

ANNEXURE B: BUSINESS AUDIT REPORT

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1. INTRODUCTION

The purpose of Section is to provide the main findings of the business audit as conducted on a sample of businesses operating within Sol Plaatje Local Municipality. The information was gathered through questionnaires, captured and analysed in order to come up with this concise report. The business audit was structured in such a way that it covers formal and informal businesses operating in town and in the townships and in the process any business was interviewed regardless the sector it falls under. Businesses were randomly visited by fieldworkers who were assisted by the owners, managers or staff members to fill in the questionnaires.

2. METHODOLOGY

The business audit was conducted through interviews using structured questionnaires as a means of sourcing information from owners or employees of the businesses. Two questionnaires one for formal businesses and another one for informal businesses were developed and used in the process. The questionnaires were structured in such a way that it covers questions with regard to the business profile, business development and economic growth perceptions, local municipality perceptions and infrastructure perceptions. The initial sample of businesses to be visited for interviews by fieldworkers constituted of 100 formal businesses and 50 informal businesses operating in town and 50 formal businesses and 50 informal operating in the townships. But a sample of informal businesses was decreased to 40 in town and 40 in the townships.

3. CHALLENGES

The business survey was conducted within a period of four weeks and there were challenges which were experienced throughout the process which are summarised as follows:

- Lack of cooperation from many businesses especially in town,
- Some of the businesses owners and employees who requested to fill the questionnaires on their own some could not complete the whole questionnaires, some did not even give them back until by the time of writing this report,

4. BUSINESS AUDIT

Businesses Profile

Businesses were asked to provide the type of their businesses in terms of business activities, nature of ownership, years of trading as well as the advantages and disadvantages of their current trading locations.

Types Businesses

The type of businesses which were interviewed in the formal sectors included mostly those who are trading (59%), providing services (31%), in constructions and some in manufacturing (2%). Businesses that are in the trading sector were found to be trading with groceries, cooked food, equipments, clothing, bags, furniture, motor vehicle spare parts, motor vehicles, vegetables and fruits. The businesses that were found to be rendering services, are providing services ranging from installation of car security and sound system; courier services; insurance; beauty and hairdressing; marketing, printing, General practitioner (Doctor), Optometry; training; and repairing of electrical appliances. Those in construction were found to be civil and building contractors; and the remaining 3% were manufacturing equipments, furniture and clothing.

Informal businesses which were interviewed during the business audit in Sol Plaatje local municipality 79% of them were trading and 19% were rendering services. The products and services which are provided by these informal businesses included:

- Fruits and vegetables (30%),
- Clothing traders (17%),
- Fast food and catering (12%),
- Sweets and snacks (5%) and
- other businesses were providing public phones services, selling plastic wares, shoe repairs, general traders, car wash services, motor repairs, traditional/sorghum beer seller, newspaper seller, burial society, herbs sellers, hair salon and those selling hats and caps

According to the survey 54% of formal businesses operating in town are owned by one person or a small group of individuals who own one business. About 18% of these businesses are owned by large corporation; 10% belongs to national chains; 7% are owned by individuals or a group who owns this

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business and other branches elsewhere; 6% are franchises and the remaining 23% the ownership were not specified.

Formal businesses operating in the township, their ownership was indicated as, 62% is owned by individuals who own one business; 22% is owned by large corporations, 6% is owned by individuals or group of individuals who owns this business and other branches elsewhere and 8% are under the ownership of franchises.

Within the informal sector 85% of the people interviewed said they own those businesses, 5% said the business belongs to someone else and the remaining 10% said it is a family business. These businesses indicated to be employing 49 males and 38 females. Most of these people (83%) are working on full-time bases as said by the informal businesses. Those working part-time on these informal businesses said they are working part-time based on the following reasons:

- Looking for a job
- Have another job

Number of Years Trading

Formal businesses in town and in the township indicated different time period trading at their current location. Majority of these businesses were found to be doing business at their current between 5 and 10 years as according to the information provided by them. Table 4.1 below illustrates the different time periods (years) of trading which were indicated businesses which were interviewed. It gives the number of businesses followed by numbers of years.

Table 4.1 Number of years trading at the current location:

Formal in town	Formal in township
1 : 130 years	None
1 : between 70 – 60 years	None
3 : between 59 – 40 years	1 : between 59 – 40 years
18 : between 39 – 20 years	5 : between 39 – 20 years
20 : between 19 – 10 years	3 : between 10 – 19 years
44 : between 9 – 1 year	35 : between 9 – 1 year
8 : between 11 – 1 month	6 : between 11 – 1 month
5 : their did not specify	None

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Advantages of Trading Location

Formal businesses in town indicated the following factors as their main advantages of their current location:

About 62% indicated proximity to customers as their main location advantage,

23% selected proximity to suppliers as one of their location advantage,

About 15% said low rentals was their main advantage of the current location,

14% selected less competition as one of their advantage,

12% selected less crime as the advantage of their location,

Other formal business in town indicated parking area, near taxi rank, not paying rent, bigger premises, being on the main road and length of time being in business as the advantages of their current locations.

Formal business in townships indicated the following factors as their main advantages of their current location:

- About 43% indicated proximity to customers as the main advantage of their location;
- 20% indicated less competition;
- 17% indicated proximity to sources of labour as one of advantage of their location.
- The remaining percentages were allocated, as follows % indicated less crime as their advantage; 6% low rentals and 4% proximity to suppliers as their advantages.

Informal businesses in town and in the townships indicated the following as the advantages of their location:

- Approximately 45% indicated proximity to customers as the main advantage for trading at their current location,
- About 18% said the main advantage of the current trading location is less competitors,
- About 15% indicated less crime as the advantage of their current location,
- Some 12% of these informal businesses indicated proximity to suppliers as their location advantage
- Some 10% of informal business indicated availability of shelter as the advantage

Disadvantages of Trading Location

On the other hand about 29% formal businesses in the town indicated high rental fees as the main disadvantage and 27% mentioned high rate of crime as the disadvantage of their current location. Other businesses about 18% indicated too much competition as the main disadvantage of their location also followed by 15% who said for form supplier was the disadvantage of their location. The remaining

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businesses (12%) indicated lack of labour (3%), parking (3%) too many foreigners; night clubs in the CBD, for from the CBD and difficulty in obtaining appointments from the Traffic Departments as their main disadvantages.

Larger number (40%) of formal businesses in the township stated crime as the main disadvantage of their current location. They are followed by 30% of businesses that indicated high rental fees as another disadvantage. The other disadvantages which were stated was being far from suppliers; as mentioned by 22% of businesses; too much competition which was indicated by (20%) of businesses. About 8% of these formal businesses did not make any comment.

A larger number of formal businesses (54%) indicated to be receiving enough exposure were they are located where and about 34% indicated not to be receiving enough exposure were they are located. About 9% did not provide their respond whereas 3% said they were not receiving enough exposure.

About (50%) of businesses from those interviewed in the township stated that they don't receive exposure at all where they are located, and (44%) indicated to be receiving enough exposure. Other businesses (4%) did not respond to the question and 2% said the exposure they were receiving from their current location was an advantage.

Local Municipality Perceptions

Businesses were also asked how do they perceive their hand municipality specially looking at the role to play in LED; its strengths and weaknesses as well as to which expects do they think need attention.

The Role of Sol Plaatje Local Municipality in Business Development and Economic Growth

The role that Sol Plaatje local municipality should play in business development and economic growth as stated by formal businesses are summarised as follows:

- Provide and maintain infrastructure for businesses,
- Assist and promote local businesses,
- Organise training workshops for small businesses and interested community members,
- Market and attract investors to Sol Plaatje Local Municipality,
- Promote industrial developments,
- Make land available for developments,

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- Develop strategy to attract and retain businesses,
- Fund small businesses

About (51%) of formal businesses in town and (36%) in the township believes that Sol Plaatje Local Municipality is not doing enough for business development and economic growth in its area. Only (37%) of formal businesses in town and (15%) of formal in the township stated that Sol Plaatje is trying, from the same sample (4%) of formal businesses in town and (%) indicated that Sol Plaatje is doing enough for business growth and economic growth.

Strengths and Weaknesses of Sol Plaatje Local Municipality

Businesses were also asked to provide factors they consider the strengths and weaknesses of Sol Plaatje. The table 4.2.2 below provides the factors which were indicated as strengths and weaknesses by formal businesses in the town and in the township.

Table 4.2 Strengths and weakness of Sol Plaatje Local Municipality as stated by formal businesses

STRENGTHS	WEAKNESSES
▪ Support by national government and funding from Treasury	▪ Poor service delivery
▪ Fairly clean city	▪ Poor management
▪ Availability of municipal staff	▪ Corruption
▪ Experienced old employees	▪ Lack of proper infrastructure
▪ Spending more time developing certain areas in the CBD	▪ Poor planning
▪ Enough unused land	▪ Lack of communication and commitment to businesses
▪ Good infrastructure	▪ Misuse of municipal funds
▪ Service deliver	▪ Lack of skilled labour
▪ Central national position	▪ Not cooperating and empowering local businesses

In response to the question of whether they are satisfied with Kimberley CBD currently, (55%) formal business in town and in the township were dissatisfied by Kimberley CBD. Their reasons for dissatisfaction were stated as follows:

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- The majority of businesses both in town and the townships indicated bad roads, infrastructure, less parking and closure as their main reasons,
- They are followed by those who indicated high crime rate or their main reason.
- Their following group indicated that the CBD is dirty,
- Others said the town was poorly planned especially around the Big-hole, they said planners did not take precautionary measures for the danger which could emerge in the future as well as its growth was not expected,
- Other formal businesses stated that the buildings in the CBD are looking old; they are broken and dirty and make the CBD unattractive

Almost (9%) of formal businesses in town as well as (1%) in the townships were satisfied with the Kimberley CBD. Their main reasons for being satisfied amongst others are as follows:

- Less population and good occupancy rate,
- Less crime as compared to the township,
- Close to suppliers.
- Kimberley is developing and the municipality is trying their best to improve the town.

Almost 28% of all formal businesses interviewed were neutral and did not respond to the question. They felt that:

- Some part of the CBD is clean and other part dirty.
- There is better service delivery in the CBD.
- The closure of Bulfontein road is the problem.

About 32% of informal businesses were dissatisfied with Kimberley CBD, 30% said were satisfied while 38% responded by being neutral. Those who indicated to be satisfied stated these reasons for their satisfaction with the CBD:

- They said everything is up to date,
- Business is good,
- The CBD is developing,
- The CBD clean,
- Everything is nearby,

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Those businesses which said they were dissatisfied indicated these reasons for their dissatisfaction with Kimberley CBD:

- Lack of Police patrols
- No support from the municipality,
- High rentals, less electricity and supply of water,
- High crime rate,
- Filthiness and leaking pipes
- Poor services,

The following table indicates aspects that need the most attention in the CBD and it provides the responses in percentages as according to the formal and informal businesses surveyed.

ASPECTS	FORMAL BUSINESSES %	INFORMAL BUSINESSES %
1. Security	72%	60%
2. Parking	66%	51%
3. Traffic	56%	43%
4. Rentals	31%	20%
5. Layouts	15%	11%
6. Signage	16%	6%
7. Attractiveness	19%	19%
8. Shop mixture	7%	N/A
9. Cleanliness	58%	31%
10. Trade hours	23%	14%
11. Public uses	19%	N/A
12. Toilets	45	40%
13. Entertainment	15	N/A
14. Restaurants	17	N/A
15. Tourist attractions	22	N/A

Formal business were also requested to rate the efficiency and effectiveness of Sol Plaatje Local Municipality. Their responses are provided below:

RATING %	FORMAL BUSINESSES
Good	11%
Average	38%

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Poor	33%
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Business Development and Economic Growth Perceptions

Businesses were also requested to provide their perceptions on business development and economic growth in Sol Plaatje Local Municipality. The focus was around the general constraints limiting business development in Sol Plaatje, the effects of opening malls, factors which motivates businesses do business where they are or to relocate; and business opportunities which currently not fully exploited in Sol Plaatje Local Municipality.

Opening of the Mall

With regard to the opening of the mall almost (19%) of formal business in town indicated that; the mall did have an influence on their business because of the following factors:

- The mall brought more competitors,
- Customers go there because they can get everything they need,
- Customers prefer the mall because is safe there as compared to the CBD,
- There are businesses selling the same products like as at the mall.

A larger number of formal business about (73%) in town indicated that the opening of the mall did not have an influence on their businesses. Their reasons are:

- The majority mentioned that they still have their customers,
- There are no businesses of our kind at the mall, and this was indicated by furniture stores; manufacturer's consultants; car and motor vehicle spare parts dealers,
- The mall is too far from our customers,
- We don't have competitors,
- The insurance company said they have to go to the people than them coming to us.

From the same sample 3% indicated that, the opening of the mall has brought good influence on their businesses, 1% said the mall has brought bad influence and 4% did not comment.

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In the township 16% said the mall did have an influence on their business based on the fact that they lost their customers. The reason for these formal businesses is that they have lost their customers with the opening of the mall.

At the same time about 64% responded by saying the opening of the mall did not have any influence on their businesses based on the following factors:

- A larger number said that they are still making the same profit,
- The mall is too far from us and our customers,
- We still have our customers,
- The services we offer and products we sell are not available at the mall,

About 2% of the responded said the opening of the mall has brought good influence of their businesses; 8% said the mall has brought a bad influence on their businesses while 10% of these businesses did not respond.

Business Relocation

On whether businesses will be relocating or not within the next 5 years the majority (66%) of formal businesses both in town and in the township responded by no saying. Only 25% of formal businesses in town and in the township indicated that they intend relocating within the next 5 years. From this sample of formal businesses 7% in town and in the township did not respond and others were not sure whether they will relocate or not. The reasons which were mentioned by those businesses who said they will not relocating are as follows:

REASONS FOR NOT RELOCATING	REASONS FOR RELOCATING
1. Near or there are customers	Less growth opportunities
2. Less competitors	High rate of crime
3. Prospects for developments	High rentals
4. The business is doing well or growing	Lack of infrastructure
5. The rent is affordable where we are located	No customers
6. Because of historical reasons	Growth and visibility
7. We own this building	
8. Because of the location and the products we sell	

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9. The area where we are located is busy	
10. There is a bigger space where we are operating	

General Constraints Limiting Business Development and Economic Growth

The following factors were considered as general constraints limiting business development and economic growth in Sol Plaatje Local Municipality by formal businesses, and they are put in order of priority:

- About 45% of formal businesses indicated poor government service as a constraint,
- About 38% of formal businesses indicated lack of infrastructure as a constraint,
- Lack of skills was indicated to be third constraint by 26% of formal businesses,
- About 12% of formal businesses indicated no customers as their fourth constraint,
- 11% of these formal businesses indicated lack of land as their fifth constraint,
- Lack of funding was indicated was the sixth constraint by 2% of these businesses
- High crime was also indicated as the seventh constraint by 1% of formal businesses

Within the informal sector factors below were considered to be the most constraints that limit business development and economic growth in Sol Plaatje local municipality:

- About 35% stated the lack of proper shelters as their constraint,
- Approximately 29% stated too many informal traders as their second constraint ,
- 18% of these informal businesses said no customers as their third constraint,
- High crime rates was indicated as the fourth constraint by 15% of informal businesses,
- 11% of informal businesses stated being far from suppliers as their fifth constraint
- 8% of these formal businesses indicated customers not willing to pay as one of their constraints,
- 6% of informal businesses indicated the lack of business skills as their constraint,

Infrastructural Perceptions

Formal and informal businesses were also evaluated with regard to hard and soft infrastructure in Sol Plaatje Local Municipality and their response are summarized below:

Conditions of the Roads

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In rating the conditions of roads and their effects on their businesses, 68% of formal businesses in town and township rated the roads as being bad. About 21% of these formal businesses surveyed in the township and in town rated the roads as not so bad while 6% rated the roads as being good. Almost 5% of formal businesses in town and in the township did not respond.

Those who rated the conditions of roads as bad provided these reasons for their ratings:

- 17% responded by saying bad roads damages their vehicles, those of their customers and suppliers.
- 16% said customers complains about the roads and they avoid coming to their businesses and chose to using alternative roads leading to other competing businesses,
- 10% responded by saying these bad roads affect their businesses very negatively,
- Others said they damages their stock,
- Others said these bad roads causes traffic congestions,
- We have to pay high costs for wheel alignments and repairs on vehicles,
- They causes cause reduction on our profits,

Of all formal businesses interviewed the majority of them indicated that, the roads in Sol Plaatje Local municipality need to be renewed by qualified and experienced contractors. And about 11% of these formal businesses said roads need to be maintained regularly, others responded by saying proper workmanship was needed and less corruption while others said government should assist contractors with their professionalism and experience when roads are being constructed.

Conditions of Buildings

In terms of rating business buildings within Sol Plaatje 49% of formal businesses both in town and township rated the buildings as not attractive while 43% rated them as attractive. From these formal businesses 8% some where neutral and others did not respond. From the same sample 53% of formal businesses indicated that, the conditions of the business buildings is not affecting the economy of Sol Plaatje Local Municipality so badly, while 33% of the same sample said the buildings affects the economy of the municipality badly. Of these formal businesses 14% did not comment or provide any answer.

About 69% of formal businesses and 55% of informal businesses said finding a business building or proper shelter is difficult in Sol Plaatje Local Municipality. About 22% of formal businesses and 14% informal

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businesses said finding a building or proper shelter is not difficult. Of those businesses who said it's difficult to find a building or proper shelter suggested the following to address the problem:

- The municipality should avail the land to property developers,
- The municipality should encourage property developers to invest in Sol Plaatje local municipality
- They should build more stalls near the taxi ranks,
- They should build more buildings or renovate the existing ones,
- The municipality should process their applications for buildings, stalls and land fast,

Air transport

Air transport is regarded as being inaccessible by 42% of the total formal businesses surveyed and they forwarded these reasons in support of their response:

- Some said they don't use air transport in their kind of business,
- There are two flights available at the airport one leading to Johannesburg and the other one to Cape Town,
- They are fully booked in most of the time,

Some of these formal businesses about 25% said air transport was accessible and about 33% did not respond to the question.

Staff Recruitment

As for staff recruitment almost 71% of formal businesses both in town and in the townships responded by saying, they do experience difficulty sometimes and 17% said they experience difficulty always when recruiting. About 6% said they don't experience difficulty when recruiting and another 6% did not respond or comment. The main reason stated by the businesses (48%) experiencing difficulty when recruiting was said to be lack of skills as the major problem. From the sample only 37% indicated that sometimes people are not interested on the job on offer. Other formal businesses in town and township, about 15% did not provide any reason for their difficulty in recruiting. Lack of skills when recruiting staff is indicated as the major problem which affects most businesses in Sol Plaatje local municipal area as according to 78% of formal businesses surveyed.

The following skills are regarded as highly scarce in Sol Plaatje local municipal area by most of formal business in the area understudy:

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- Business management skills
- Financial and accounting skills
- Technical and engineering skills

Of these formal businesses 69% indicated that, they are providing in-house training in order to capacitate their staff members, 21% said they organise their trainings through private institutions and only 5% said they organize training of their staff members through the Department of Labour.

Business Advisory Centre

About 46% of formal businesses indicated that, they don't utilise they services of business advisory centres, about 36% said they utilises the services of business advisory centres sometimes and almost 10% said they utilises the services of business advisory centres always. The remaining 8% were not able to provide us with some answer. As with the informal businesses 35% of these businesses indicated that, they don't utilise or have never approach any business advisory centre for business advises.

Those formal businesses which indicated to be utilizing the services of business advisory centres said they normally approach the following business advisory centres:

- About 23% said they approach Small Enterprise Development Agency (seda)
- Only 10% indicated Umsobomvu Youth Fund as their business advisory centre
- 9% mentioned Francis Baard SMME Trusts
- Other businesses said they approach SEESA for business advises,

About 45% of formal businesses said these businesses advisory centres were not accessible to them while about 36% said the business advisory centres are accessible and almost 19% said they don't know or did not give any answer.

About 40% of informal businesses interviewed indicated that, the business advisory centres are not accessible to all businesses, 25% said the business advisory centres are accessible to all businesses in Sol Plaatje local municipality and 35% did not respond.

Financial Institutions

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The majority of formal businesses (66%) from the total sample interviewed said they approach banks whenever they need financial assistance. Others said they approach their partners while others indicated to be approach Bootsing. The majority of businesses people said banks are more accessible when they need financial assistance because it is their businesses. For as long you have the necessary requirements they will help.

About 36% of informal businesses said they normally approach their families whenever they need financial assistance. They said for their kind of businesses banks will find it difficult to assist them hence they don't even seek assistance from the.

5. RECOMMENDATIONS

- Sol Plaatje local municipality should approach local economic development in a holistic manner y involving other stakeholders (e.g. business advisory centre, other government departments such Department of Labour,) in the planning and implementation processes of the LED program
- The municipality should also act as a facilitator between businesses and financial institutions,
- The municipality should organize or facilitate in organizing training workshops in which SMMEs will be capacitated in business management ,
- The LED unit should communicate and make known their mandate to business people in its area through workshops or print media as most people from those interviewed don't understand the role of the municipality in local economic development,
- Sol Plaatje Local Municipality should also identify the land where the could built more businesses premises for small and micro businesses as well as informal traders
- On the same issue of skills shortage with Sol Plaatje the municipality should facility by organizing skills development workshops together with Department of Labour and relevant SETAs for training of businesses people and the communities in different skills that are needed. Again there must be a bursary scheme with Sol Plaatje, that will assist aspiring individuals (especially youths) with their study fees.