabling pedestrian traffic access to shops and the pavements.

The following discussion by Simpiwe Piliso (Daily Dispatch, August 31, 1999:5) paints a picture of the current situation.

Almost a decade ago, East London's two-kilometer Oxford Street was a hive of activity attracting thousands of locals and tourists. Businesses and entrepreneurs were vying for

space to set up their establishments and traffic officers were kept on their toes with motorists frequently blocking the two-lane street by double-parking on both sides of the road – indicating thriving economic activity.

But those days have gone: major businesses have opted to migrate and are mushrooming throughout the suburban areas. Now the stretch of road in the central business district (CBD) is in a sorry state. The escalating crime level and decline in business has forced the city council, tenants and property owners to look at numerous ways of reviving the area's image and drive out crime. To stop the CBD's decline, local business people's endeavours could force them to dig deep into their pockets to attract business to return.

Margo Cohen (1997:72) supports this view by stating that “hawker training and private-sector support are key to their success”. It is argued that a second stage to addressing the hawker issue is the generation of a general management plan and strategy relating to street trading. Oxford Street, “the main street in East London is the most concentrated with informal traders” offers itself as a prime political challenge (Mgijima G. 1996:5)

As early as 1995, policy makers in our new South African have highlighted the need and importance of the development of entrepreneurs and small business opportunities. This is noted in a statement by Trevor Manuel in 1995 where he stated: “Small, medium and micro-enterprises (SMMEs) represent an important vehicle to address the challenges of job creation, economic growth and equity in our country. Throughout the world one finds that SMMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways. We are of the view that – with the appropriate enabling environment – SMMEs in this country can follow these examples and make an indelible mark on this economy.” (Barnard, D. 1996:1)

In his opening address to the President's Conference on Small Business in March 1995 in Durban, President Nelson Mandela said that the Government of National Unity is committed to helping create an environment in which small business can flourish and prosper. He went on to say that the Government should do its utmost to encourage an

entrepreneurial culture, as part of its efforts to rebuild the dignity of our people and restore our pride in hard work. (Barnard. D. 1996:1)

The following articles in the Daily Dispatch (DD) give a clear indication of the sensitive nature of the issue.

TABE 2.1 ARTICLES IN DAILY DISPATCH ON HAWKERS		
TITLE		DATE
Vendors must be regulated – Nel	DD	04-12-93
Hawkers complain of harassment	DD	13-05-93
Local authorities to have power over street vendors	DD	16-09-93
Plans to organize hawkers	DD	22-09-93
Petition handed in: Hawkerc	DD	03-03-94
Hawkers demand influx control	DD	07-07-94
Aliens anger hawkers	DD	07-07-94
Informal trade: decision delayed	DD	09-12-94
Council to look at street trade laws	DD	01-12-95
DV Hawkerc to get formal trade area	DD	02-02-95
DV hawkers have management skills	DD	02-08-95
EL at forefront of informal trade policy	DD	05-12-95
Government urges input from hawkers	DD	17-05-95
Hawkerc to meet TLC	DD	20-06-95
Hawkerc shelter nears completion	DD	18-07-95
Council, hawkerc to address issued	DD	01-11-96
Plan for informal trading sites	DD	25-01-96
Call for traders view on policy	DD	14-02-96
Nazo shows local vendors action	DD	13-06-96
Vendor row talks today	DD	14-06-96
Upset hawkerc protest over EL trading by-laws	DD	01-10-97
Needs of SMEs focus of two day seminar	DD	06-08-97
New MEC to give small firms a break	DD	25-06-97
Hawkerc slam bid to move them from city centre	DD	25-06-97
New Contracts for city hawkerc	DD	29-07-97

Council approves new hawking laws	DD	14-08-97
Foreign vendors attacked again	DD	15-08-97
Summit aims to help small business grow	DD	19-09-97
EL Hawkers to march against new by-laws	DD	30-09-97
Hawking by-laws: no easy sell	DD	10-04-97
Body for micro-enterprises take root in containers	DD	11-03-97
SBDC to open doors for black entrepreneurs	DD	14-08-98

Although there is much debate about the pros and cons of the street vendors, the few articles extracted from the Daily Dispatch show the same or similar issues being raised with no major decision being taken and so the “debate” continues.

2.6.6 International environment

Perceptions of South Africa are influenced strongly by perceptions of Africa. Negative publicity of Africa, especially recently from Robert Mugabe in Zimbabwe, play a significant part in discouraging investment, devaluing our currency, increasing inflation and destroying investor confidence. Keeping South Africa apart from the rest of Africa as far as international perceptions go will not be an easy task. Thus, a good effort needs to be put into reducing crime and marketing tourism in South Africa in order to create accurate international perceptions. The influx of tourists could impact directly on the hawker industry, especially the African art and craft markets, and the effects of growth in these sectors could prove to be most valuable.

East London, as a tourist destination, however still needs to be established. At present the common tourist route starts in Cape Town, moves up through the Garden Route to Port Elizabeth and then bypasses East London straight to the Natal South Coast. The other option begins in Gauteng and in much the same manner skips East London en route to Cape Town. In fact it has been noted in foreign information services material “not to go to East London” as it is not safe (East London B&B Association 2002).

East London in particular is the centre of a mass of African cultural history. Surrounded by the former Ciskei and Transkei and having close proximity to the frontier war sites (both the Boer and Native Wars) and 1820 settler farming

settlements, it could nurture the growth of enquiring tourists. The fact that Nelson Mandela’s birth place was close by enhances the potential draw card to this area. All this coupled with the fact that East London is well positioned to act as a gateway to the natural untouched beauty of the Wild Coast makes for creating a viable tourist market. The hawker industry, geared to this tourist trade, would be able to provide both product to the tourist and employment opportunities to the locals.

FIGURE 2.9: THE HAWKER MARKETING ENVIRONMENT

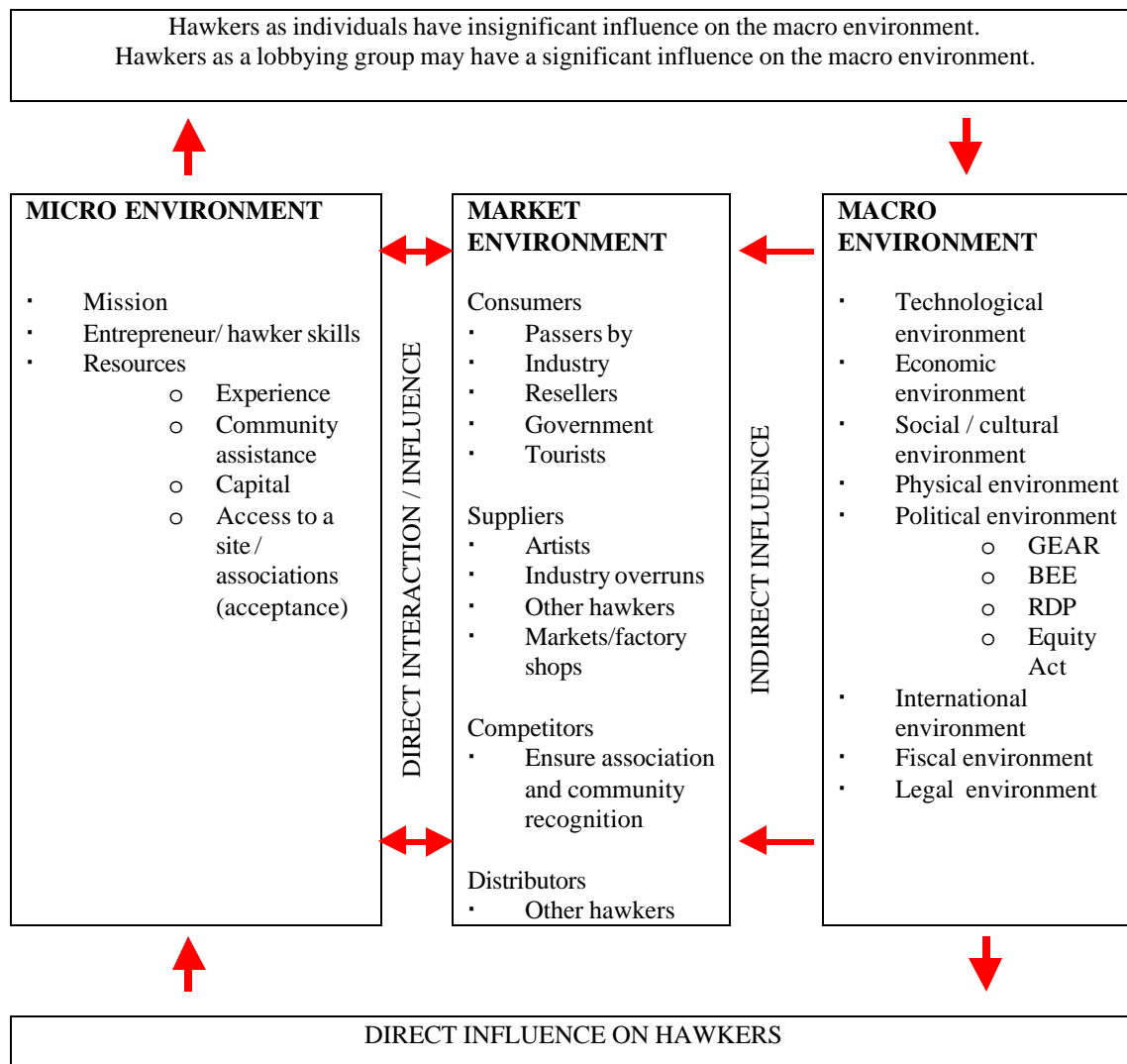


Figure 2.9 above shows the hawker marketing environment based on the model by Cronje et al (2000) in Figure 2.1. The above figure shows the elements, and interaction/influence of the micro environment, market environment and macro environment for hawkers. It is clear that each of the elements valid for the formal

business environment are also valid for the informal environment. It is simply the level/degree to which it is applied which may vary. The fact that the culture of the hawker industry enables them to act in unison over particular issues lends strength to their relevance. This is an aspect which the formal business environment with its many divided associations is not able to achieve.

The discussions above have been expanded further regarding each of the elements in the hawker marketing environment to explain their influence and relationship.

2.7 SUMMARY

In this chapter a thorough analysis of the marketing environment and its relation to hawkers was done. A clear indication of the hawker-marketing environment in the East London CBD was detailed following the structure supplied by Cronje et al (2000) in Figure 2.1. To this end a Hawker Marketing Environment Model was developed.

In the next chapter, we will look at the theory of the marketing tactics which relate to small businesses in order to become familiar with those issues required to be evaluated as to the extent of their application by hawkers in the East London CBD.