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AFRICAN PARTICIPATION IN THE RHODESIAN ECONOMY

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THE AFRICAN RETAIL MARKET — OPPORTUNITIES AND DIFFICULTIES

*By C. G. MSIPA**

THE AFRICAN MARKET.

In the context of this paper, the African Retail Market refers to the demand for consumer goods by Africans in both the rural and urban areas of Rhodesia. It is also accepted that DEMAND is a function of population growth, income and climatic conditions. These factors have a cumulative effect on the volume and quantity of goods demanded and they determine in varying degrees the value and potentiality of the African market. In other words, we set out to examine the participation of 6 million black people in the economic life of this country, by trying to find out their purchasing power, their purchases and from whom they make the purchases. In this market the majority of consumers are in the low-income group, whose propensity to consume is higher than their propensity to save.

AFRICAN RETAILERS.

In the last 20 years there has emerged amongst black people a class of African businessmen. Their entry into commerce has been slow to start with but the pace has quickened so much so that there are now 15,000 of them and hundreds of new applications are awaiting approval. The chief difficulty, and hence the slow entry, has always been LACK OF SUFFICIENT CAPITAL with which to finance a business. In almost every case African retailers finance their businesses mainly from personal savings, loans from friends and relations and from the sale of their farm produce and cattle. They build or lease shops in African Townships and Business Centres in urban and rural areas.

From these humble beginnings, some of these African retailers have prospered and have, in the course of time, expanded and branched into a variety of business undertakings. Others barely make a living let alone profits. Such are the hazards and vagaries of business everywhere. An important fact usually overlooked is that African retailers perform an invaluable service by bringing modern consumer goods to within easy reach of African people even in the remote parts of this country. Without their involvement the African market would be much smaller and African participation would be curtailed severely.

KEY RETAIL ACTIVITIES

The traditional store is a typical example of stores in any developing country. It is small and has a small customer base and all its customers come

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from the immediate neighbourhood. It caters mostly for the low-income group. In the African retail market the key retail sectors are as follows:

Basic Foods	60 — 70%
Groceries	15 — 20%
Clothing	5 — 10%
Household	5 — 10%
Drink and Tobacco	10 — 20%

These items constitute the main business of African retailers whose gross turnover is \$110 million per annum.

THE AFRICAN MARKET COMPARED TO TOTAL MARKET.

One way of understanding the magnitude of the African market and the participation of the Africans in the money economy is to select a list of consumer goods, in order to compare the total market to the African market. The figures below are taken from an article by M. J. Murray in the Rhodesian Financial Gazette of January 24th, 1975 and they reflect purchases in 1970.

Consumer Goods	Total Market \$m.	African Market \$m.	African Market %
Clothing and Footwear	61,7	41,7	68
Cigarettes and Tobacco	14,1	9,1	65
Coffee, Tea, Non-Alcoholic Drink	15,3	9,7	63
Furniture	9,7	4,9	51

These figures are loud and clear — for consumer goods the African is the market. Without African participation in the economy, many industrial and commercial firms cannot show profits. As population growth results in additional demand for consumer goods and assuming that the rate of employment increases proportionately, the future potentiality of the African market is enormous. It is a market that can be developed and expanded beyond recognition.

The question is: Do we pay much attention to this market? How much is spent on research, advertising and marketing in the African market which accounts for as much as 70% of sales of clothing and footwear?

THE RURAL MARKET

For purposes of clarity and also because of certain inherent differences, the African retail market is divided into rural and urban. The rural market refers to the Tribal Trust Lands which cover 41% of the total area and comprises 165 units. It also includes 66 African Purchase lands which are subdivided into 8810 farms. Over 4½ million blacks live in these areas. 2/5 of the T.T.Ls are over 80 km. from a railway and 3/5 are over 80 km. from

large towns (See Hughes A.J.B.: Development in Rhodesian Tribal Areas pages 12 and 13).

Our rural population has an estimated income of \$87 million per annum. This income is susceptible to seasonal fluctuations and is derived from these sources:

1. SALE OF AGRICULTURAL PRODUCE

In 1973 sales of African grown crops through Official Marketing Agencies were as follows:

Sales	Tribal Trust Lands \$	African Purchase Land \$	Total \$
Maize	172,640	242,360	415,000
Groundnuts	2,481,510	260,490	2,742,000
Cotton	5,469,724	2,148,276	7,618,000
Sorghum	72,000	28,000	100,000
Wheat	133,688	2,312	136,000
Soya Beans	17,514	486	118,000
Tobacco — Burley	293,590	80,410	374,000
— Oriental	16,900	9,100	26,000
Other	86,267	113,733	200,000
TOTALS:	8,743,833	2,885,167	11,629,000

Hughes A.J.B. page 27.

2. SALE OF CATTLE AND SMALL STOCK

It is estimated that there are 2,879,000 cattle and 2,000,000 small stock in tribal areas respectively. How many are sold each year remains guess work.

3. LABOUR

There is short-term and long-term paid employment in the T.T.Ls, surrounding farms, nearby towns and in community development projects.

4. LOBOLA

Big sums change hands before marriages take place.

5. HANDOUTS

Relatives in urban areas send regular sums of money to their relatives in the rural areas as a social obligation.

How does the rural African spend his income compared with the urban African? The following figures give an indication of his purchasing power and his needs:

Consumer Goods	Rural in \$m	Urban in \$m
Food	13,1	124,0
Drink/Tobacco	6,1	12,8
Clothing	13,9	20,5
Transport	14,8	18,3
Agricultural Inputs	10,4	—
Levies and Taxes	6,1	3,5
Rent/Fuels	3,2	42,0
Household	2,6	11,0
Personal Care	1,7	0,4
Miscellaneous	15,1	17,5
Total:	87,0	250,0
Population:	4½ million	1 million

One of the difficulties in this market is getting modern products known and accepted in the absence of a reliable and effective system of communication. This communications gap is being filled by Company Demonstrations, Women's Clubs, Savings Clubs, Mobile Cinema Units and recently by the Rhodesian African Show Society. These and other forces motivate rural Africans to move from a subsistence economy to a cash economy. Their role is well covered by Hughes under Development Groups.

The African retailer brings modern goods to the Tribal areas. His transport costs are high and his market base is small. The consumer goods are few but the prices are generally high. The retailer has a regular, steady, time-tested clientele which has a social and cultural attachment to the local shopping environment.

Among the chief difficulties in this market is the absence of any real economic infrastructure. Retailers are placed far away from railways and main roads. Supplies become less dependable, particularly during the wet season. Transport costs push prices up. This difficulty is not something for the local community to tackle alone — it is a project that Government should include in its rural development scheme.

Many African retailers purchase their supplies from European and Asian wholesalers. The prices charged approximate very closely to the retail selling costs. The difficulty in obtaining genuine wholesale prices results in rural people paying more than the people in urban areas for the same goods.

Other difficulties include lack of knowledge and training in business practices and lack of enough capital or credit to purchase goods in bulk.

As part of its development strategy in the T.T.L.'s the Tribal Trust Land Development Corporation established a subsidiary company, Tiltrade, with the intention of establishing trading facilities in selected areas throughout the country. Several large firms from the private sector are associated with Tiltrade.

The aims of Tiltrade are:

- (a) the promotion of sophisticated and well managed trading facilities in the Tribal areas.
- (b) the training — in service — of African storekeepers, managers and salesmen.
- (c) the stimulation of economic activity among subsistence level tribesmen by providing a wide range of merchandise at reasonable prices; and
- (d) the eventual expansion of these activities into tribal areas wholesale trade, using the considerable buying power at its command.

(Hughes page 250)

Tiltrade has very good intentions but it overlooked the following to its downfall, that (a) the traditional store with its small customer base served the neighbourhood well; (b) low income groups place a great deal of emphasis on personal relationships with their retailers and shy from unfamiliar environments; (c) supermarkets were considered a threat and they raised political issues. What the African retailers needed were wholesale outlets.

Urban Market

The Urban Market differs from the rural market in many respects, the chief of which are:

The majority of urban dwellers have regular incomes and have more money to spend.

Their purchases are of a regular nature.

They have greater knowledge of modern consumer goods through all forms of mass media.

African retailers face severe competition from European and Asian retailers. This competition takes the form of lower prices and/or long-term credit facilities.

Generally, European and Asian owned shops offer better shopping facilities and a wider range of goods under one roof than the small African owned shops in the African Townships.

An advantage the urban retailer has over the rural retailer is that his transport costs are lower and he is close to his sources of supply. Replenishing dwindling stocks is not a major problem provided there is the money for making purchases.

The urban African retailers like their rural counterparts have many problems to cope with. They may not own sites upon which their businesses are located. They cannot borrow money because they own no land upon which a loan can be secured. Their prices are generally high and they stock few consumer goods. Not surprisingly, black shoppers do most of their buying in white areas.

Conclusion

"Blacks must be allowed to expand, raise capital, be given freehold tenure and be assisted with low interest loans. But most of all the black trader must be protected from white competition," says Francois Oberholzer, Chairman of the Johannesburg Management Committee commenting on the situation in South Africa (Financial Mail: February 14th, 1975). This is the best way of stimulating African economic participation. And this is what the African Chamber of Commerce is clamouring for in this country.

A recent development which may have far reaching consequences is the formation of the Progress Trading Association which has set up the Progress Trading Company which aims at providing wholesaling outlets for the benefit of African retailers. Its objectives are sound and it is likely to meet the needs of African retailers without upsetting the traditional stores and shopping habits.

Today the black Rhodesian is looking for better days. His expectations are high and his imagination is running wild. He desperately wants progress and prosperity. Above all he wants the opportunity to participate fully in the economic and political life of this country which nature has kindly endowed with vast natural resources.

The African, who makes up the bulk of our consumer market, has aspirations, needs, tastes, likes and dislikes. He dreams dreams which cannot come true because of traumatic obstacles and restrictions. His prosperity is the country's prosperity.

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