Philippi East Business Retention and Expansion Survey

Report to Stakeholders

July 2014

A Partnership of the Philippi Economic Development Initiative and the City of Cape Town

Acknowledgements

Local Sponsors A partnership of the Philippi Economic Development Initiative and the City of Cape Town's Economic Development Department

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OVERVIEW

The global recession sparked in the United States by bad risk management of sub-prime mortgages in 2008 has resulted in mass unemployment and an increasing lack of viability in small businesses. Within South Africa, economic growth has taken place but has been characterized by a lack of corresponding growth in employment. Conscious of this and the fact that internationally up to 80%[1] of new jobs are created by the growth of existing business, the Philippi Economic Development Initiative (PEDI) decided to take the opportunity to initiate a Business Retention and Expansion Programme (BR&E) in Philippi East. In doing so PEDI was able to draw on numerous successful pilots in KwaZulu-Natal and elsewhere in the Western Cape and the resources of the City of Cape Town's Economic Development Department.

The overall goal of the BR&E programme in Philippi East is to help local business become more competitive and by doing so retain existing employment opportunities and create sustainable new jobs.

The short-term objectives of the programme are to:

- Identify local business needs and priorities
- Respond to immediate business concerns
- Demonstrate community support for local business
- Enhance the profile of business in Philippi East
- Seek new ideas for economic and employment growth
- Develop consensus around action plans for business growth

The long term objectives are to:

- Enhance the competitiveness of local business
- Identify opportunities for business growth and creation of new businesses
- Create a broad based partnership to sustain long-term economic development
- Establish and implement strategic action plans for economic development
- Create new jobs through the growth of local businesses

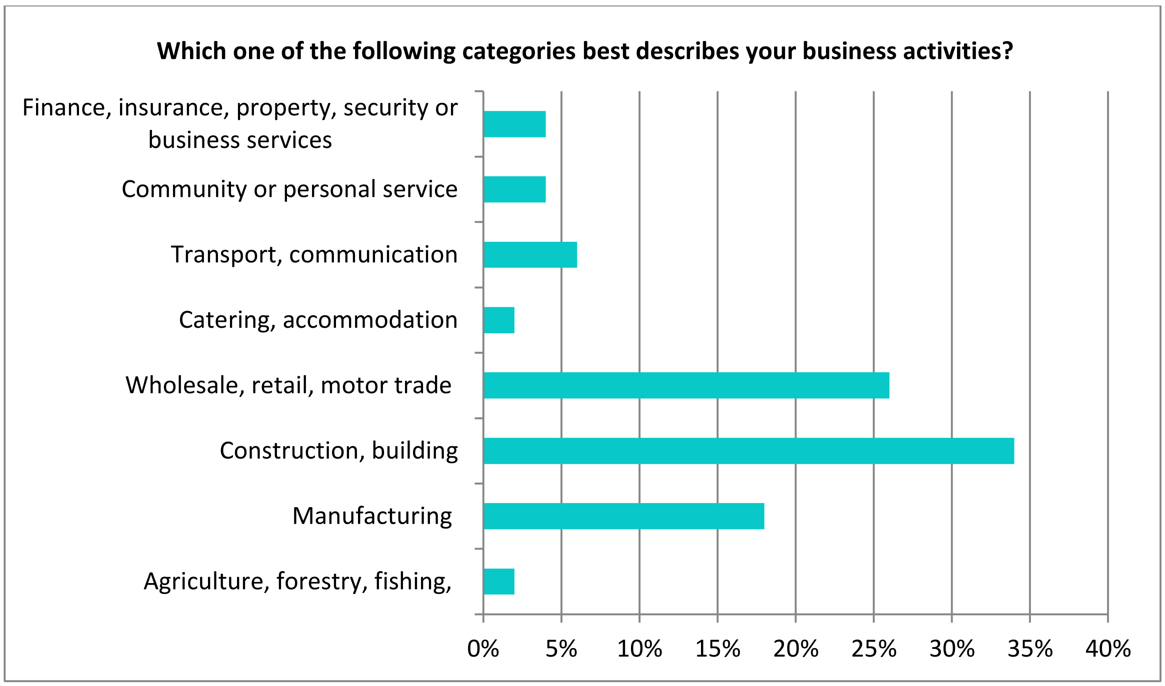
[1] Delany, G. and Patterson, C., 2010: The South African Business Retention and Expansion Manual; GTZ, Pretoria.

PEDI estimates that there are 76 businesses located within the study area. Of these 50 were surveyed as part of the BR&E process. This indicates a margin of error of 8.16% at a confidence level of 95%, which is well within the acceptable limits for this type of survey.

SURVEY FINDINGS

Business structure and history

The majority (34%) of businesses surveyed are engaged in the Construction and Building industry, while 26% are in Wholesale and Retail. A further 18% of businesses surveyed are involved in Manufacturing.



A high proportion (86%) of businesses surveyed are locally owned with 56% of the businesses surveyed being provincial branches. Sixty percent (60%) of businesses surveyed have been operating for less than five years.

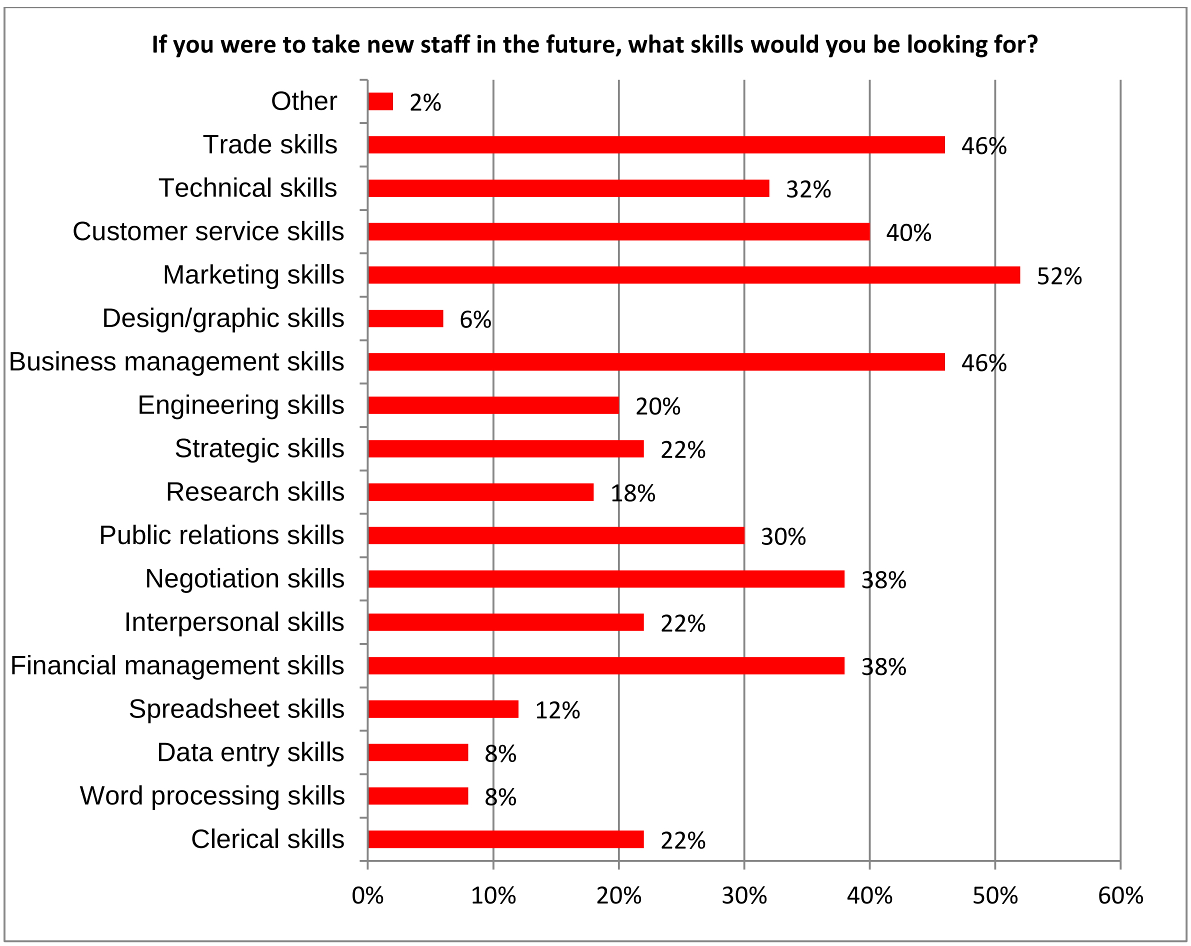
Collectively, the businesses surveyed offer a wide range of services and products of which building completion activities are predominant (42%). Cape Town is the main market for goods and services produced by 91% of the companies surveyed.

Employment patterns

Between them, the businesses surveyed employed 1 579 people. By far, the majority (78%) were employed in full time positions; with males (66%) dominating employment in terms of gender.

	Male	Female	Total
Full time	790	436	1226
Part time	139	65	204
Casual / contractor	119	30	149
TOTAL	1048	531	1579

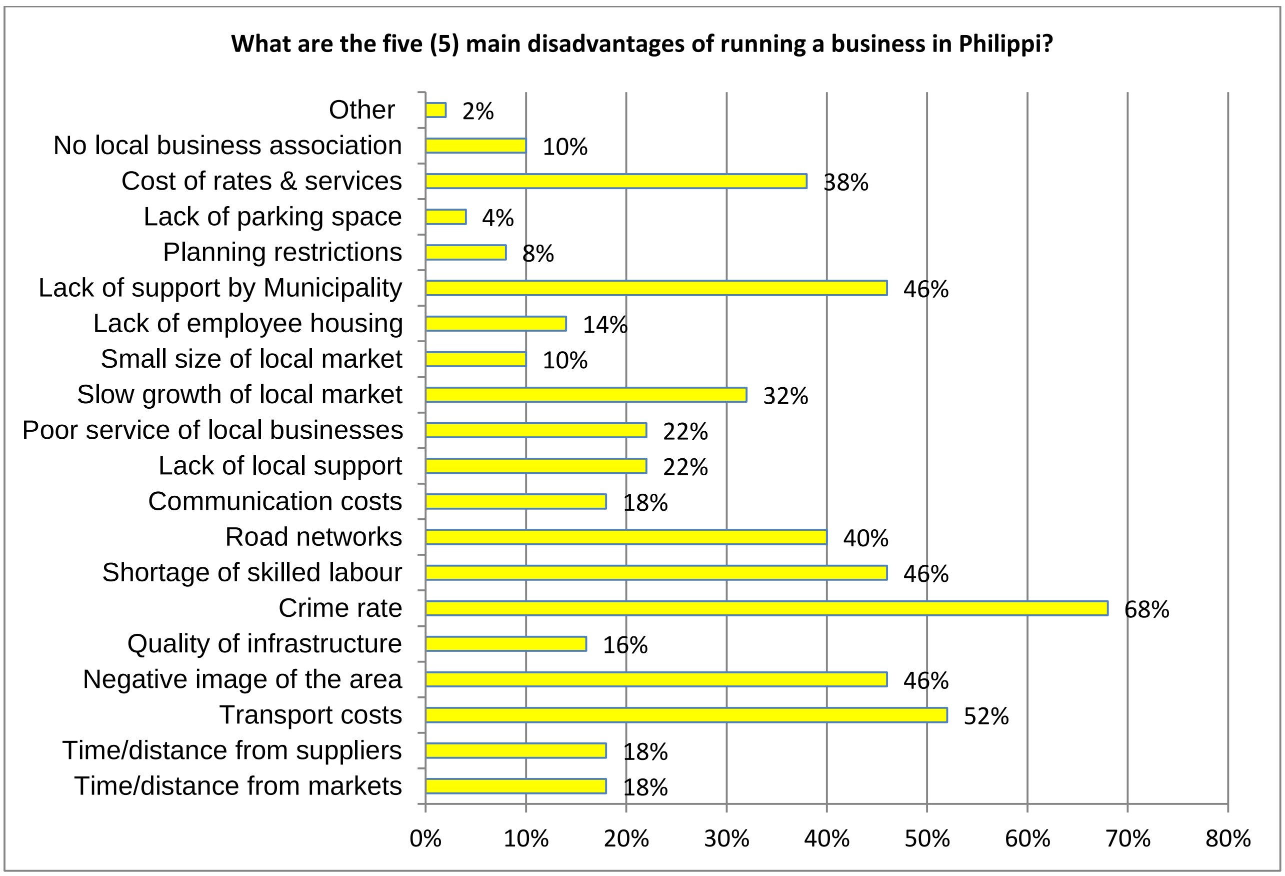
An encouraging 68% of businesses surveyed anticipate an increase in staff complement in the next two years, with business growth being the main reason for these forecasts.



Marketing (52%), business management (46%), trade (46%), negotiation (38%) and financial management (38%) skills were the dominant skills that business would be looking for as part of anticipated future expansion. The skills needed for expansion correlate closely with those that businesses find most difficult to recruit with marketing (40%), trade (34%), financial management skills (32%) and business management (28%) featuring most prominently. The training focus of most companies was on the job training with over 70% of companies taking this approach.

Business environment

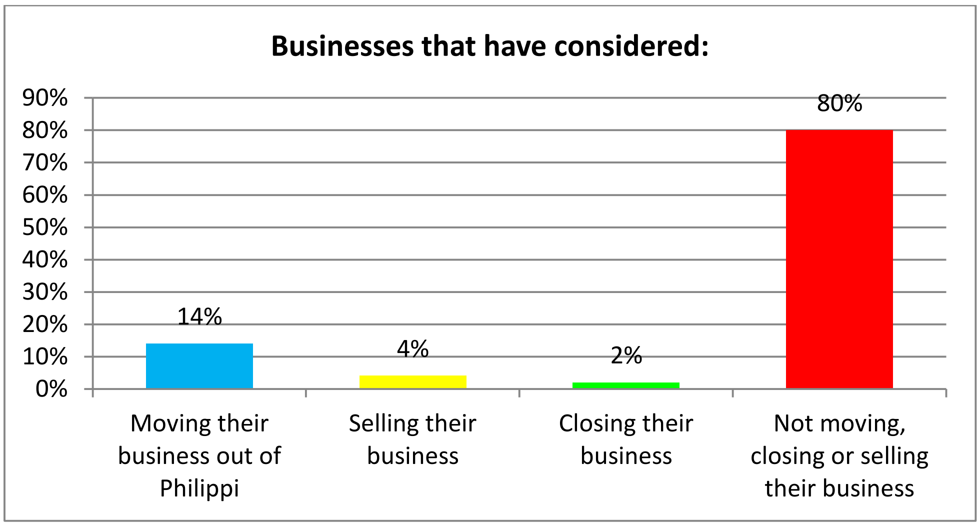
Philippi businesses regard local customer loyalty (60%), the central location of the area (48%) and the quality and supply of the local labour (40%) as the main advantages of the area. Crime (68%), transportation costs (52%), negative image of the area (46%), lack of support of the municipality (46%) and shortage of skilled labour (46%) are considered to be the biggest disadvantages of the business environment in Philippi.



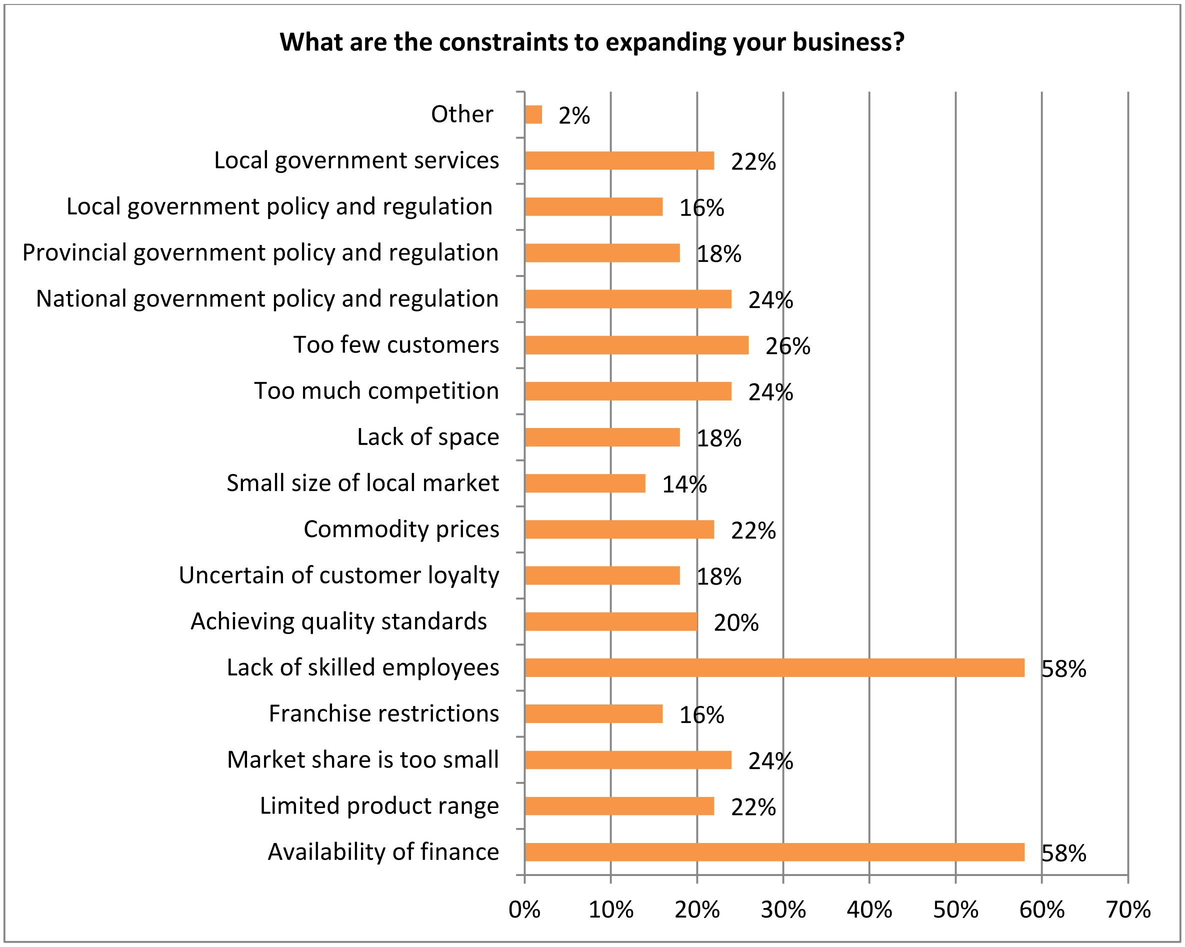
Sixty eight percent (68%) of businesses surveyed conveyed that they have difficulty obtaining products and services locally. Raw material, hardware and tool hire services were the products and services identified as being the most difficult to obtain.

Future plans

Eighty-two percent (82%) of businesses surveyed expect their business and sales outlook to improve in the next three years. Furthermore, 80% of businesses surveyed have not considered moving their business out of Philippi, selling their business or closing their business.



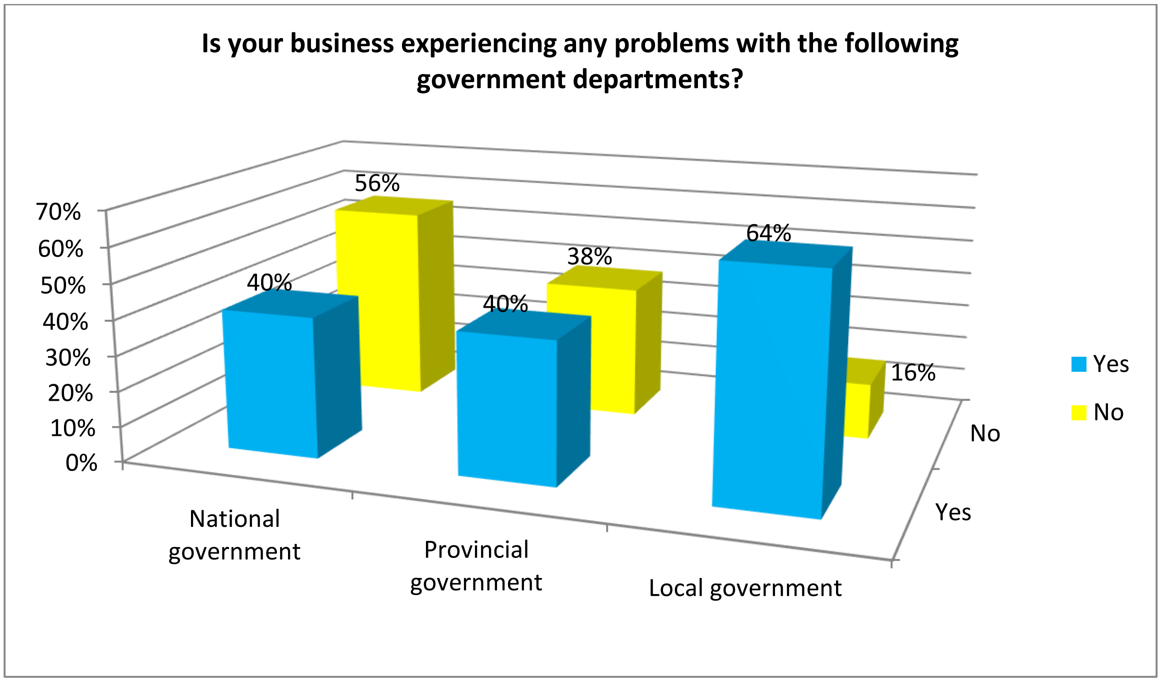
In the next two years, 64% of businesses surveyed intend expanding their businesses, 34% intend adding additional services/products to their current product lines and 30% intend modernising facilities.



The main constraints to expansion were identified as availability of finance (58%) and lack of skilled employees (58%) by businesses surveyed. Too few customers (26%), too much competition (24%), limited market share (24%) and national government policies and regulation (24%) were also identified constraints to expansion.

Business and enterprise support was identified by 54% of the businesses surveyed as the intervention that would improve business performance in the next 12 months. Fifty percent (50%) of businesses surveyed believed that they would benefit from improved management skills while 46% identified access to government incentives as a key enabler for better business performance. Forty-six percent (46%) of businesses surveyed also thought that upgrading staff skills would be an important intervention that would lead to improved business performance.

Supporting environment



Most businesses surveyed (56%), have not experienced problems with national government. Of those that did, process and procedures (56.25%), tendering (18.75%) and government support (18.75%) featured prominently. For the 40% of the businesses surveyed that reported having experienced problems with provincial government, tender allocation (37.5%), politics (19.75%) and funding (18.75%) made up the bulk of the issues. Local government is the main sphere of government that businesses surveyed struggle, with 64% reporting problems. Service delivery (53%), the councillor (16%) and municipal processes and procedures (9%) are the main areas in which businesses experience these problems.

RECOMMENDATIONS FOR ACTION

To be developed by Task Team Workshop by end September 2014 and discussed with survey participants

Concluding remarks

The study provides a clear picture of what it is like to do business in Philippi. There are some clear and predictable outcomes, particularly with respect to the issues of crime and grime and their impact on the location decisions of firms. Shortcomings in the City of Cape Town's delivery of services in the area have also emerged as an issue that needs addressing. The survey outcomes appear to align to the research results of ECAMP which we find reassuring.

The set of recommendations that will emerge from the interrogation of the outcomes of the survey will form a solid basis for an action agenda to improve the local business environment in Philippi.