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Cross-border African shoppers and traders in South Africa: findings from an SBP survey

Africa is an important export market for South Africa,¹ as trade statistics demonstrate. But these statistics capture trade figures only for formal sector businesses. Besides formal trade, informal trade across South Africa's borders contributes significantly to the South African economy. This *SME Alert* details the results of a survey conducted by SBP on the cross-border shopping and trade sector in Johannesburg, the primary shopping destination for cross-border shoppers and traders.

CROSS-BORDER SHOPPERS are foreigners who come to South Africa for short periods, with shopping as their main purpose. The goods they buy, from clothes to car engines, are generally sold in their home countries or taken back to their families. Shoppers who buy goods in South Africa for resale elsewhere may be regarded as cross-border *traders* – and are part of a sector of people who buy and sell goods across the national borders of Africa. They are generally low-income, small-scale entrepreneurs operating in the informal sector, but also include middle-income entrepreneurs running larger import–export businesses.

In 2005 visitors from African countries spent more than R12 billion in South Africa – the largest proportion of total foreign direct spend.² One third of those visitors came here with the express purpose of shopping, versus one per cent of visitors from the Americas, Australasia, and Asia.³

African cross-border shopping and trading has a number of pro-poor features. For example, cross-border shoppers and traders from African countries are particularly likely to rent accommodation from poorer South Africans. They also support dependents throughout southern Africa, and in some cases as

far north as Nigeria and Senegal. Interestingly, most of these shoppers and traders are female,⁴ which means that this sector offers significant opportunities for the empowerment of women. It also develops entrepreneurial and small business activity.

SBP's survey provides hard data on the profile, activities, and movements of cross-border African shoppers and traders in South Africa. It also highlights problems that constrain the expansion of their businesses – including regulatory obstacles – as reported by shoppers and traders themselves. Significantly, the survey shows that these activities constitute a net gain for the South African economy.

In June and July 2006, 120 cross-border African shoppers and traders were interviewed in the Johannesburg CBD and surrounds. Our survey concentrated on Johannesburg because it is the primary destination for cross-border shoppers and traders.

A non-probability sampling procedure was used.⁷ This means that the findings cannot be used to generalise about the entire cross-border shopping and trading population in Johannesburg. Nevertheless, the survey provides meaningful insights into the cross-border shopping and trading sector in the city, as well as an important baseline for further studies.



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Range of visitors

The cross-border shoppers and traders interviewed in the course of the survey came from a range of African countries. The majority were from Zimbabwe (18 per cent), followed by Nigeria and Kenya (9 per cent each) and Zambia, Angola and Mozambique (8 per cent). Some cross-border traders constantly moved from one African country to another, buying and selling goods. Those traders typically indicated their home country as the one in which they were born.

Reasons for visiting South Africa

Respondents were asked to identify their reasons for visiting South Africa, selected from a list. As respondents identified all activities relevant to their operations, the reasons shown in figure 1 are not mutually exclusive.

Some respondents took their supplies back to their home countries, while others bought and sold goods across the South African border.

The majority of respondents (72 per cent) bought goods for resale in their home countries. Sixty eight per cent bought supplies for use by family members in their home countries. A far smaller proportion of respondents sold goods in South Africa. Twenty-six per cent of respondents sold goods made by others in their home country in South Africa, and 23 per cent sold goods they had made themselves. A very small percentage of the respondents bought goods in countries other than South Africa or their home countries, some from as far afield as China and London.

The Joburg Cross-Border Shopping Association

Cross-border African shopping is receiving increasing attention from South African researchers, policy-makers and government officials, who are beginning to appreciate the contribution of this sector to the South African economy and to local city economies in particular.⁵ To encourage growth in the sector, the Johannesburg Metro and other stakeholders have established the Joburg Cross-Border Shopping Association with support from ComMark Trust. The association is a section 21 company comprising representatives of 'suppliers of goods, providers of transport and logistics, providers of accommodation, suppliers of space, tourism and banking facilities' related to the cross-border shopping sector in Johannesburg.⁶

Table 1: Composition of the sample by home country

| Home country | % of respondents |
|-------------------|------------------|
| Zimbabwe | 18 |
| Kenya | 9 |
| Nigeria | 9 |
| Zambia | 8 |
| Angola | 8 |
| Mozambique | 8 |
| Malawi | 7 |
| Botswana | 5 |
| DRC | 4 |
| Lesotho | 4 |
| Uganda | 4 |
| Namibia | 3 |
| Somalia | 3 |
| Swaziland | 3 |
| Tanzania | 3 |
| Senegal | 2 |
| Burundi | 1 |
| Sudan | 1 |
| Congo Brazzaville | 1 |

A small percentage of respondents bought or made goods in South Africa, for sale in South Africa. Some of these might not be cross-border traders as such, but foreigners based in South Africa who engage in entrepreneurial activities in this country. Others who make and/or buy *and* sell goods in South Africa may use the money generated to buy more stock to take home.

Almost one fifth of the respondents interviewed invested money in South Africa for later use. While this proportion was not large, it could represent a substantial amount, given the annual spend of shoppers and traders in Johannesburg every year.

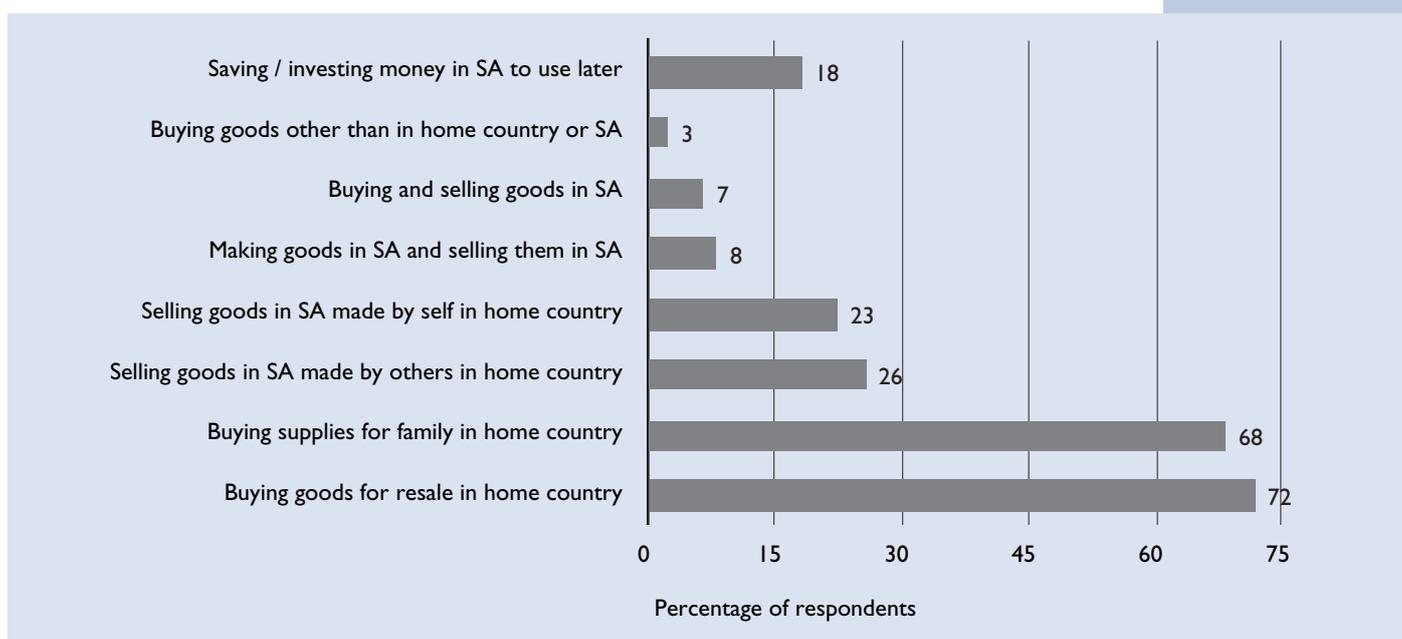
Goods bought and sold

Shopping and trading activity ranged from the purchase of low-end consumer goods to the buying and selling of crafted and manufactured goods.

Respondents were asked to list the top five goods bought in South Africa for resale in their home countries. Clothing and clothing accessories (scarves, belts, etc) were by far the most popular, with CDs, DVDs, and computer games next on the list.

There were significant variations among

Figure 1: Reasons for visiting South Africa



nationalities. For example, 90 per cent of Nigerian respondents bought CDs, DVDs, and computer games, compared to just ten per cent of Zimbabweans. A smaller proportion of Zimbabweans (38 per cent) bought clothes compared with the average (63 per cent) of other nationalities combined. These variations probably reflect not only different demands in their home countries, but also differences in their spending power.

Items brought by traders from their home countries for sale in South Africa are predictable. Furniture, kitchen accessories (wooden bowls and spoons, etc) and general artefacts were the items most frequently sold. These items are mainly intended for the tourist trade in South Africa.

Frequency of visits

Many respondents regularly travelled to South Africa, and this was a central part of their occupational activities. On average, respondents travelled to South Africa four times a year, and just over a quarter planned to visit South Africa more than five times a year. Just fewer than 40 per cent planned to visit South Africa more than four times a year.

Just over a third of respondents stayed for a week or less, and 20 per cent stayed for a month or longer. When the results are cross-referenced with respondents' purpose of visit (see figure 1), it is apparent that those who come to Johannesburg to sell goods (some

of whom may also buy goods) stay longer than those who shop only.

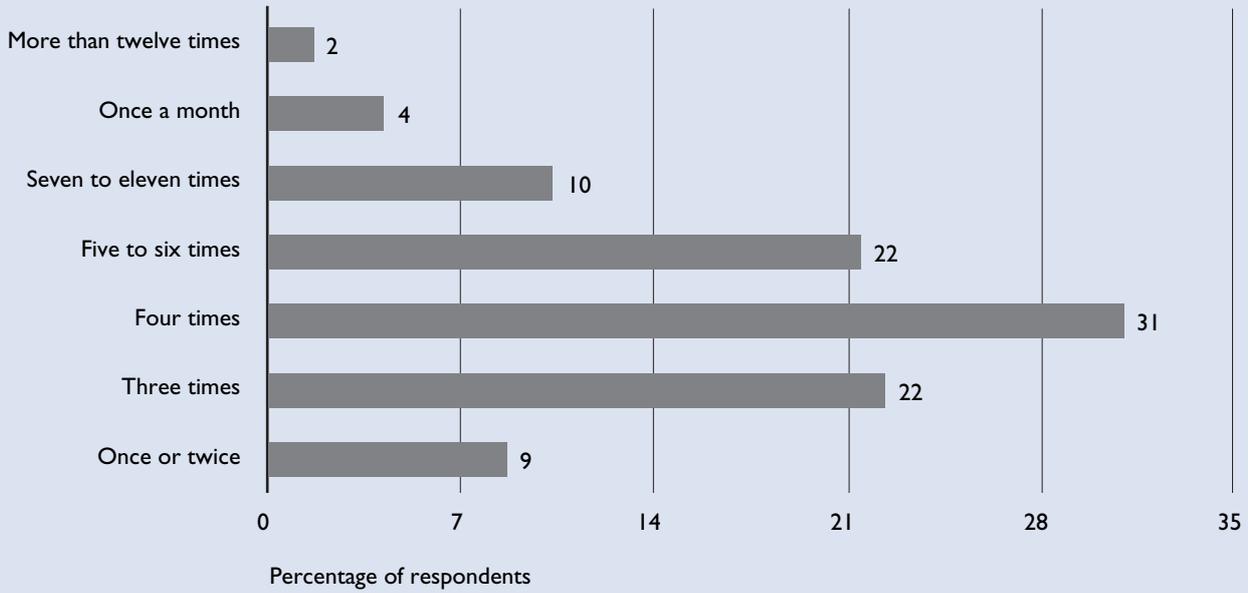
Total spend

The annual spend by cross-border shoppers and traders from other African countries contributes substantially to South Africa's tourism economy and

Table 2: Goods purchased by shoppers and traders for resale in home country

| Goods bought for resale in home country | Percentage of respondents |
|---|---------------------------|
| Clothes | 63 |
| Clothing accessories | 31 |
| CDs, DVDs, music and computer games | 38 |
| Electronic appliances and accessories | 26 |
| Beds, blankets and linen | 23 |
| Building material | 22 |
| Home décor | 20 |
| Jewellery | 19 |
| Computers, computer components and printers | 16 |
| Cell phones, cell phone accessories | 14 |
| Kitchen accessories (cutlery) | 13 |
| Bags and backpacks | 13 |
| Beauty products | 11 |
| Food | 9 |
| Stationary and accessories | 8 |
| Other ⁸ | 12 |

Figure 2: Number of trips to South Africa per year



particularly to the local economy of Johannesburg, where cross-border shopping is concentrated.

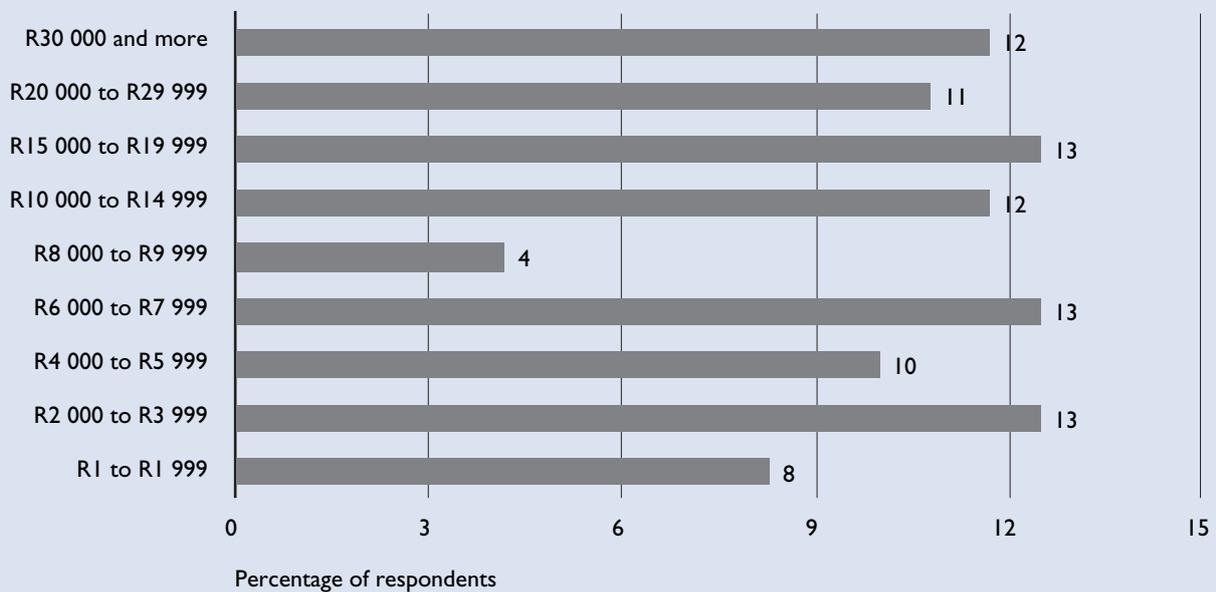
Estimates of annual spend provided by 114 respondents totalled just less than R6 million.⁹ If these results are extrapolated, it is clear that cross-border shoppers and traders contribute substantially to Johannesburg's economy.

Respondents were asked to estimate how much they spend on goods and services (including accommodation) on each trip to South Africa, excluding the costs of visas and permits needed to enter and

trade in South Africa, and money spent on bribing officials (where relevant). The average spend per trip was R12 823, but there were substantial variations per trip, with some shoppers and traders spending R40 000 to R50 000. The median spend was R9 000. Fifty-two per cent estimate that they spend more than R10 000 per trip.

Annual spend in South Africa showed similar variations. On average, respondents spend R51 830 a year in South Africa, excluding money spent on visas, permits, and bribing officials. Forty-five

Figure 3: Spend per trip



per cent of the shoppers and traders interviewed spent more than R45 000 per year in South Africa.

Despite African cross-border shoppers and traders being associated with low-income entrepreneurs, our data points to large variations in money spent per trip as well as annually. Research in 2002 showed that cross-border shoppers and traders vary from people selling small amounts of food at border posts to middle-income traders transporting large volumes of goods across the borders.¹⁰ Average figures are obviously inflated by the latter category of respondents.

Challenges and opportunities

Cross-border shoppers and traders encounter a number of challenges in South Africa, which in some cases restrict the expansion of their businesses and their total spend.

Respondents were asked to identify the three worst problems they face in shopping or trading in Johannesburg. Their answers are presented in table 3.

Crime was the most commonly mentioned problem – specifically the theft of cash or goods. Respondents reported goods and/or cash being stolen while they were shopping, as well as at trading points and transport nodes (taxi ranks and airports, for example). Shoppers and traders may experience additional vulnerability to theft due to the large volumes

of stock they often carry. Besides this, many retailers selling to cross-border shoppers and traders operate on a cash only basis, which means that shoppers often have to carry large amounts of cash.¹¹

A second major obstacle to longer stays was the lack of affordable, safe, well-located, and clean accommodation. This was a problem mentioned by 29 per cent of respondents. A study by Fanaroff Associates of cross-border shoppers and traders in Johannesburg suggests that the top end of the sector may be adequately catered for in terms of accommodation and transport (for these shoppers, there appears to be a sufficient number of reasonably priced hotels in Johannesburg). However, for those seeking cheap accommodation at rates of R60 a night or lower, supply has not kept up with demand.¹²

Xenophobia was the third most commonly mentioned issue, followed by harassment by police. The City of Johannesburg has recognised these issues. Its tourism strategy notes that, while most cross-border shopping traditionally took place in the Johannesburg CBD, incidents of violence, civilian and police harassment, and general xenophobia have displaced shoppers and traders towards Fordsburg and the East Rand Mall.¹³

The dark bars in table 3 represent difficulties associated with regulatory issues. Combining all responses related to regulatory requirements reveals the extent to which the costs and annoyances associated with regulations present an obstacle to longer

Table 3: Problems faced by shoppers and traders in Johannesburg

| Problem | Percentage of respondents |
|---|---------------------------|
| Crime: theft | 39 |
| Cost/location/condition of accommodation | 29 |
| Discrimination/harassment due to xenophobia of South Africans | 24 |
| Harassment by police | 23 |
| Visa, passport and trading license application problems/ time consuming | 22 |
| High rent of stalls | 15 |
| Transport problems | 11 |
| Tax and tax refund problems | 10 |
| Visas are not issued for long enough | 8 |
| Expensive items | 8 |
| Bad service from other stores and general public | 6 |
| Insufficient designated selling points | 6 |
| Border and customs control difficulties | 5 |
| Import duty procedures | 3 |
| Difficulties with securing work permits | 3 |
| Communication / language problems | 3 |

Just over 50 per cent of respondents referred to regulatory issues as a factor preventing them from spending longer periods in South Africa

stays. Just over 50 per cent of respondents referred to regulatory issues as a factor preventing them from spending longer periods in South Africa. This included problems in respect of visas (including the short periods for which visas are issued), passports and trading licences, tax and tax refunds, border and customs hassles, payments and procedures for customs control, and difficulties with securing work permits (it can therefore be inferred that a small percentage of traders interviewed are based in South Africa).

Troublesome regulations

The survey produced detailed information about the regulatory difficulties faced by cross-border shoppers and traders. Respondents were asked to identify the three most troublesome or time-consuming regulations with which they are meant to comply. Just more than half the respondents said that declaring goods at the border was very time-consuming, and a major annoyance. Research conducted in 2002 suggests that shoppers and traders who carry small amounts of goods across the border also find the cost of customs duties onerous.¹⁴

Difficulties or delays in claiming back tax was mentioned by eight per cent of respondents. It seems, however, that many shoppers and traders are not even aware that they are eligible for tax refunds. Furthermore, as tax is not refunded in cash, many low-income shoppers or traders who are not banked cannot make use of the tax refund system.

Passport and visa applications were mentioned by just over a third of respondents. Passport applications are handled by officials in the respondents' home countries. They generally acquire visas at South African embassies in their home countries, but some obtain visas at border posts (depending on their countries of origin). Visa requirements (and thus difficulties in obtaining visas) vary from country to country.

Respondents were asked how much time they spent on obtaining the permits and other documents needed to shop and trade in South Africa.¹⁵ The results varied widely across – and within – home countries. This was partly because some respondents reported the time they spent standing in queues, filling in forms, and so on, while others reported the total length of time it took for their documents to be issued. However, it is clear that respondents incur dif-

ferent compliance costs depending on which country they are from, the exact purpose of their activity, and how many times they visit South Africa. The results probably also differed because of varying experiences of bribery and corruption. Respondents may be paying different amounts for visas and passports because they have to pay different amounts depending on the official they have to deal with, whether they know someone who is able to get them a 'discount', and so on.

Despite the variations in the data, the results show that lengthy delays contribute significantly to high compliance costs. A third of respondents noted that their documents took longer than a month to arrive, and ten per cent claimed that documents took longer than 110 days to arrive. *There is a need for in-depth qualitative research on the specific bottlenecks and delays in issuing the permits needed to shop or trade in South Africa, and the extent to which delays are caused by inefficiencies in the South African Department of Home Affairs offices and South African embassies in Africa.* In some cases the delays could be related to passport applications, which are not the South African government's responsibility. However, the fact that obtaining visas for South Africa was mentioned as one of the most troublesome and time-consuming regulations by more than a third of respondents strongly suggests that inefficiencies in handling visa applications need to be urgently investigated.

A number of respondents mentioned problems with obtaining trading licenses for selling goods in Johannesburg. In Johannesburg, the Metro Trading Company (a municipal entity) issues permits and registers traders who are then required to sell goods in a designated trading area (markets and certain streets, for example). Technically, under the Immigration Act of 2002, foreign traders cannot sell or trade goods with a visitors permit, on which the majority of respondents enter the country. Some may be trading illegally, while others may be trading legally on asylum-seekers and refugees permits, or may have acquired South African residence via marriage.

Interestingly, a small percentage of the respondents mentioned experiencing problems with business licences and registration. It seems that some cross-border traders may be registered in South Africa as business entities, and must therefore have obtained a business permit – some legally, and others illegally. If this is the case, the survey results point to a large variation in the profile of cross-border traders in Johannesburg.

Official interference and bribery

SBP's survey probed for information about police harassment and official corruption as issues affecting cross-border shoppers and traders. Respondents were asked whether government officials or police had ever interfered with their businesses, or ordered them to move or close down. A quarter said that they had experienced government interference of this kind. The nature of the interference included the confiscation or vandalism of their goods by officials or police, arrest or removal from trading posts, and checking of respondents' documents. (In some cases, police were probably legitimately enforcing municipal by-laws regarding hawking and trading.)

Thirty per cent of respondents said they had heard of traders needing to pay bribes to operate in Johannesburg, and 20 per cent said they had heard of traders needing to pay bribes to obtain South African visas. These percentages may not reflect the full extent of bribery in obtaining official documentation for trading and shopping in South Africa. Not all bribery is necessarily understood as bribery by foreigners, as government officials may solicit 'fees' from traders over and above official costs, or claim to be legitimately fining a trader, when in fact a bribe is being sought. In addition, accounts of bribery and general corruption are also likely to be understated by vulnerable people wary of this subject.

Conclusion

SBP's survey demonstrates that the African cross-border shopping and trade sector contributes substantially to the local economy of Johannesburg, via spending on goods as well as services (such as accommodation). The informal nature of much of this trade obscures the collective spending power of these shoppers and traders, and the large volumes of goods crossing South Africa's borders every day. The survey paints a picture very different from public perceptions of foreign Africans as a drain on the state. The presence of these shoppers and traders is undoubtedly a net gain for the South African economy, and stimulates trade and enterprise development throughout southern Africa.

Johannesburg has set its sights on becoming 'Jobai', the Dubai of southern Africa, by attracting greater numbers of cross-border shoppers and traders to the city.¹⁶ SBP's survey of both shoppers

and traders strongly reinforces the city's research on cross-border shoppers and traders, which has shown that they face various constraints on expansion including 'the safety and security of the shoppers while they are here ...; a lack of appropriately priced accommodation and of storage facilities; poor transport to and from the city but particularly within the city; problems encountered with customs, visas, VAT and excise; a lack of reliable information for the shoppers; and, sadly, the South African syndrome of xenophobia'.¹⁷

SBP's data shows that crime (especially theft) is a major difficulty faced by shoppers and traders. It is widely recognised that crime has a major negative effect on business in South Africa, and cross-border shoppers and traders may be particularly vulnerable in this regard.

SBP's data point to difficulties and complexities, with significant associated costs, in the interaction of shoppers and traders with the regulatory regime. These issues and the associated costs warrant intensive follow-up research aimed at unpacking specific patterns and problem areas.

Joined-up thinking is needed to reduce regulatory barriers to the expansion of this sector. Given the frequency of visits to South Africa by some shoppers and traders, the Immigration Act of 2002 should be reviewed to provide for people who regularly shop and trade in South Africa. The transnational character of the sector should be officially recognised and accommodated by appropriate customs regulations.¹⁸

A more enabling policy and administrative environment for cross-border shoppers and traders has the potential of generating further opportunities for domestic small business and entrepreneur development, particularly for low-income South Africans who provide services to foreign nationals.

It is increasingly recognised that the activities of cross-border shoppers and traders are not primarily 'tourism'-driven. The sector is being reassessed by policy-makers as a special field of economic activity benefiting the local economy. Regulations must be adapted to create an enabling environment that supports and encourages entrepreneurial and small business activity in this sector. ■

SBP's survey demonstrates that the African cross-border shopping and trade sector contributes substantially to the local economy of Johannesburg

Endnotes

- 1 Peberdy, S. 2002. 'Hurdles to trade? South Africa's Immigration Policy and Informal Sector Cross-Border Traders in the SADC.' Paper presented at SAMP/LHR/HSRC Workshop on Regional Integration, Poverty and South Africa's Proposed Migration Policy, Pretoria, 39.
- 2 SA Tourism, *2005 Annual Tourism Report*, August 2006, 23.
- 3 SA Tourism, *2005 Annual Tourism Report*, 19.
- 4 Peberdy, 'Hurdles to trade?', 37. She also points out that this creates specific challenges and problems for women as well.
- 5 For research on cross-border African trade and shopping see for example: Peberdy, 'Hurdles to trade?'; Fanaroff Associates in association with Urban Inc, for ComMark Trust, 2005, *Survey of Accommodation for Joburg's Cross-Border Shoppers*, November. See also discussion of cross-border shopping and trade in DTI, 2006, *Annual Review of Small Business in South Africa 2004*, Pretoria.
- 6 ComMark Trust, 'Growing Joburg's cross-border shopping', ComMark Trust webpage: <<http://www.commark.org/pages/Default.asp?SectionID=148>>
- 7 Various sources were consulted to compile a list of places where cross-border shoppers and traders meet to trade and stay while in Johannesburg. The list of places was used as a starting point from which snowball sampling was used to locate other people to meet the sample requirements. Respondents were asked a range of questions by experienced fieldworkers in face-to-face interviews.
- 8 Other: Arts and crafts; cameras; vehicle accessories, sound, security and tools; paint and paint brushes.
- 9 Six shoppers did not provide a response to this question.
- 10 Peberdy, 'Hurdles to trade?', 42.
- 11 McGregor, S. 'Joburg's Bermuda Triangle lures African trade' in *Business Report*, 26 September 2006: <<http://www.busrep.co.za>>
- 12 Fanaroff Associates, *Survey of Accommodation for Joburg's Cross-Border Shoppers*, 10.
- 13 <http://www.joburg.org.za/unicity/tourism_ch3_4.stm>
- 14 Peberdy, S. 2002. 'Hurdles to trade?', 45.
- 15 The compliance costs of regulation include the time and money spent on complying with regulations – filling in forms, fulfilling reporting requirements, obtaining necessary licenses and registrations and so on, and on procuring expert input, including auditors, lawyers, and consultants, to assist with compliance requirements. Compliance costs are experienced in terms of time (which often involves opportunity costs) and financial costs.
- 16 Fraser, N. 'Cross-border shopping – moving to 'Jobai'', 20 March 2006 posted on CitiChat: <<http://www.joburg.org.za>>
- 17 Ibid.
- 18 Peberdy, 'Hurdles to trade?', 47.

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SBP is an independent not-for-profit private sector development and research company based in Johannesburg. SBP promotes strategic partnerships and a better policy, regulatory and operational environment for business growth in Africa.

SBP's cross-border shopping and trade survey was funded by ComMark Trust. Data collection and survey design was undertaken by MarkData. This edition of *SME Alert* was generously funded by the Friedrich Naumann Foundation.

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