



Retailing and Sustainable Development in Botswana

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1. Introduction

Retailing, the sale of goods and services to the ultimate consumer for personal, family or household use (Berman and Evans, 2004; Cox and Roger, 1996), does not only provide value to consumers by offering an assortment of goods and services, it also contributes significantly to gross domestic product (GDP) through investment in technology, employment income, and generation of government revenue through taxation and tax collection. For example, during the period 1996/97 to 2002/03, Wholesale and Retail sector's (Trade) average annual contribution of 29 per cent to Botswana GDP was consistently only second to Mining. Its average growth rate of 18.21 per cent was also the second highest, below the 19.32 percent record by Electricity and Water and more than twice the 8.58 percent in Mining (National Development Plan, 9, 2003/2008). Similarly, the Household Income and Expenditure Survey (2002/2003) indicates that Wholesale and Retail trade accounted for over 13 per cent of the 462,000 employed persons in Botswana, making it the third largest employer after Agriculture, Hunting and Forestry, (21.2%), and Public Administration (14.6%). As of December 2000, the Retail sector accounted for almost 8 per cent of the stock of foreign direct investment, which is dominated by the Mining sector with about 80 per cent. The Retail sector attracted more foreign direct investment than the Financial, Hospitality, and Construction sectors put together (National Development Plan, 9, 2003/2008, p 51). Retailing is thus one of the most important economic activities in Botswana.

However, given the small market size of Botswana, it has not been able to attract most major foreign manufacturing firms. The Botswana government has intensified efforts to address this problem by attracting foreign investors to establish export-oriented manufacturing facilities in the country. The Southern African Community Development (SADC), of which Botswana is a member, is also aiming towards a complete Free Trade Area (FTA) by 2012. The overall population of this region was estimated at 238 million in 2004 (<http://www.sadc.int/>). Such a large free trade area presents an opportunity that the Botswana government can take advantage of in wooing large foreign manufacturing companies. Additionally, Botswana provides further benefits for foreign manufacturing companies in terms of political stability, economic growth, good governance, low corruption, good financial service institutions as well as a hub for information and communication technology for the region (Mmegi, Friday, 4th July, 2008).

The major source of the country's wealth is diamond mining, which is capital- rather than employment-intensive activity. On the other hand, retailing is labour intensive and thus offers great potential to contribute to the achievement of Botswana's economic development objectives.

This study seeks to assess the historical and potential role of retail trade in the growth and development of the Botswana economy and suggest policy changes that could increase the sector's linkage benefits to the economy. Specifically, the research aims to investigate the:

- (i) Current size and growth of the retail sector in Botswana.
- (ii) Contribution to the macro economic objectives of increasing entrepreneurial skills, employment generation, poverty alleviation, increased citizen economic empowerment participation, and economic diversification of Botswana.
- (iii) Challenges faced by the retail sector and strategies for dealing with such.
- (iv) Policy and programme changes that could enhance the contribution of the sector to the economy.

2. Literature Review

Owing to the increasing role of retailing in international markets, a lot has been written on retailing activities in Europe (Dawson, 1995, Tordjman, 1994), Asia (Liu, 2006; Dibb, 1995; Hui, et al, 2007; Alexander and Myers, 1999) and United States of America (Da Rocha and Dib, 2002; Bianchi and Mena, 2004). In Africa, only one study could be found (Asafu-Adjaye 2004). Moreover, these studies tend to place more emphasis on retailing trends (Liu, 2006, Dibb, 1996), retail property valuation (Millington, 1996; Hui, et al, 2007), the role of government in retail trade liberalization (Sternquist and Gin, 1998) and other retailing aspects that have no direct bearing to development (Guy and Bennison, 2002; Whitehead, 1992). However, there is no single study that has been conducted in the context of Botswana. Another general feature of the available research on retailing is that it relies heavily on desk reviews that are not based on empirical evidence (Alexander and Myers, 1999; Tordjam, 1994; Swinyard, 1997). Despite these shortcomings, the extant literature has provided some useful insights into the current state of knowledge on retailing and sustainable development including the knowledge gaps that need to be addressed. These insights and knowledge are discussed below.

2.1 Size and Growth of Retailing

Retailing appears to have experienced considerable growth in recent years in many economies around the world. The nature of retailing in various economies also tends to differ. Some critical issues pertaining to the size and growth of retailing in Asia and Europe are discussed in this section.

In India retailing is considered to be one of the largest industries with a total market size of USD 320 billion in 2006 and a cumulative growth rate of 5 percent. In particular, food retail is the biggest sector accounting for 70 percent of the market share whereas clothing and furniture retail contribute only 7 percent and 2.9 percent respectively (A.T. Kearney Report, 2006). Although organized retailing in the form of supermarkets, specialty stores, chain stores, department stores and hypermarkets plays a vital role in India's economic growth, it has also been noted that the retailing industry is dominated by small stores such as neighbourhood retailers, street carts, pavement shops, *kirana* stores and kiosks (Levy and Weitz, 2007; Srivastava, 2008). This pattern is evident in all the retail sectors, although the proportion is relatively higher in the clothing sector (A.T. Kearney Limited, 2006). Similarly, almost 21 million people are said to be employed by the Indian retail industry (Srivastava, 2008). The A.T. Kearney report (2006) identified several factors that have contributed to India's attractiveness to retailing including a stable economy, population size, and rising disposable income. Specifically, India has enjoyed 7 percent growth in GDP since 1998, which has in turn increased consumers' purchasing power while the consumer market has also increased to over 400 million people.

South East Asia has also attracted a significant number of European retailers as the region experiences relatively higher economic growth rates and rapid social change (Alexander and Myers, 1999). An analysis of this region indicates that it is more attractive than Europe because its total population is 3.4 billion compared to only 370 million in Europe. Japan has been specifically identified as one of the South East Asian countries that have attracted more international retailers. For example, 52 European retailers operated in Japan in 1991. The number of European retailers operating in Japan increased to 63 by 1994 signifying a growth of 21 per cent in three years.

In a study conducted by Tordjman, (1994), the following characteristics have been linked to the European retail industry: (i) the loss in market share by department stores and variety

stores; (ii) the growth of the food retail (iii) the development of non-food specialist stores and (iv) the emergence of discount stores. In addition, European retail stores are also described as large in size. For instance, on average there are 8.7 and 6.5 employees per retail store in the UK and France respectively. As it is the case in Europe, US has a high concentration of large retail stores and many are large enough to operate their own warehouses (Levy and Weitz, 2007).

2.2 The Link between Retailing and Sustainable Development

From the limited number of published articles, reports and other documents, it is clear that there is some recognition amongst academics, practitioners and policy makers alike of the link between retailing and sustainable development (Comfort, Hillier and Eastwood, 2005; Jones, Hillier, Comfort and Eastwood, 2005). This recognition is based on the intermediary role which retailing plays in linking production and consumption. As the link between consumers and producers, retailers can, and do, influence demand and supply of goods and services in ways that could contribute towards sustainable development.

According to the report of the World Commission on Environment and Development (1987) sustainable development is defined “as development which meets the needs of the present without compromising the ability of future generations to meet their own needs”. Underlying this definition are the three major elements of sustainable development namely the environment, society, and the economy (England, 2000; Comfort, Hillier and Eastwood, 2005b). In other words, contribution to sustainable development is measured in terms of these three elements. Environmental issues include energy consumption and emissions, raw material usage, water consumption, waste disposal, volume of packaging, recycling, genetically modified foods and the use of chemicals in food production. Social issues encompass training and development, health and safety, and charitable activities. Economic issues include wages and salaries employees earn, urban regeneration, local sourcing, dividends paid to shareholders, profits retained to fund future growth and taxes generated for the government.

Although the three measures of sustainable development are equally important, environmental issues seem to be the only one that have generated some research interest to date (Jones, Hillier, Comfort and Eastwood, 2005a & b). However, the neglect of the potentials of the retail trade in economic growth literature has been age-old (Holton, 1953).

Yet, as early as 1958, it had been realized that though “production may be the door to economic growth of the underdeveloped countries, marketing is the key that turns the lock” (Woodruff, 1958, p. 70). Therefore, by focusing on retail contribution to the macro economic objectives of Botswana mainly entrepreneurial skills development, employment generation, poverty alleviation, increased citizen empowerment participation, and economic diversification, this study is seeking to address this gap. This gap of research on retailing and economic development in Botswana is worth addressing because like many economies, Botswana is also looking forward to sustainable industries as a way to grow the economy. The growth of retailing businesses in an economy can trigger expansion of construction, facility management, security, logistics, food processing, and manufacturing, which in turn, creates new businesses, reduces unemployment and poverty, increases citizen empowerment, and general economic diversification.

Additionally, retailing has also become a dominant sector in Botswana. The Trade sector in Botswana has grown significantly in the last five years. Several regional retail giants, such as Game Discount Stores, OK Stores, Spar, Pick ‘n Pay etc have recently established in Botswana, many of which have invested heavily in building large modern shopping malls e.g., The River Walk Mall, (2002) and Game City (2003). Several other smaller Malls, (Fairgrounds, Molapo Crossing, OK Foods etc) have also been established. The entry of large retail giants, mostly from South Africa, has created a more competitive environment, changed and restructured the retail sector, particularly in the capital city of Gaborone. Old stores are being refurbished while stand-alone stores are developing new coping strategies in the face of consumer flight to the new Malls. Many “general dealer businesses that are citizen-owned” could not withstand the competition from the major retailers and “either closed down or experienced stagnation” (National Development Plan, 9, 2003/2008, p 113). These dynamic changes in the retail sector make this study appropriate within the context of Botswana’s Vision 2016 economic objectives of sustainable growth and citizen empowerment as well as the ICBE fund overall objectives of creating an investment and business environment that is conducive for sustainable enterprises in Africa.

Similarly, the retail sector has not been accorded much recognition as a potential contributor to the economic development of Botswana. It is usual in many developing countries to regard wholesale and retail trade as a “less productive” sector with a low potential to contribute to economic growth and development. In Nigeria, for example, the Central Bank

Credit Guidelines discriminated against distributive trade in favour of the “productive” sector of manufacturing, a discrimination that a leading industrialist described as “pregnant with serious potential harm to the economy as a whole” (Akin-George, 1980).

This study attempts to rectify this neglect by contributing to a better understanding of the contribution and potentials of retail trade to development. First, the trade sector could serve as a catalyst to manufacturing activities as well as facilitate agricultural production through the creation of outlets for the output (Berman and Evans, 2004). Second, as highlighted above, the retail sector is more employment-intensive (Central Statistics Office, 2004). Third, the retail sector can exist at a relatively small scale and therefore can be geographically dispersed in location. Fourth, it requires comparatively lower management or entrepreneurial skills and is thus accessible to a large number of citizens, thereby helping to reduce unemployment and poverty levels.

2.3 Challenges for Retail Development

Retailing is one of the most diverse and dynamic sectors which presents numerous challenges to practitioners and policy makers alike. Within both developed and developing nations, retailing is becoming increasingly concentrated and the number of small independent retailers has continued to decline (Swinyard, 1997; Jones, Hillier, Comfort, and Eastwood, 2005a; Trodjan, 1994; Smart Planning and Growth Coalition Report, 2005).

The report prepared by A.T. Kearney Ltd (2006) also identified key issues that hinder retail development in India. Such key issues include underdeveloped supply chain, inadequate utilities, IT infrastructure hurdles, Taxation hurdles, large grey market presence, inadequate human resources, limited consumer insights, and insufficient government incentives.

Additionally, Wing-Chun Lo et al (2001) looked at the problems and prospects of supermarket development in China. Supermarkets were only introduced in China in the early 1980's. Before then only the primary industry (mainly agriculture) and secondary industries (construction and industrial production) took the front stage in terms of government promotion. The tertiary or service industry was underdeveloped because of the Government policy influence that production should take precedence over consumption. Wing-Chun Lo et al, discuss keen competition, shoplifting, lack of management skills and expertise, financing problems and shortage of funding, high prices, high operating costs and low profits, lower

customer loyalty and lower volumes of purchases, lack of economies of scale and efficiency of operation, as well as government bureaucracy.

Retailing like other economic activities is affected by globalization and this brings intense competition among all those involved. Some businesses will survive and some will not survive the competition. For example, it is easy for small retailers to be squeezed out of the market by the foreign giants. In contrast to the above point, Bianchi and Mena (2004) found that the small Chilean local retailers interacted with the big international retailer giants and took advantage of the latter's knowledge. The local retailers learnt new concepts related to the industry such as logistics, consumer service, merchandising and technology among others and implemented them to successfully defend their positions in the market.

2.4 Government policy changes

Governments do play major roles in the development and growth of many business activities in their countries. Government can manipulate the commercial environment, for example by formulating certain policies and regulations and requiring that businesses observe them. According to Sim (1999) the government of Singapore has provided various schemes to help the small and medium retail sector cope with the changing retail environment including the following:

- Promotion of groups to form franchises or co-operatives in order to benefit from bulk purchasing
- setting up of an enterprise promotion centre to provide consultancy services
- Improving productivity and efficiency through provision of structured training programs for retailers and their employees.
- Promoting use of technology by assessing retailer needs for computerization of businesses and recommending appropriate hardware and software
- The sale of shop units to sitting tenants to solve the problem of periodic rents increases and to give more certainty and confidence to them to make long term plans to upgrade their businesses and
- Giving financial and technical assistance
- Liberalizing the foreign worker policy, and
- Limiting the number of foreign workers

It is also the priority of the Indian economic policy to reduce unemployment by protecting small businesses (Levy and Weitz, 2007). The AT Kearney Report (2006) provides some details on how India is trying to get its retail organized in order to drive the economy. The report goes on to recommend action that can be taken by both the retailing industry and the government.

3. Methodology

We had conducted a pilot study of the questionnaire and carried out a few amendments on it before the main study. Initially, we had meant to collect historical data for the last three years. Our pilot test of the questionnaire showed that respondents did not possess such data. We have therefore eliminated the request for historical data and substituted average annual data as well as modified some of the language and terminologies used to ensure good understanding of the questionnaire. The questionnaire that was used in the main survey is annexed as Appendix.

The research was designed as a descriptive research utilising secondary and primary data. Secondary macroeconomic data was collected from the Ministries of Trade and Industry, the Central Office of Statistics, and the Botswana Unified Revenue Service. Primary data was collected from retail outlets all over the country through a personally administered questionnaire, which requested data on establishment, size, ownership, employment, procurement, expenditure, etc. This was supplemented by the researchers' observations and personal interviews of some of the respondents. Respondent outlets were chosen on a judgement basis, with a view to having a representative sample covering the three selected industries of clothing, food, and furniture as well as the sizes and geographical distribution of the outlets.

We narrowed the definition of retail trade in this study to the three selected industries because these industries are more germane to our objective of studying retail trade as a catalyst to economic development and diversification. Four reasons justify our selection of the three product lines. First, the three products are widely consumed and are widely offered by several retail outlets. Second, these products have a high potential for backward linkage effect for the economy. Third, they require simple mature technology to produce and are capable of

operating at a relatively small scale. Fourth, growth in these sectors can exert a high multiplier effect on the economy through linkages to agriculture, food and leather processing.

In all, 227 interviews were successfully conducted. Many respondents did not answer all questions, either because they considered answers confidential or because they did not have the information requested. Many Chinese-owned outlets declined to respond on the basis of their lack of proficiency in English. As a result, the number of respondents varies from question to question.

Data analysis was both qualitative and quantitative. Quantitative data was coded and analysed using the SPSS. In addition to frequencies and averages, variables were cross-tabulated and tested for relationships using the Chi-Square. We excluded from statistical analysis data from the two Department Stores which sold both furniture and clothing, and sometimes food because the data were outliers capable of distorting the values of data summary statistics.

Qualitative data relating to challenges, strategies and policies were content-analysed.

Questions relating to taxes paid, expenditure on promotional activities, paid up capital, investment in other businesses, and investment in technology were not answered by any significant number of respondents. We therefore did not analyse any data on these variables.

Two workshops were organised in order to disseminate the findings of the current study. First, a stakeholders' workshop was designed to obtain stakeholders comments and critique of the main findings and recommendations made by the researchers. This was followed by the implementation plan workshop whose purpose was to consider each of the main recommendations and devise the implementation plan. Subsequently, the original findings and recommendations made by the researchers were revised in line with the outcome of the two workshops.

4. Findings

In line with our research objectives, our findings are organised into five major sections. The first deals with the profile of our respondents. The second component of our findings describes the growth and size of retail outlets in Botswana since 1960. Retail outlet contributions to the Botswana economy in the areas of entrepreneurial development, poverty alleviation, citizen empowerment, revenue generation, and investment and diversification

constitute the third part of our analysis. The fourth component of our findings relates to the challenges faced by retail outlets, which either threaten their continued existence or their profitability. Lastly, we discuss areas of policy changes, which are capable of increasing the potentials of retailers as major catalysts of industrial development.

4.1 Respondents' profile

4.1.1 Location of respondents

The respondent retail stores are located in 13 cities, towns and villages across the country. About 56 per cent of the respondents are located in the cities and towns, with Gaborone and Francistown, the two largest cities in the country, accounting for almost 42 percent of the sample. This reflects the general distribution of businesses in the country.

Table 1: Location of the Respondents

City/Town/Village	No of respondents	Percent
Bobonong/ Gobojango	11	4.8
Francistown	22	9.7
Gaborone	73	32.1
Ghanzi	8	3.5
Kanye	15	6.6
Kasane	6	2.6
Letlhakane/Orapa	6	2.6
Lobatse	15	6.6
Mahalapye	15	6.6
Maun	17	7.5
Mochudi	9	4.0
Selebi Phikwe/Mmadinare	17	7.5
Serowe	13	5.7
Total	227	100

Respondents were predominantly (88 per cent) satisfied with their location and therefore had not changed it. However about 13 per cent of respondents have changed their location, moving to new shopping malls or near heavy traffic generating retailers.

Table 2: Change and Satisfaction with Location

	Frequency	Percent
Change of Location		
Yes	26	12.4
No	183	87.6
Total	209	100.0
Satisfaction with Location		
Yes	192	87.3
No	28	12.7
Total	220	100

4.1.2 Type of Retail Store

Our respondents were retailers in food, clothing and furniture. Clothing, with 105 respondents accounted for about 47 per cent of the respondents while furniture and food retailers constituted 26 and 28 per cent respectively. On the field, particularly in the towns and villages, we came across the General Dealers, who are small retail outlets selling frequently demanded items to local residents. We added 11 of this important outlet category to the sample, however coding them as food retailers since food items constitute their main stock in trade. In addition, we included 8 Department Stores, also classified according to the dominant goods offered for sales: clothing, food, and furniture.

4.1.3 Respondents' Position

The research plan was to interview the managers of the responding outlets. We however interviewed other officers when a store had no one designated as manager or if the manager was not available or when the manager delegated another officer to respond to our questions. The majority, 179, of those who answered our questions were branch or store managers who were the heads of their stores. Among the other officials interviewed were assistant managers (18), owner-managers (10), and sales representatives (7).

Table 3: Position of Respondents

	Frequency	Percent
Administration manager	2	.9
Assistant branch manager	12	5.2
Assistant store manager	6	2.6
Branch manager	149	65.6
Credit controller	2	.9
Director	2	.9
General manager	1	.4
Internal Auditor	1	.4
Owner Manager	10	4.4
Sales Representatives	7	3.1
Store Manager	30	13.2
Supervisor	3	1.3
Training manager	2	.9
Total	227	100.0

4.1.4 Respondents' Education

By far, the most common level of educational qualification was the Cambridge or Ordinary Level Certificate, with 85 respondents (39%). This was followed by the Junior Certificate (32%), obtained after a total of about 10 years of schooling. Other common qualifications included various diplomas (12%) and university degrees, including a few Masters degree (12%). Store managers are therefore not highly educated. It appears that the rather relatively routine tasks performed by managers do not require a higher level of education than currently exists. Retail also involves long hours of work daily, without observing weekends and public holidays which are in fact popular shopping days. This perhaps discourages more highly educated persons who are more likely to desire regular and more stable hours of work than operates in the retail trade.

Table 4: Level of Education of Respondents

	Frequency	Percent
Primary	4	1.8
Junior Certificate	69	31.5
Ordinary Level	86	39.2
Certificate	7	3.2
Diploma	27	12.3
Degree (e.g., BBA, B Com)	17	7.8
Post graduate (e.g., MBA, Msc etc)	9	4.1
Total	219	100

4.1.5 Respondents' Experience

There is considerable variation in the length of time respondents have spent in their current positions. The length ranges from just two months to 31 years. About a quarter of the respondents had one year or less than one year experience while 38 percent had between 1 year and 5 years experience while the remaining 37 percent had more than 5 years. The modal length of time is one year (14%). It could thus be inferred that respondents had long experience in their positions, and by implication, were quite knowledgeable in their business.

Table 5: Respondents Experience

	Frequency	Percent
Less than a year	24	10.7
1 year	33	14.7
1.5 years	1	0.4
2 years	25	11.1
2.5 years	2	0.9
3 years	13	5.8
4 years	16	7.1
4.5 years	1	0.4
5 years	27	12
6 years	15	6.6
7 years	9	4.0
8 years	21	9.3
9 years	3	1.3
10 years	11	4.9
11 years	4	1.8
12 years	6	2.7
13 years	3	1.3
14 years	4	1.8
15 years	4	1.8
17 years	1	0.4
20 years	1	0.4
31 years	1	0.4
Total	225	100

4.1.6 Age of Retail Stores

The distribution of the age of the sample stores confirms the relative novelty of businesses in Botswana. While the oldest store in the sample was established in 1960, only 45 percent of the sample respondents were established in the forty years after 1960 while 54 percent of respondent companies were established in the eight years since 2000. As discussed earlier in the literature review, and later under growth of retail trade in Botswana, the last 10 years have

witnessed a high rate of growth, mainly in the number of South African mega retailers expanding into Botswana.

Table 6: Age of Retail Businesses

Year of establishment	No. of companies	Percent
1960 – 1970	3	1.4
1971 – 1980	10	4.7
1981 – 1990	17	8.0
1991 – 2000	68	32.1
2001 – 2008	114	53.8
Total	212	100

4.1.7 Form of Business Ownership

The predominant form of ownership of the sample outlets was private limited liability, not quoted on the Botswana Stock Exchange. This form of ownership accounted for 72 percent of the responding companies. The other forms of ownership were practically evenly distributed among single ownership (13 percent), partnership (7 percent) and public limited liability (10 percent).

Joint ventures are not common among the sample retailers. Of the 217 respondents to this question, over 90 percent were either fully citizen- or foreign-owned. The remaining 8 percent was owned jointly between citizens and government or citizens and expatriates. One other feature of the sample was interlocking ownership. Many of the stores were owned by the same group. For example, CB stores have the same ownership as Taku Taku, Topline, Homecorp, and Furnmart while Choppies and OK and Fruit and Veg belong to the same family. While only 23 per cent of the stores claimed to be independent, 77 per cent claimed to be members of one group of companies or the other.

Table 7: Retail Businesses Ownership

Form of Ownership	Frequency	Percent
Single Ownership	27	12.2
Partnership	14	6.3
Private Limited company (not quoted in BSE)	160	72.4
Public Limited Company (Quoted in BSE)	20	9.0
Total	221	100.0
Share of Ownership		
100% Botswana Citizen	99	45.6
50% Botswana Citizen and 50% Government agencies	2	.9
50% Botswana Citizen and 50% Non-Citizen	6	2.8
Less than 50% Botswana Citizen and more than 50% Non-Citizen	8	3.7
100% Non-Citizen	102	47.0
Total	217	100.0

4.1.8 Summary

The sample outlets were therefore quite well spread in terms of characteristics such as ownership, location, and industry. We could also infer from the profile that the retail sector is growing, not just in terms of number of establishments but also in their size, employment and goods and services offered. Modern retailing is also a recent activity, mostly occurring in the last ten years.

4.2 Size and growth of retail

4.2.1 Size of retail businesses

Although in this study an attempt was made to collect data on the three common measures of size including annual sales, current number of employees, and paid-up capital, information was not available on the last measure. Most managers did not know the capital size of their stores. The distribution by size of retail businesses that participated in this study is shown in Table 8. The results of size by annual sales in Pula show that, on average, retail businesses generate annual sales of P7, 183, 700. This finding suggests that majority (52 percent) of retail businesses are medium in size, described with annual sales of between P5 million and P10 million. It also does appear that an equal proportion of 24 percent of retail businesses are either small (annual sales less than P5 million) or large (annual sales more than P10 million).

Findings relating to size by current number of employees reflect that on average retail businesses have 20 employees. This means that on the basis of numbers of employees, retail businesses are small in size (25 or less employees). Specifically, a substantial majority (80 percent) of retail businesses are small in size. Only 4 percent of the retail businesses are large (more than 50 employees) and 16% are medium in size (between 26 and 50 employees).

Overall, these findings show that small (number of employees) and medium (annual sales) retail businesses dominate the retail sector in Botswana. This could possibly mean that a majority of retail businesses tend to generate medium sales with a fewer number of employees. It is however worth noting that the correlation analysis between annual sales and number of employees presented in Table 9 shows a positive and strong association of $r = .73$, which signifies that annual sales increases along with the number of employees.

Table 8: Size of Retail Respondents

	Frequency	Percent	Mean (SD)
Size category by pula sales			7, 183 698.42 (14, 279 149.52)
Small	45	23.7	
Medium	100	52.6	
Large	45	23.7	
Total	190	100.0	
Size category by number of employees			20 (28)
Small	179	79.9	
Medium	35	15.6	
Large	10	4.5	
Total	224	100.0	

Table 9: Correlations between Annual Sales and Current number of Employees

	Annual Sales in Pula	Current number of Employees
Annual Sales in Pula	1	.73 (***)
Current number of Employees	.73 (***)	1

* $p > .1$, ** $p > .01$ *** $p > .001$

In order to find a possible explanation for the contradicting results relating to the two measures of size of retail businesses, further tests were performed to examine whether the sizes of the participating retail businesses vary by type of retail sector. The results of Chi-square shown in Table 10 reveal that the size of retail businesses that participated in the study

does differ significantly based on the type of retail sector (Type of retail and Annual sales: $\chi^2 = 42.72$, $p = .01$; Type of retail and Current number of employees: $\chi^2 = 121.55$; $p = .001$). Specifically, majority of small retail businesses are clothing retailers while food retailers are generally large in size. In fact, all large retail businesses (100 percent) measured by their number of employees are food retailers. Food retailers also contribute the highest proportion to the number of medium size retail businesses. Medium size measured by annual sales retail businesses, are dominated by both furniture and clothing retailers. Although a majority of furniture retailers are medium in terms of annual sales they are the second smallest in terms of current number of employees. Similarly, while a substantial number of food retailers are medium in terms of current number of employees, they are the second smallest in terms of annual sales. When these findings are viewed in the light of the results that were obtained when the size of retail businesses was examined earlier, it is clear that in general furniture and clothing retailers generate higher sales per employee than food retailers do. Or looked from employment intensity angle, food retailers are employment intensive than both furniture and clothing retailers.

Table 10: Size by Type of Retail Sector

	Type of Retail Sector			Total	χ^2
	Clothing	Furniture	Food		
^a Annual Sales in Pula					42.72***
Small	27 (60.0%)	2 (4.4%)	16 (35.6%)	45 (100%)	
Medium	47 (47.0%)	42 (42%)	11 (11.0%)	100 (100%)	
Large	13 (28.9%)	9 (20.0%)	23 (51.1%)	45 (100%)	
Total	87 (45.8%)	53 (27.9%)	50 (26.3%)	190 (100%)	
^b Current number of Employees					121.55***
Small	103 (57.5%)	56 (31.3%)	20 (11.2%)	179 (100%)	
Medium	2 (5.7%)	1 (2.9%)	32 (91.4%)	35 (100%)	
Large	0 (.0%)	0 (.0%)	10 (100%)	10 (100%)	
Total	105 (46.9%)	57 (25.4%)	62 (27.7%)	224 (100%)	

^a 0 cells (.0%) have expected count of less than 5. The minimum expected count is 11.84.

^b 3 cells (33.3%) have expected count of less than 5. The minimum expected count is 2.54.

* $p > .1$, ** $p > .01$ *** $p > .001$

Further Chi-square analysis reported in Table 11 indicates that the size of retail businesses does not significantly vary with age. (Age and Annual sales: $\chi^2 = 4.82$, $p = .306$; Age and

Current number of employees: $\chi^2 = 1.39$. $p = .845$). Though the Chi-square tests presented in Table 11 were not significant, a trend seems to emerge that newer stores, particularly those established between 1990 and a999, are getting bigger than the old ones.

Table 11: Size by Age of Establishment

	Year of Establishment				χ^2
	1960 to 1989	1990 to 1999	2000 to 2008	Total	
^a Annual sales					4.82
Small	3 (7.0%)	10 (23.3%)	30 (69.8%)	43 (100.0%)	
Medium	15 (16.0%)	30 (31.9%)	49 (52.1%)	94 (100.0%)	
Large	6 (15.0%)	9 (22.5%)	25 (62.5%)	40 (100.0%)	
Total	24 (13.6%)	49 (27.7%)	104 (58.8%)	177 (100.0%)	
^b Current number of employees					1.39
Small	22 (13.3%)	45 (27.1%)	99 (59.6%)	166 (100.0%)	
Medium	4 (11.8%)	9 (26.5%)	21 (61.8%)	34 (100.0%)	
Large	1 (11.1%)	4 (44.4%)	4 (44.4%)	9 (100.0%)	
Total	27 (12.9%)	58 (27.8%)	124 (59.3%)	209 (100.0%)	

^a 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.42.

^b 3 cells (33.3%) have expected count less than 5. The minimum expected count is 1.16.

* $p > .1$, ** $p > .01$ *** $p > .001$

4.2.2 Growth of retail businesses

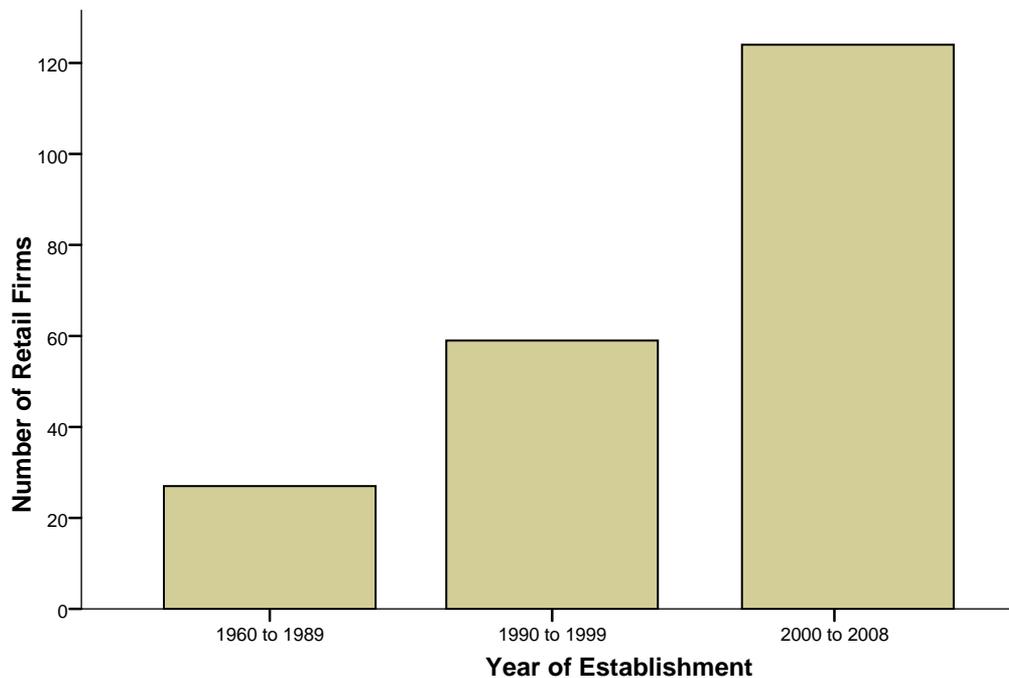
As already mentioned, one of the key aims in this study was to establish the basic trend in the data of selected variables including size of company, employment, staff development and training, spending on wages, rent, electricity, water, telephone, postal services, payment of waste and refuse removal and security. Respondents were therefore asked to provide information for the selected variables over a period of time. However, most respondents could not provide the information pertaining to previous years but were more able to provide information relating to the current period. Due to the lack of data pertaining to the previous years, assessing the basic growth of retail trade overtime was not feasible. We therefore measured growth in terms of numbers of retail outlets established overtime, their sizes

measured in terms of numbers of employees and annual sales. Table 12 and Figure 1 show that the number of retail outlets was increasing overtime for example; the number of retail businesses established between 2000 and 2008 is higher than the number established between 1990 and 1999. Similarly, the number between 1990 and 1999 was higher than that between 1960 and 1989, even though the latter period was thrice as long. This upward trend in the establishment of new retail businesses shows an increasing rate of growth in the number of retail businesses in Botswana.

Table 12: Growth in the Number of Retail businesses Established

Year of Establishment	Frequency	Percent
1960 to 1989	27	12.9
1990 to 1999	59	28.1
2000 to 2008	124	59.0
Total	210	100.0

Figure 1: Number of Retail Firms Established, 1960-2008



Additionally, the results of chi-square depicted in Table 13 show that there is a significant difference in the structure of retail establishments. For example, between 1960 and 1989 the proportion of furniture stores constituted 48 percent of all retail establishments while clothing and food stores had 26 percent each. However, between 1990 and 1999 the proportion of clothing retailers (39 percent) was higher than that of furniture and food retailers. Similarly,

between 2000 and 2008 the proportion of clothing retailers (52 percent) was more than that of furniture and food retailers. These results suggest that clothing retailers contribute more to the growth in the number of retail businesses established in Botswana within the current period. This structural change reflected a growth in the national income and the penchant of Botswana to dress fashionably.

Table 13: Number of Businesses Established by Type of Retail Sector

	Type of Retail Sector			Total	χ^2
	Clothing	Furniture	Food		
^a Year of Establishment					11.901**
1960 to 1989	7 (26%)	13 (48%)	7 (26%)	27 (100%)	
1990 to 1999	23 (39%)	18 (31%)	18 (31%)	59 (100%)	
2000 to 2008	65 (52%)	24 (19%)	35 (28%)	124 (100%)	
Total	95 (45%)	55 (26%)	60 (27%)	210 (100%)	

Notes

* $p > .1$, ** $p > .01$ *** $p > .001$

^a 0 cells (.0%) have expected count of less than 5. The minimum expected count is 7.07.

Information in Figures 2 and 3 show that while the average number of companies established per year increased from just one between 1960 and 1989, it rose to 7 in the second period 1990 – 1999 and more than doubled to 16 in the last period 2000-2008. However, both the average number of employees and the average sales per company peaked in the middle period, 1990 – 1999. The former rose from 21 to 23 between the first and the second period while it declined to 18 in the last period. Similarly, sales figure declined to Pula 4.7million in the third period from Pula 8million in the second. This further confirms our earlier Chi-Square tests results. Retail establishments first grew in the average number of employees and sales but later declined in the last period.

Figure 2: Growth in Retail Sales (Pula)

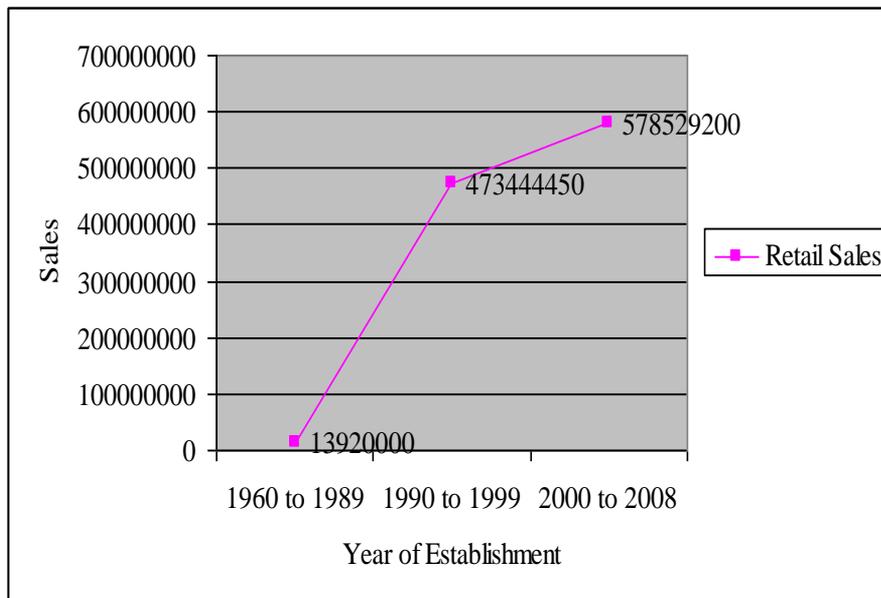
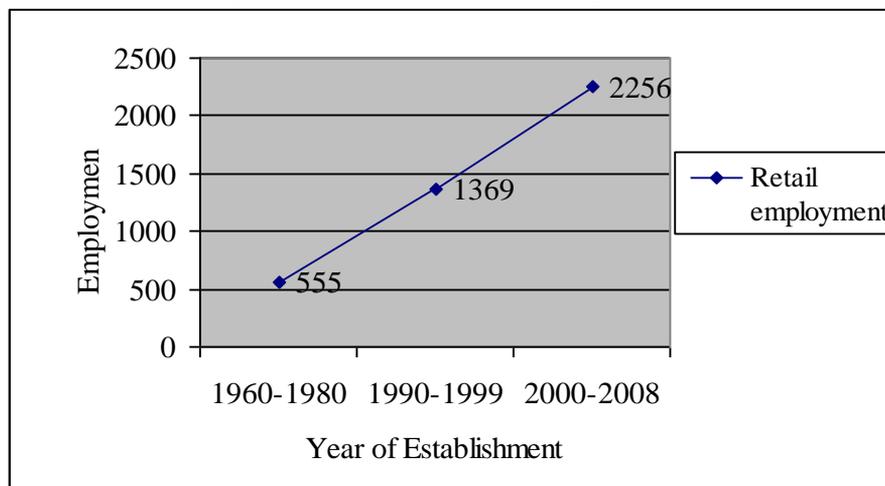


Figure 3: Growth in Retail Employment



4.3 Contribution to the economy

The contribution of retail trade to sustainable development is in terms of the multiplier and linkage effects of its direct contribution to employment, local procurement, entrepreneurial development through training, and expenditure on purchases of locally produced goods and services. We have not estimated the multiplier effect but have estimated the direct contribution to employment, local procurement, and citizen empowerment.

4.3.1 Entrepreneurial development

In order to establish the contribution of retail businesses to entrepreneurial development, two dimensions were examined (i) Former employees who have opened related new businesses and financial assistance that retail businesses offered to them, and (ii) the training that retail

businesses offered to their employees and the amount of money spent on training. This analysis does not, however, include information about amount of money spent on training due to lack of data.

4.3.1.1 Former employees who have become entrepreneurs

Retailing can serve as an incubator for entrepreneurs. As such, employees in retail establishments may go out to establish their own businesses. Asked if they knew of any former employees who left to establish their own businesses, 31 percent of our respondents answered in the affirmative while 64 percent did in the negative. The remaining 5 percent did not know if there were such employees. Findings of the qualitative section of the study also indicated that there were only a few employees who left paid employment to become entrepreneurs. There was little information on the type of business established by such employees but very few established businesses in the same industry as their former employers. Businesses established included furniture manufacturing and sales, micro finance, vegetable vending etc. However, former employers gave little or no assistance to their entrepreneurial former employees.

4.3.1.2 Staff Training and Development

The results presented in Table 14 indicate that a majority (85 percent), of retail businesses develops the skills of their employees informally or through different in-house programmes. Only 5% offer formal external, third party training while 10% do not train their employees at all. In-house training includes training employees at a central location mostly the head office either in Botswana or South Africa, teaching employees through manuals, booklets, and radio lessons and through weekly meetings and discussions at the store level. The most common area of training is a combination of administrative and operational, which was mentioned by 34 percent of respondents. Operational training only was offered by 33 percent while 22 percent combined the three forms of training: administrative, operational and technical. Operational training covers such issues as customer service (39%), selling (24%) merchandising (7%), and safety and hygiene (8%). Administrative training covers areas such as cash management (5%), branch management (4%) and stock management (7%). On average, each retail business trains about 19 employees annually. With such a broad definition of training including formal and informal, in-house and external, about 88 percent of employees get trained annually.

Table 14: Staff Development and Training

	Frequency	Percent
Type of Training		
Formal training	10	5
Informal/in house training	171	85
No training	21	10
Total	202	100.0
Area of Training		
Technical	1	0.5
Administrative	3	2.0
Operational	63	33
Technical and Administrative	1	0.5
Technical and Operational	16	8.0
Administrative and Operational	65	34
Technical, Administrative and Operational	43	22
Total	192	100.0
Proportion of Staff Trained		
.04 to .49	10	11
.50 to 1	79	89
Total	89	100.0

To examine which retail sector contributes more to staff development and training, a Chi-square test was conducted. The results reflected that there were no differences in the levels of training activities (type of training and the proportion of staff trained) and the type of retail. Virtually all retail outlets, irrespective of the industry in which they operate, tend to offer informal training which seems to enable them train a high proportion of their staff.

Table 15: Training by Type of Retail Store

	Type of Retail Store				χ^2
	Clothing	Furniture	Food	Total	
^a Type of Training					.203
Formal training	4 (40%)	3 (30%)	3 (30%)	10 (100%)	
Informal/in house training	78 (45.6%)	48 (28.1)	45 (26.3%)	171 (100%)	
No training	10 (47.6%)	6 (28.6%)	5 (23.8%)	21 (100%)	
Total	92 (45.5%)	57 (28.2%)	53 (26.2%)	202 (100%)	
^b Proportion of Staff Trained					.860
.04 to .49	5 (50%)	3 (30%)	2 (20%)	10 (100%)	
.50 to 1	40 (51%)	15 (19%)	24 (30%)	79 (100%)	
Total	45 (51%)	18 (20%)	26 (29%)	89 (100%)	

^a 3 cells (33.3%) have expected count less than 5. The minimum expected count is 2.62

^b 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.82

* $p > .1$, ** $p > .01$ *** $p > .001$

4.3.2 Poverty Alleviation

A major economic objective of Botswana's Vision 2016 is poverty alleviation. About 47 per cent of Botswana population is estimated to live below the national poverty datum line. By 2016, Botswana expects to have eradicated poverty. One way poverty can be reduced is mainly through the creation of employment opportunities for citizens. Employment provides income, which enables the earner to consume more goods and services, thereby increasing well-being and reducing poverty.

4.3.2.1 Employment creation

Retail trade in general offers the highest level of employment opportunities, particularly when one takes together formal and informal employment and self-employment. Self-employed petty retailers are ubiquitous both in the city and in the rural areas. They provide the everyday needs of the populace. The strength of petty retail trading in poverty alleviation is that of accessibility to all since it requires little or no education and capital. Though our study did not cover retailers in the informal sector, empirical observation and informal discussions showed that they earned above one dollar daily and are thus above the abject poverty line.

The 224 retail outlets in our sample had a total of 4,483 employees, with each company employing an average of 20 employees. The typical retail outlet however has a much lower level of employment, with the modal number of employees of only 4 or 5.

An analysis of employment by retail sector showed that Supermarkets (Food) were the most employment-intensive of the three sectors covered in this study. The food sector employed an average of 48 employees per outlet while the average employments in the other two sectors are 7 and 14 for clothing and furniture respectively.

4.3.2.2 Wages and Salaries Paid

On the average, the 160 sample retailers paid out wages and salaries amounting to a total of over P 56 million annually, giving the average wage bill of P 353,709 per retailer. Each employee earned an annual income of P21132.71, which amounts to about US \$ 8.5 a calendar day, much above the poverty line. The food sector had the higher wage bill per establishment, paying a total of P26.9 million as compared with P19.8 million and P9.8 million for furniture and food respectively. However, the average wage per employee was highest in the furniture sector at P34, 276 per year and lowest in the Food industry at P 16,818.

Table 16: Employment and wages by retail sector

Retail sector	No. of outlets		Total employment	Average no. of employment	Range	
					Minimum	Maximum
Employment						
Clothing	105		704	7	1	32
Furniture	57		804	14	3	32
Food	62		2975	48	1	203
Wages						
Retail sector	No. of outlets	No. of employee	Total wage bill for sector	Average wage bill per employee	Range of wages per employee	
					Minimum	Maximum
Clothing	80	498	9821424	19721.7	3,600	90000
Furniture	41	579	19845704	34275.8	11,987	95,714
Food	39	1601	26926276	16818.4	1200	26,347.82

4.3.2.3 Local Procurement

The direct employment created above could constitute a small proportion of the total employment retail trade could facilitate. Retail serves as a pull factor for manufacturing. Large volume of sales of a product encourages investment in manufacturing that product locally, thus creating additional investment and employment opportunities. Additionally, wages received by employees in the retail sector is spent on other goods and services. Such demand would create additional employment opportunities for producers of such goods and

services. Such secondary and tertiary employment created could be many times larger than the direct employment created.

The scenario analyzed above could only occur where goods and services sold by retailers are produced domestically. We have therefore investigated the proportion of goods sold in Botswana retail outlets that is produced in the country. The level of procurement of domestically produced goods is very low. On the average, only about 10 per cent of total stocks sold by retailers in Botswana were made in the country. More than half of the 157 respondents who answered the question on procurement of “Made in Botswana” products reported a “0” level of purchase of locally manufactured products. In over 90 per cent of the respondents, “made in Botswana” products constituted 33 per cent or less of goods sold.

Purchase of locally made products was related to the type of retail store. Table 17 shows the cross tabulation of the data on procurement of locally made products against the three types of retail outlets covered. Clothing stores stock the lowest level of made in Botswana goods. Clothing stores constitute over 93 per cent of those who make no purchases of locally produced products at all. While 86 per cent of clothing stores in the sample do not patronize local manufacturers at all, only 1 per cent buys 34 per cent or more of their stock from local producers. The managers attributed the low level of purchase of local products to consumer preference for imported clothing and the perception that “made in Botswana” products are either not up-to-date in fashion or poor in quality of materials used. On the other hand, furniture stores and supermarkets recorded the highest levels of patronage of local products. Almost 70% of both furniture stores and supermarkets buy 1 to 33% of their stock from local manufacturers. Only 15 of the 157 respondents had locally produced goods constituting 34 per cent or higher of their total stock value. About 53 per cent of these were Supermarkets and 40 per cent were furniture stores. In the supermarkets, the locally produced goods consist of maize meals, vegetables and fruits. The existence of local bed manufacturing companies facilitated the high local procurement in the industry. A Chi-Square test confirmed that the differences in the percentages of locally produced goods bought by various sectors of retail outlets were highly significant at the 0.01 level.

Table 17: Type of Retail Outlet and level of procurement of “made in Botswana”

Type of Retail Store	N ^o of respondents buying % of stock made in Botswana			Total	Chi Square
	0%	1 – 33%	34% and over		
Clothing	82	12	1	95	
Row %	(86)	(13)	(1)	(100)	
Column %	(93)	(22)	(7)	----	
Furniture	2	18	6	26	
Row %	(8)	(69)	(23)	(100)	
Column %	(2)	(33)	(40)	-----	
Supermarket	4	24	8	36	
Row %	(11)	(67)	(22)	(100)	
Column %	(5)	(44)	(53)	-----	
Total	88	54	15	157	90.710*
	(100)	(100)	(100)		

*Significant @ .01 level.

We had earlier established a relationship between the retail sector and level of employment and a high correlation (.73, significant at .01 level) between sales and employment. Since about 90 per cent of goods sold is imported from other countries, increased sales and consumption of goods and services in Botswana creates more employment in the countries, rather than in Botswana, producing the products sold. In that sense, the employment that would have resulted from increased consumption is lost to other countries. In order for Botswana to benefit from increased sales by retail outlets, the proportion of goods sold that are produced in Botswana needs to increase. The cost, in employment terms, of the high import dependence of the retail sector is estimated below using the following procedure:

- ✓ Calculate the sales per employee for each respondent by dividing the annual sales figure by the number of employees
- ✓ Compute the value of stock that would have been produced under various assumptions of the proportion of stock purchased from local manufacturers.
- ✓ Estimate, for each respondent, how many employees would have been engaged to produce the stock estimated, using the sales per employee calculated above.¹
- ✓ Add up the projected employment figures for each employee and find the average.

The result of this process is summarized in Table 18 below.

¹ The sales per employee may in fact be higher than output per employee because the former includes the mark up of the retail outlets. This may underestimate the projected additional employment that might have been generated by higher level of purchase of locally manufactured product.

Table 18: Additional Employment from higher purchases of local manufactures

Assumed % of stock “Made in Botswana”	Total potential employment	Average salary or wages per employee	Total potential salary/wages
20	2398 (19)*	P 21132.71	P 50,676,238
40	4796 (38)	P 21132.71	P101,352,477
60	7194 (57)	P 21132.71	P152,028,715
80	9592 (76)	P 21132.71	P202,704,954

*Figures in parentheses are potential employees per establishment

Table 18 above shows the opportunity cost of importing a high proportion of the stocks sold in retail outlets in Botswana. It shows, for example, that if retail outlets purchased additional 20 per cent of their stock from local manufacturers, additional 2398 employment opportunities would have been created in the manufacturing sector. With each employee earning an average wage of P 21,132.71, an additional income of P50 million would have been injected into the economy. This would not only have reduced the level of poverty, and increased well-being of citizens as envisaged by Vision 2016, it would also have created additional demand for goods and services, promoted investment in new factories and further multiplied employment opportunities. The potential benefit increases as the amount of local manufactures as a percentage of value of stock sold increases. Excessive dependence on imports by retail outlets robs Botswana of employment opportunities with all the attendant secondary and tertiary benefits. If retail is to play its catalyst role of inducing investment and promoting sustainable development, government has to develop policies and offer incentives that promote local manufacturing, at least of basic, frequently demanded products, using simple mature technology.

4.3.3 Citizen empowerment

4.3.3.1 Managerial/Supervisory employment

Retail trade usually serves as an entrepreneur incubator. Many retailers are known to integrate backwards by establishing a manufacturing outfit to produce the goods they sell. In fact, one of our respondents, a furniture retail outlet owner, is currently involved in establishing a furniture manufacturing company. Such empowerment creates entrepreneurs, promotes investment, and creates employment and income, thereby reducing poverty.

Empowerment comes through employment, particularly at managerial levels, which provides opportunities for experience and training in business operations and management. Empowerment can also take the form of assistance provided to former employees who have established their own businesses. We have therefore investigated the number of citizens employed at managerial and supervisory levels, the number of such employees trained, the type of training provided, and the kind of assistance provided to any former employees now in business.

Retail outlets in the sample had 4,483 employees of which 750 (17%) were citizens employed in supervisory (327) or managerial (423) positions. Although there is an average of about 4 managerial/supervisory staff in each respondent company, the distribution was widely dispersed, with ten out of 217 respondents having no citizen managers/supervisors at all while another had 22. Overall, most retail outlets in our sample were managed by citizen staff. In 175 stores, over 80 per cent of those who responded to the question, citizen staff constituted 100 per cent of the management and supervisory staff. Citizens constitute less than 50 per cent of the management staff in only less than 7 per cent of the stores.

While, in general, most companies had 100 per cent citizen staff, there was a significant difference between the three retail sectors. All the furniture stores and 95 per cent of the clothing stores were managed 100 per cent by citizens. It was only in Supermarkets that 47 per cent of the stores were managed by less than 100 per cent citizen.

The responses to our questions however revealed that many managers were only so in name. They lacked the responsibility and authority implied by their titles. In most cases, managers were performing mainly routine clerical jobs and had little say in the real management of the company. Many managers complained about their lack of authority to order stock, or vary prices as may be suggested by local market trends or incur even a minimum expenditure for small items such as light bulbs, etc. Perhaps this lack of empowerment explains why not too many employees had ventured out of paid employment into entrepreneurial activity or why the sector does not attract more highly educated Batswana.

4.3.3.2 Staff Training and Development

Modern business activities are relatively new in Botswana. As the age distribution of our sample establishment shows, most (59%) businesses were established in the last eight years. This implies the existence of a low level of business management skills and entrepreneurial

knowledge. One way to accelerate the development of such crucial skills is through training and development. We had earlier discussed the training activities of the sample establishments. Training is an investment in the trainee that can be utilized for the employer's as well as for the trainee's personal benefit. It is thus an empowerment of the employee that makes him a more productive and resourceful citizen, better able to escape poverty and contribute more positively to the development of the economy.

In all, 1711 citizens were trained by 91 establishments, giving an average of 19 employees trained by each organization. Retailers trained a very high proportion of their staff. In many cases, all staff are trained, even if the form of training is informal, in-house, conducted by the manager or experienced supervisors. The predominant area of training is customer care. More specialized training was provided for accounting and other technical staff.

4.3.4 Revenue Contribution

We have earlier discussed the role of retail outlets as employers, providing a stream of income to its many employees. The income so provided makes its recipients consume other goods and services thereby creating further streams of income. Besides, retailers inject additional revenue into the economy as consumers of goods and services such as office accommodation, postal services, waste collection and disposal, public utilities, and security services.

4.3.4.1 Rent

The ubiquity of retail outlets makes them major consumers of commercial/office accommodation. The 136 respondents who supplied information on their rent payment pay a total of over P 45 million annually, giving an average rent of about P 332, 821 per retailer. The annual rent paid varies widely, ranging from P6,600 for small retail outlets to P 2, 040,000 for large retail stores or Departmental Stores.

Table 19: Revenue Generated by Retail Outlets (P '000)

Revenue Source	N	Range (Min/Max)	Total	Average					
				Overall	Location		Size		
					Cities & Towns	Village	Large	Medium	Small
Rent	136	6.6 – 2,040.0	45,263.8	332.822	366.37	253.13	613.6	291.19	162.0
Electricity	132	0.240 – 1,320.0	7,472.1	56.607	76.99	32.89	142.2	31.82	18.98
Water	125	0.106 – 144.0	1,182.8	9.463	15.99	3.99	20.9	4.15	7.19
Telephone	126	0.120 – 285.8	6,754.8	53.610	58.17	45.47	56.65	69.43	23.73
Waste & Refuse Removal	92	0.060 – 43.2	446.0	4.848	4.76	3.89	8.02	2.78	2.21
Postal Services	97	0.080 – 144.0	728.7	7.512	7.83	7.28	13.16	8.91	2.24
Security	40	1.8 – 960.0	2,979.3	74.480	110.82	23.91	147.6	99.04	9.57
Vehicle running & Maintenance	53	2.400 – 600.0	5,180.3	97.742	96.64	76.22	146.15	89.53	51.29

The major determinants of the rent paid are type of industry, location (inter- and intra-city) and the space occupied (size). We expect retailers located in the cities and towns to pay much higher rent than those in villages. Even within the cities, those located in the modern malls are likely to pay much more than stand-alone stores. However, in spite of the higher rent in the malls, the trend is that most retailers desire a mall location where they can benefit from the traffic generated by other retailers, particularly the heavy traffic generating retailers like supermarkets. Some of these relationships (rent and type of retail store, and rent and location) were tested for differences. It was found that the differences in the distribution of rent paid by the three sectors covered by this study were highly significant, at the 0.01 level. Clothing stores dominate the lower end of rent paid, furniture paid the medium rent while supermarkets paid the highest level rent. In general, the types of stores correlate highly with space occupied, and this is reflected in the level of rent paid. Surprisingly, the differences in the level of rent paid in cities and towns on the one hand, and villages on the other, were found to be insignificant at the 0.05 level. There is need for caution in interpreting this

statistical test. Many village retail stores own the buildings in which they were operating and for which no imputed rent was estimated or paid.

Table 20: Type of store, Location, and rent

Type of store and rent	Rent Paid (in Pula '000)				Total	Chi - Square
	1 – 250	250 – 500	500 – 750	Above 750		
Clothing	42	18	0	5	65	29.6 (.00)
Furniture	15	15	10	1	41	
Supermarkets	13	4	7	6	30	
Total	70	37	17	12	136	
Location and rent						
Cities and Towns	41	23	15	9	88	5.94 (.115)
Villages	29	14	2	3	48	
Total	70	37	17	12	136	

4.3.4.2 Electricity

On the average, each retail outlet paid P 56,607 a year for electricity consumption. The 132 respondents to this question paid a total of P 7.47 million to the Botswana Electricity Supply companies. Electricity bills ranged between a paltry P 240 to P1.32 million annually. It is well known that electricity charges are discriminatory between domestic and business consumers, with the latter paying more than the former. Retail businesses therefore supplement domestic consumers and provide considerable revenue with which electricity suppliers could increase access to new market segment, the rural areas, for example.

A chi-square analysis of the relationship between electricity bills and location, electricity and type of retail store, and electricity and volume of sales showed that the differences in the electricity bills of the different types of retail trade as well as between various sizes of retail trade (measured by annual sales) were highly significant (0.01) while those relating to location were not significant (0.056).

4.3.4.3 Water

Water consumption was minimal for the clothing and furniture stores, whose operations require little or no water. The major consumers of water were the supermarkets which often integrate food preparation and sales. In many cases, water consumption was often covered by the lease agreement and was therefore covered by rent paid. Water expenses ranged from P 106 to P 144,000 annually, with the average being only about P 9,463. The 125 companies responding to the question paid a total of P 1.2 million for water. This amount possibly

understated the revenue contribution of the outlets covered in view of the water revenue embedded in rent payment.

Table 21: Electricity Expenses and type, location and size of retail store

Type of store	Electricity Bills			Total	Chi-Square (Sign. Level)
	P 1 – 25,000	25001 – 50,000	Above 50,000		
Electricity & Type of store					
Clothing	38	9	8	55	23.9 (.01)
Furniture	25	14	3	42	
Supermarket	16	3	16	35	
Total	79	26	27	132	
Electricity & Size by Sales					
P 1 < 5 million (Small)	25	5	2	32	39.5 (.01)
P 5 < 10 million (Medium)	33	17	4	54	
P10 million (Large)	9	3	17	29	
Total	67	25	23	115	
Electricity & Location					
Cities & Towns	36	16	19	71	5.76 (.056)
Villages	43	10	8	61	
Total	79	26	27	132	

4.3.4.4 Telephone

Another utility service that derives considerable income from retail businesses is the telephone service. Over 57 per cent of the respondents answered the question on their telephone expenses. Most of the managers of the non-responding stores either had no telephones or did not know how much they spent on telephones because all payments were handled at the head office. In all, the 126 responding companies spent a total of P 6.8 million, an average of P 53,610 per outlet on telephone services.

There seems to be a significant difference in the pattern of expenditure on telephones by retail store type and size. Again, location seems not to influence telephone expenditure significantly. As shown in Table 22, furniture stores and medium sized stores tend to spend significantly more on telephones than clothing or small or large stores. Furniture stores sell largely on credit and do more telephone selling and promotion than the other categories of retail stores covered in this study. Following up credit accounts also involved a lot of telephone calls.

Table 22: Telephone expenses and location, retail type and size

	Telephone Expenses (P)			Total	Chi-Square (Sign. Level)
	1 – 10,000	10,001 – 65,000	Over 65,000		
Clothing	32	16	3	51	61.6 (.000)
Furniture	4	8	32	44	
Supermarket	12	15	4	31	
Total	48	39	39	126	
Size (Sales)					
P 1 < 5 million (Small)	19	3	3	25	26.8 (.000)
P 5 < 10 million (Medium)	16	17	26	59	
P10 million (Large)	5	14	9	28	
Total	40	34	38	112	
Location					
Cities & Towns	25	20	24	69	1.05 (.59)
Villages	23	19	15	57	
Total	48	39	39	126	

4.3.4.5 Waste and Refuse Removal

As in the case of water, waste and refuse removal was often covered by the rent. About 133 of our respondents did not know how much they spent on waste removal either because such costs were included in the rent or because they did not incur any such expenditure since they disposed of their own waste. In such cases, there was no expenditure on waste removal. The 92 stores that gave information on costs of waste removal spend an amount ranging from just P 60 to over P 43,000 annually. In all, retail stores inject a total of about P 446,000 on waste disposal, giving an average of P 4,848 per retail outlet.

Table 23: Waste disposal by type, location and size of retail stores

	Expenditure on waste disposal			Total	Chi-Square (Sign. Level)
	1 - 1200	1201 – 6000	Above 6000		
Type of store					
Clothing	21	8	9	34	15.7 (.003)
Furniture	10	17	12	32	
Supermarket	9	6	21	26	
Total	40	31	42		
Size (Sales)					
P 1 < 5 million (Small)	7	1	2	10	8.5 (.075)
P 5 < 10 million (Medium)	23	20	9	52	
P10 million (Large)	4	8	7	19	
Total	34	29	18	81	
Location					
Cities & Towns	13	8	9	30	1.66 (.44)
Villages	27	23	12	62	
Total	40	31	21	92	

Expectedly, the nature of the retail outlet appears to be the major determinant of the amount of refuse generated. One would expect the supermarkets and the furniture stores to generate more waste than the clothing stores. Supermarkets sell thousands of products many of which are perishable or fragile and require a lot of protective packaging and wrappings, using materials that have to be disposed of on arrival at the stores. Thus a significant (at .003) difference was found in the expenditure of different types of retail outlets on waste disposal. On the other hand, neither location nor size of retail outlets produced significant differences in waste disposal expenditure.

4.3.4.6 Postal Services

The furniture stores were the highest users of postal services among the three types of retail outlets. While only 27 per cent of clothing stores and 35 per cent of supermarkets utilized postal services, 62 per cent of the furniture stores did. Almost two-thirds of the heavy users of postal services were furniture stores while only 10 per cent and 24 per cent were clothing and supermarkets respectively. This pattern may be closely related to the level of credit sales within each type of stores. Since furniture stores had a much higher level of credit sales, the need arises to communicate with credit customers on the status of their accounts and also to request for payment. The average expenditure on postal services for furniture stores was thus

P 11,875, eight times that of clothing and much higher than the overall average expenditure of P 7512.

A test of the pattern of expenditure on postal services between the different types of retail stores, their location, and size shows that a significant (at .006 level) relationship exists with type of retail stores but not with size (.162) or location (.36).

Table 24: Expenditure on postal services by Type, Size and Location of the stores

	Expenditure on Postal services			Total	Chi-Square (Sign. Level)
	P 1 - 400	P401 - 3600	Above P3600		
Type of store					
Clothing	13	12	3	28	6.54 (.162)
Furniture	5	12	19	36	
Supermarket	7	8	7	22	
Total	25	32	29	86	
Size (Sales)					
1 < 1 million (Small)	5	9	3	17	14.5 (.006)
P 1 – 5 million (Medium)	12	16	16	44	
5 million (Large)	3	3	9	15	
Total	20	28	28	76	
Location					
Cities & Towns	9	14	16	39	2.04 (.360)
Villages	16	18	13	47	
Total	25	32	29	86	

4.3.4.7 Other Services

Other services through which retail trade contributed to the economy include security, Internet services, and vehicle repairs and maintenance. However, only a few respondents provided data on their expenditure on these services. For example, the 40 companies providing information on security expenditure spent a total of P 3,000,000 annually, giving an average of about P 75,000. While the use of human security personnel is common in Botswana, it is more prominent in the retail industry, particularly in supermarkets where shoplifting by customers and theft by staff constituted a serious challenge faced by retailers and shop managers. The retail trade is thus a major patron of security services, offering additional employment opportunities and creating additional streams of income, thereby contributing to poverty alleviation.

The use of Internet was more of an exception among the retail stores. Only a handful of 8 companies reported any expenditure on Internet services. The eight outlets reporting their expenses spent a paltry sum of P 83,576 or an average of less than P10,500 only. The paucity of the data on this question precludes any further analysis.

Retail trade function of concentration (assembling goods from various producers) and dispersion (delivering goods to customers) depends on efficient transportation system. This function may be discharged through a company-owned transportation system or through hired services of transportation companies. Most of our respondents adopted the second option. Goods were delivered to their shops by transportation companies owned or hired by their suppliers. A few, 53, retail outlets, mostly the medium sized ones, however maintained their own vehicles which they used for customer delivery and for transporting purchase made from their own suppliers. As such they incur expenses on the vehicles. Over P 5 million was spent by the 53 companies to maintain the vehicles. This amounts to an average of about P 98,000 a year for each outlet. As shown in Table 19, big outlets located in the towns and cities spent considerably much more than medium and small outlets located in the village.

4.3.5 Investment and Diversification

One of the principal economic objectives of Vision 2016 is the diversification of the economy. Diversification involves investment by one company/investor in other types of businesses. As respondents were not able to disclose the amount of capital invested in other forms of businesses, there was no further analysis in this section.

4.4 Major challenges facing retail trade in Botswana

The findings regarding major challenges facing retail trade in Botswana are based on responses made by the respondents during the field interviews and the researchers' observations as they visited retailers in various locations and observed first-hand some of the challenges. The statements from the respondents are used to corroborate researchers' observations and vice versa. Based on these two sources of evidence, it is clear that retail trade in Botswana faces a plethora of challenges. Whilst the extent and impact of some of these challenges are similar across the three sub sectors under investigation, others vary depending on the nature, size and location of the retail outlets amongst others. In this analysis, the similarities and differences between the three sub sectors are highlighted and

explained. Furthermore, measures for dealing with some of the challenges facing retail outlets in Botswana are addressed. We start with the main challenges facing the industry in general.

4.4.1 Competition

Nearly half of the respondents to the question about the main challenges faced by the retail sector in Botswana mentioned competition. Moreover, competition was identified by the respondents in the three sectors under investigation as a major challenge, underlying competition as a major challenge facing the retail industry as a whole. The extent and effect of competition was clearly discernible from the large number of retail outlets that we observed in each location that we visited and from the statements made by various respondents including the following:

Business in furniture retailing is fluctuating and unpredictable. This is because competition is high. There are too many furniture shops in Lobatse for instance, more than 7. So it is not easy to get the market. However, we just manage to survive. Lobatse is a small town. (Respondent: 003)

The future of retailing looks bleak. Most companies are now forced to charge lower prices in order to compete. (Respondent: 049)

There are just too many stores selling related product lines. Competition is high but overall survival depends on how a business markets itself through providing good customer service and good quality products. (Respondent: 079)

Competition is stiff. This makes marketing more important to outperform competitors. (Respondent: 063)

4.4.1.1 Overtrading

Respondents attributed the intense competition to three main sources; overtrading, chain stores proliferation and Chinese traders. Overtrading, licensing too many retail outlets, creates intense competition which often takes the form of price competition, in an attempt to achieve product differentiation or positioning. As the following statements suggest, overtrading cuts across the three retail sectors covered by the study:

Competition is stiff especially having some shops selling similar items. This challenges [us] to explore strategies to differentiate from others such as low or reasonable prices. (Respondent: 079)

The market is saturated with businesses selling the same products. (Respondent: 032)

Competition is high and it makes it difficult to analyze market needs. We are congested, selling similar products. Intense competition forces price reductions and as [prices of]

other factors like fuel are going up it will be difficult to survive in the market. (Respondent: 054)

The fact that there are too many retail businesses selling similar product lines has forced retailers to use price as a competitive tool. We also observed first-hand the problem of overtrading in most of the locations we visited. In most cases, we found that too many retail outlets selling similar product lines were operating in the same location such as in city/village centre or mall and in very close proximity to one another. Whilst these locations offered the advantages of collective security and of drawing large crowds of potential buyers as some respondents pointed out they also served as a battle ground for intense price competition.

4.4.1.2 Competition from Chinese traders

The other dimension to competition we found is that of source. Many respondents did not just mention competition or its form, they also stated the main source of competition. In the majority of cases, particularly respondents in the clothing sub-sector, Chinese retailers were mentioned as posing the most competitive challenge. Asked about what challenges the retail sector in Botswana faced, one respondent summed it in two words: “Chinese invasion”. Another respondent said the “influx” of Chinese retailers posed a major challenge. The growing influence of Chinese retail businesses was clearly observable in almost all locations that we visited and this included not just large cities but also small villages. In places like Bobonong, Mahalapye and Francistown, for example, Chinese retail outlets occupied almost 90 percent of some of the major streets or shopping centres.

But as the following statements from various respondents suggest, the challenge posed by Chinese retailers is not limited to numerical superiority over local traders but also includes allegations that Chinese retailers sell “imitations” or “counterfeit” products at very low prices.

Intense competition especially from Chinese. They also imitate our products and then charge lower prices. (Respondent: 044)

Chinese retailers tend to imitate our products which often create customer complaints. Our customers are complaining that they bought something at a high cost in our store and now have seen the product at a lower price in some Chinese shops. (Respondent: 059)

Unnecessary competition due to Chinese shops. They imitate products and sell at lower prices. In my opinion they are dumping low quality products here and this does not benefit Botswana. (Respondent: 076).

4.4.1.3 Competition from Large Chain Stores

Closely related to the "Chinese invasion" allegation is the complaint, particularly from small scale traders operating in the villages, of competition from large chain retailers. From our observations which are corroborated by the following statements from various small scale traders, the arrival of large chain stores in rural areas may have marked the beginning of an end to the general dealer. In many villages and towns such as Bobonong, Mahalapye, Serowe, etc, we saw once prosperous indigenous retail stores now with empty shelves and little patronage. Many of the once prosperous owners said that it was only a matter of time before they wound up their businesses.

Competition from large supermarkets like If something is not done about it, this will stifle survival of locally owned small businesses. (Respondent :093)

There is intense competition from large supermarkets. I am afraid the way large supermarkets are opening branches given their resources, small traders are going to close business and most Batswana will lose business. The issue of licensing needs to be reviewed. (Respondent: 094)

Large supermarkets buy in bulk- so difficult to match prices. Big retailers should not be allowed in villages or rural areas. (Respondent: 228)

Need to regulate big retail companies which are killing small businesses. A small town like Mahalapye has several furniture stores. (Respondent: 254)

In Botswana as in most countries in Africa the general dealer has for generations been the supplier of choice for all kinds of merchandise to communities in rural areas and in other areas of the inner cities which Indian and European traders have traditionally shunned. These businesses have thrived for many generations despite the fact that their prices were generally high and the fact that they offered very little variety for customers. The key to their success had more to do with stability of the market due to lack of competition and the fact that consumers in rural areas had, until recently, been less demanding. The appearance of large Chain stores with cheaper and more varied merchandise has changed all that. Today's consumers, as some respondents pointed out, are more demanding, price sensitive and less given to accepting products without exercising their right to choice.

The arrival of large chain stores in rural areas is a very recent phenomenon in Botswana that began less than five years ago prompted by infrastructural developments in rural areas such as construction of roads, rural electrification as well as general growth in their economies. By virtue of their size large chain stores are able to negotiate favorable deals with suppliers and

to take advantage of economies of scale to sell at lower prices the same products that small scale traders sell. Large chain retailers are also able, by virtue of their size, to stock a large variety of products which allows consumers real choice. All these aspects give the large chain stores overwhelming advantage over the small scale trader. The impact of the chain stores on the small general dealer was evident everywhere we visited where [Big Brother (disguised name)] Chain Supermarket opened a store. Almost all general dealers were either closed or in the process of closing down. In one case, the owner-manager of a forty year old business lamented the impending closure of her business not, as she pointed out, “because of personal loss of income but because of the uncertain future of her employees”.

4.4.2 Stock theft by staff and customers

Loss of stock due to theft by staff and customers was mentioned by about 30% of the respondents as a major challenge facing the retail businesses in Botswana. The extent and effect of this problem can be discerned from the following statements made by some of the respondents:

On average theft accounts for P20, 000 losses a month. (Respondent: 202)

Stock theft is very high and is perpetrated by the influx of illegal immigrants from Zimbabwe. (Respondent: 082)

Shop lifting is the biggest problem. (Respondent: 236)

The problem of theft by customers and staff appears to affect mostly food and clothing retail outlets. It would appear that furniture retail outlets experienced comparatively little theft by customers and staff because, unlike clothing and food items, furniture is too bulky for customers to steal without help from staff. We also observed that staff played a key role in most of the thefts carried out by customers in food and clothing retail outlets. What also appeared to account for the relatively high level of stock theft by staff in food and clothing retail outlets is the relatively low wages paid to employees. We noted that most of the food and clothing retail outlets pay wages which are equal to or just above the recommended minimum of P650.00 per month. These wages according to most of the respondents barely cover the costs of basic daily requirements like food and transport not to mention cost of utilities like power and water.

Other factors that appear to contribute to theft by staff and customers include lack of or inadequate security measures and increasing reliance on casual employees who tend to be

paid even lower wages and have no strong allegiance to the business. We observed that as part of cost cutting measures some retailers particularly in clothing stores employed not more than two staff and failed to install security cameras and thereby compromising security. According to some of the respondents decreasing purchasing power as a result of soaring food and fuel prices as well as the influx of illegal immigrants from Zimbabwe have also played a key role in the rise of theft and shop lifting in particular.

4.4.3 Crime

Crime generally, burglary and robbery in particular, are on the increase and therefore poses a major challenge to retail businesses in Botswana. The increase in crime rate has been attributed to the high unemployment, the influx of illegal immigrants and the high cost of living. While large stores were more vulnerable to shoplifting and staff theft, it is relatively smaller stores which are not able to maintain elaborate security measures for example, electronic fences, security personnel etc; that are more prone to theft and burglary. The rise in the crime rate is reflected in the comments of respondents, a few example of which are given below:

The level of crime and theft is high. We need more police patrolling. (Respondent: 076)

We have become an easy target for theft and crime as our shop is not in the shopping complex. (Respondent: 066)

Crime is a major problem. Always operates in fear of robbery and attack even at home. (Respondent: 199)

Security is more a problem for stores located in cities and towns. In Table 19, it is observed that security expenses in the cities and towns were five times higher than in the villages.

4.4.4 Lack of demand

Lack of or decreasing demand for products was mentioned by about 20% of the respondents as a major challenge facing retail business. This challenge appears to affect mainly clothing and furniture. According to most of the respondents, this problem is the result of rising cost of food and fuel which has diminished the purchasing power of potential customers. The following are statements from some of the respondents, which highlight this point:

The cost of living is high due to the general rise in the price of fuel and food and this will affect furniture business. (Respondent: 051)

The market for furniture is too small there are few people willing to buy furniture. Business has gone down, people are not buying like before. This could be influenced by the increase of fuel and food prices. (Respondents: 070)

General increase in price. This has eroded consumer purchasing power which also affects purchasing and business performance as a whole. (Respondent Code: 088)

The increases in food and fuel prices affect the furniture retailing as fewer people are now buying furniture. (Respondent Code: 058)

General increase in food prices is affecting other sectors especially the sale of furniture. (Respondent: 026)

The rising cost of food and fuel appears to have affected the furniture retail outlets most because unlike food and clothing, furniture is not considered a necessity and consumers only consider purchasing furniture after satisfying food requirements, followed by clothing. In the current situation of rising food prices consumers are often left with little or no money to spend on furniture.

4.4.5 Rising operational costs

The rising cost of fuel also poses a challenge to retail businesses by raising operational costs and thereby eroding profits. Although this affects all retail businesses, furniture appears to be the most affected. Because furniture products are bulky and heavy, the seller often assumes responsibility for delivery to the customer. Unlike in clothing and food industries, the furniture sector depends much more on transportation services and is therefore more adversely affected by increase in fuel costs. Furniture retail outlets that cannot keep operational costs under control faces the gloomy prospects of going out of business.

4.4.6 High credit default rate

High credit default rate has also featured prominently as a major challenge facing furniture and clothing retail outlets respectively. Unlike the other retail sectors included in the study, credit sales constitute the bulk of the total furniture sales. Credit sales are necessitated by the high unit costs of furniture and the need to allow instalment payments. The extent of the problem of credit default is reflected in the statements below:

In the furniture business people are given goods on credit but people are not paying. (Respondent: 070)

High credit default rate. 40 % of credit customers default. Some are referred to ITC for black listing. (Respondent: 197)

The high credit default rate in the furniture retail outlets appears to be attributable to a number of factors including the high sales targets set for employees which, as one respondent

pointed out, “creates pressure” to give credit even where the customer’s credit rating may be in doubt. In some instances, under pressure to secure sales, it would appear that some employees give credit without fully educating customers about the conditions of sale so that they fully understand them and make informed decision. This is apparent in statements made by some respondents who alluded to customers’ “lack of understanding of agreements” as a contributing factor to the high credit default rate. Another factor which appears to contribute to the high credit default rate is the rising cost of living generally which, as pointed out earlier, is fuelled by the rising cost of fuel and food. As people spend more on food and transport, they are left with little or no money to meet such other financial obligations as instalment payment.

4.4.7 High rent

Although relatively few respondents mentioned high rent as a major challenge, we observed from the figures of rental charges that rent was high particularly in secured shopping centres which attract a lot of traffic. High rent presents a challenge not just to small scale traders but also to large retail outlets particularly furniture which requires relatively large space. The extent and seriousness of the problem is reflected in the following comments by some of the respondents:

Rent is high. Rent is high in Botswana. The land lord has hiked the rent by double. As a company we are unable to meet this. It is a big problem the company is planning to close 2 of its station branches. (Respondent: 117)

In Gaborone two shops are closing down possibly because of high cost of store space. Need for government to control rent. (Respondent: 198)

It is very difficult to obtain land in Botswana. This to some extent discourages retailers especially those who want to own buildings to avoid rental charges. There are no restrictions on rental charges. So retailers are at the mercy of the building owners who charge high rents. I am afraid with the high rental charges most businesses will not stay in business and most of the profits of the business are used to pay the rent rather than put them on the hands of the employees who work so hard. (Respondent: 056).

4.4.8 Lack of local manufacturers

About 90 per cent of the stock sold by the retail outlets studies came from imports, largely from China and South Africa. High import-dependence is attributed to the absence of local manufacturers in Botswana as well as the preference of consumers for imported merchandise, particularly clothing. Other reasons given for high import dependence include the high costs

of local products and the fact that most retail outlets were owned by South African nationals who chose to patronise suppliers in their country.

4.4.9 VAT Administration

Retailers, particularly the small indigenous retailers who usually do not keep elaborate records, complained of a kind of arbitrariness in the determination of the amount of Value Added Tax (VAT) charged. While they agreed that VAT was desirable as means of generating government revenue, they accused VAT officials of overcharging and not explaining how they have calculated the amount due. This, they claimed, raised their prices and, consequently, reduced their patronage and profitability.

4.4.10 Measures for dealing with selected challenges facing retail trade in Botswana

The challenges facing retail outlets in Botswana are, as we pointed out before, many and their extent and impact varied. In this section we focus on those challenges that individual retailers can address. But meeting some of the challenges we outlined above is beyond the efforts of individual retailers, but require policy changes at government level. Such challenges include, rising food and fuel prices, challenges posed by high crime rate, competition from Chinese and large chain stores in villages. Those necessary policy changes are addressed later in this report.

4.4.10.1 Competition

Competition is an integral part of any business. Unless one is operating in a monopolistic environment, as long as potential investors perceive prospects for profit in a given business, competition will always be there. However, despite this, not all businesses operating in a competitive environment will be profitable to the same extent. Some businesses will be more profitable than others. The key towards success in a competitive environment lies in the marketing practices adopted by the business. Interviews with managers in clothing, food and furniture retail outlets revealed that the marketing practices of most of the businesses that were not doing well were deficient in one or more ways. For example, asked how they attracted customers to their businesses, few respondents indicated that they engaged in any form of promotion. The majority said customers just come.

In marketing price is one of the four tools that can be used to overcome competition. The other tools are the product, promotion, and distribution. In a business environment

characterized by numerous traders selling similar products, competitors can use one or more of the remaining marketing tools to deal with competition. Many of the retail outlets interviewed depended on price much more than product, promotion or distribution as competitive a weapon. Yet evidence abounds that the more successful companies avoided price competition and differentiated their product offerings on product quality, aggressive promotion and customer service as reflected in the following statements by respondents:

Competition is high especially price competition. However, we have been able to differentiate ourselves on the basis of quality. (Respondent: 023)

Competition is healthy for us. We learn from them. We have revised our marketing strategies and we sell good quality products. (Respondent: 103)

Competition yes but it is not a major threat we compete well on the basis of quality. (Respondent: 048)

Competition is not a problem for us because in our branch we win customers through customer service. (Respondent: 064)

Competition is there but in our company we sell quality clothes and our customers are different. Usually our customers will not buy from Chinese shops.. (Respondent: 066)

Competition is intense but here we compete well especially because we have better quality. (Respondent: 092)

Competition, yeah but it seems our competitors are not good in customer service and do not seem to advertise themselves aggressively. (Respondent: 090)

Competition is not a threat to us- we sell branded clothes. (Respondent: 108)

Price competition could thus be countered by one or more of the other elements of the marketing tools such as product quality, customer service, promotion, product positioning and distribution to differentiate their businesses from competition.

Although the findings of the current study indicated that there was a great concern among retailers about competition from the Chinese retailers, participants in the stakeholders' workshop felt that Chinese retailers have contributed to the economy in terms of opening up the market for property developers in cities, towns, and villages as well as catering to the needs of low income customers. Thus, Chinese retailers needed to be embraced and local retailers should find ways of creating competitive advantage for themselves. Specifically, cooperation and collaboration amongst retailers were recommended as ways of improving competitiveness.

4.4.10.2 Stock theft by staff and customers

As our findings have shown, factors contributing to stock theft by staff and customers are many and as such this problem cannot be fully addressed by one measure but rather by a series of measures. The near absence of security measures that we observed in the retail outlets that were most affected by stock theft is an obvious starting point for any attempt to deal with the problem. It appears that lack of investment in security by retailers reflects not just an attempt at cost cutting but a mind-set that believes in sacrificing long-term for short-term gains. The long-term gains from investment in security far outweigh the costs. Most of the retail outlets that were most affected by theft had no security gadgets such as cameras, metal detectors or alarms. By investing more in such measures, retailers can deal with the problem of theft by staff and customers.

We have also earlier noted that the low wages paid to staff and the employment of casual staff with weak ties to the business may be contributory to stock theft. Such theft might be motivated not only by the desire to make ends meet but also perceived as a redress for exploitation and underpayment. As such, strengthening the security system may require retail outlets to review their staff wages upward and align them with best practices.

4.5 Policy changes

As pointed out earlier, the policy changes that need to be made to increase the contribution of retail trade to the sustainable development of Botswana cannot be effected at the micro- or firm-level. Such changes would require policy re-orientation at the national level as well as a more effective enforcement of extant laws. In order to obtain information on the needed changes, we sought the opinion of respondents on selected policies as well as asked them open-ended questions on what government could do to improve the contribution of retail trade to the economy. The selected policies include company registration, imports, import duties, employment policies, hours of work, wages paid, company tax, value added tax, etc. The findings and recommendations below are the findings and recommendations based on the responses obtained from the two-pronged questions, the interviews conducted with store managers and workers as well as the input from the two stakeholders' workshops. Overall, three policy recommendations were developed for the government of Botswana: (i) Review and Enforcement of Employment Act and Labour Laws; (ii) Increase Local Manufacturing, and (iii) Increase Citizen Participation and Empowerment.

4.5.1 Review and Enforcement of Employment Act and Labour Laws

During the data collection, we heard a lot of comments and complaints from workers on the general working conditions of staff in retail trade establishments. The issues range from low wages, to long hours of work, job insecurity, and labour laws violations.

Wages: Payment of low wages was reportedly common even though most comments acknowledged that employers paid the minimum wage set by government or slightly above. Majority of respondents regarded the minimum wage rather too low for the long hours of work and the high costs of living with which they had to cope. Typical comments relating to wages in the retail sector are:

A minimum wage of P635 makes it difficult for staff to cope with the demands of the current environment. The cost of living is high. (Respondent 096)

The minimum wage is generally low. However, we pay higher than the recommended minimum wage. Despite that we pay more than the minimum wage, what has been recommended is lower than the cost of living. (Respondent 001)

The government should take into account that the wages are low yet people work extended hours also given the sales they make. Even overtime is not a good compensation for our staff. . “Bana ba bereka mme dishop di dira madi”(This means employees work and make profits for the shops but are paid low wages) In addition some holidays are not paid for, which is not fair from the workers point of view (Respondent 099)

The low minimum wage will not help to improve a person’s standard of living. You see I have worked in SA and staff who pack shelves get R3500. But with P635 most of the people cannot afford to pay for basic necessities like housing and food. The minimum wage needs to be increased. I feel sorry for the employees given the sales the companies are making. (Respondent 102)

These comments seemed to absolve the retail companies but held the government responsible for setting a low minimum wage that impoverishes the workers and make them unable to meet the demand of a highly inflationary economy. The workers were of the impression that their employers were willing and able to pay higher wages if only the government would raise the prescribed minimum level. Both the stakeholders and implementation workshops agreed

that the government needed to review the minimum wages to reflect the cost of living and the long hours of work in the retail sector.

Violation of Labour Laws: A related criticism of the government is its alleged indifference to the violation of its labour laws. Of particular concern to retail trade workers were, as reflected in the statements below, laws dealing with overtime payment for work hours beyond 40 hours a week, payment for work done on public holidays, welfare benefits, job security, and freedom to unionize. Comments by respondents alleged neglect and indifference of government to violations of its labour laws. Some selected respondents' comments are reviewed below.

The government policies are not taking care of the businesses. Even when cost of living adjustments are made nobody ensures that people in the retail business also benefit. We are even disadvantaged because we do not have company representatives or union representing us in such issues.

(Respondent 088)

*You see us private companies we do not have unions/associations that represent workers like in the case of the government and also comparing ourselves with SA. We need the government to encourage retailers to encourage and permit unions/associations that can speak on behalf of the workers. **(Respondent 100)***

*The government has neglected us especially those who are working in the retail sector. I do not think they are concerned whether the people in the retail business are paid accordingly given the **trading hours** and the cost of living. The cost of living affects everybody but the 15% adjustment has not been implemented in our case. Nobody cares about whether we are paid fairly for **overtime, holidays** and so on. **(Respondent 089)***

*Minimum wage is too low and that is why some companies try to pay slightly higher than that. Since companies pay slightly higher than the low minimum wage no one can **dare complain** about their salaries **(Respondent 025)**, and The labour office has set the ceiling that one cannot earn less than P600 but unfortunately these are not implemented. Even in cases where it is low no one will know. It also inhibits employees from negotiating salaries as most companies **just align** themselves to that. In addition, when one tries to complain they can easily **lose** their job. **(Respondent 103)***

*Government policies seem to be applied **fairly** for government employees but not for employees in the retail sector. For example, May Day is a holiday for the government but not for us. In our*

*company it is up to the **discretion** of the employer which is unfair to employees. ...Employees in the retail sector are exploited ... the employees are at the **mercies** of their employers (**Respondent 020**)*

*Government policies are in place but there is **no monitoring**. I have worked in this branch for 8 years and I have never seen anybody from the relevant government department approaching us like you researchers are doing **to understand** how things work in this sector. There is complete **negligence** from the side of government. (**Respondent 052**)*

*The policies (on employment and wages) are fine. In our company, the salaries are consistent between SA and Botswana. So are other countries. Usually, the unions in South Africa are very effective in bargaining and negotiating rewards so this has been beneficial to us as usually once a decision has been taken, it is [implemented] across the board. (**Respondent 056**)*

These comments suggest that retail trade workers felt they were left on their own to negotiate their employment terms with their employers, without the protection of the law or the countervailing power of a union. In a country with 18 percent unemployment (Bank of Botswana Report, 2006), the balance of power in any such negotiation lies more with the employer. The result is a “take it or leave it” conditions enforced by the employers. The threat of a loss of job precludes any agitation for better conditions. The kind of scenario painted here is very much characteristic of the small, individual-owned stores, where we observed employees work in a spartan condition almost akin to slavery. They could not sit even when there were no customers to attend; they could not, observe a lunch break, and had to work overtime, at weekends and on public holidays without appropriate remuneration.

These violations occurred because the government does not monitor employment conditions in the retail trade. Respondent 052 observed that in eight years of his employment in his company, the Labour Department had not visited the company once. Two possible reasons might account for the level of violations observed by respondents. First, it might be that the laws and regulations governing employment are out of date and do not cover the situations described by respondents. As such, if such laws and regulations have not been changed to reflect current developments, it might be difficult for the Ministry of Labour to change the conditions. For example, Section 3 (a) of the Regulations of Wages in the Wholesale and Retail Distributive Trades Order stipulated the minimum hourly wage for an employee as 77 thebe an hour for skilled workers and 65 thebe for unskilled. This would give a daily rate of P6.50/5.50 and a monthly rate of under P200/166, which is much less than the rates

employers pay now. To enable the Labour Office to address the issues raised in these statements, there is need to review the labour laws of Botswana with a view to offering greater protection of workers through fair employment policies and practices.

The other possible reason for the failure of the Labour Office to monitor the retail establishment might be inadequate human and material resources to discharge the assigned responsibilities. In our view, it is imperative that the Ministry of Labour should take its oversight functions more seriously and adequate resources be provided to enable it monitor and enforce, including sanctions against offenders, labour practices and policies not only in the retail sector but also in the entire private sector of the Botswana economy.

Only the comments of respondent 056, that the employment policies in his company were fine and salaries were consistent with those of South Africa, could be regarded as favourable on the retail trade employment practices in Botswana. The respondent attributed the adoption of this best practice to the negotiation skills of the workers' union in South Africa. It is clear from this statement that workers' union could serve a complementary function to the Labour Office by strengthening the negotiating power of employees, engaging in collective bargaining and negotiation and generally ensuring a conducive working environment for productivity improvement. Botswana labour laws should therefore encourage and support the establishment of unions in all sectors of employment.

The foregoing issues and in particular inadequate monitoring of retail businesses and poor enforcement of labour laws were discussed at length at the stakeholders' workshops. The representatives of the Ministry of Labour acknowledged shortcomings in the monitoring system and its contribution to alleged violations of the law. They also concurred with the view that the Act itself may be inadequate to address some of the concerns raised by practitioners. Hence it was agreed that a need exists for a review of the relevant sections of the Act.

Specifically, Section 138 (1) of the Act seems to provide employers an exemption from paying the minimum wage if "any contract of employment provides for the payment of a wage less than the minimum wage ..." In a country with an abundance of labour and a high unemployment level, this provision of the Act exposes retail workers to exploitation and abuse. All that employers have to do is to have a contract of employment with wages

specified below the minimum wage. Given the employers' market that exists, prospective workers would have little or no choice than to enter into such contracts. It is in the light of this that the recommendation that Section 138(1) of the Act be reviewed as it is detrimental to the purpose of the Act was adopted.

Similarly, Sections 9 (1) & (2) of the Act empower the Commissioner of Labour to request for information on employment, wages and conditions generally affecting employment from any employer covered by the Act as well as, if necessary, "enter, inspect and examine" any relevant premises and records and interview employees. From the responses of a large number of workers, it appears that the Ministry of Labour hardly carries out these responsibilities. As such, workers claimed they were left on their own to negotiate their conditions and terms of employment with the balance of negotiating power more with the employers.

To address the shortcomings in the monitoring system, the recommendation that government empowers the Labour Department by providing it with adequate human and material resources, in terms of quantity and quality, knowledge, and skills. This will enable it carry out frequent inspections in retail and distributive outlets and ensure compliance with the Employment Act in relation to wages, hours of work, and other conditions of employment. Such inspections should inform periodic reviews of the minimum wage and other conditions of service. Periodic reviews of the minimum wage and conditions of service should also draw on insight from other countries within the region and adopt the conventional ILO tripartite approach.

Both stakeholders' workshops agreed that, perhaps, employees' relative negotiation ability in relation to their employers was weakened by their inability to unionize. Many retailers, particularly the foreign ones, were hostile to employees forming a union or being affiliated to one. Employees in retail trade should be free to form or join unions and such unions should be recognized by the employers for the purposes of negotiation of the conditions of service or resolution of conflicts.

4.5.2 Increasing local Manufacturing

One of the findings of this research is that retail trade is import-dependent, with about 90 per cent of the stock sold in stores consisting of goods produced outside Botswana. The

implications of such dependence were analyzed in Sections 4.3.2.3 to 4.3.2.7 and Table 18. It is obvious that if Botswana is to increase its share of the benefits from the growth of retail trade, the proportion of goods sold in the stores that is produced in Botswana has to increase. While most respondents claimed they were willing to increase the local contents of their trade stock, they could not because there were no producers of such goods in Botswana. In a few cases where local producers existed, the complaint was about the quality or the prices of their products, which, it was claimed were not acceptable to consumers. In other cases, local suppliers were said to be unable to meet the volume of goods required by retailers.

Recommendations

As we have demonstrated, retail trade can serve as a catalyst for increased investment, employment, and geographical diffusion of industrialisation and development only if a high proportion of goods sold was produced in the country. Government therefore needs to increase local manufacturing activities. In fact one respondent (014) suggested that “government should encourage companies to open manufacturing plants in Botswana rather than supply and have their head offices in South Africa”. Another (162) called on government to “*increase the number of manufacturers and raw materials not readily available and make programmes like CEDA less complicate ...*” Other respondents suggested that since it was not good for Botswana to be importing most of the products its retailers sell, “*the government should encourage local production and also come up with policies that encourage retailers to buy from local producers*” (**Respondent 059**) and that “*government should encourage furniture manufacturing in Botswana and impose a policy that insists that a certain percentage of goods sold by retailers should be sourced from Botswana*”. (**Respondent 050**)

In our view government policy decisions need to focus on two objectives which were supported by the participants in both stakeholders’ workshops: (i) attract investment in manufacturing, and (ii) sustain such manufacturing ventures.

To attract investment into manufacturing, government would need to identify the products which could be economically produced in Botswana in terms of potential volume of sales, availability of raw materials, and appropriate infrastructure and skills. Appropriate fiscal and other incentives would also need to be provided to such entrepreneurs. For example,

government could make the Citizen Entrepreneurial Development Agency (CEDA) set aside a minimum proportion of its funds for projects that will manufacture products selected on the criteria set out earlier i.e. large local demand, availability of input materials, and capacity for large linkage effects. Large manufacturing projects could take advantage of the CEDA Credit Guarantee Scheme through commercial banks as well as the CEDA Venture Capital Fund for capital mobilisation. In addition, government could attract manufacturers by granting tax holidays, waiver of duty on imports of capital equipment, improving citizens' entrepreneurial skills through comprehensive training that combine practical (apprenticeship) and theoretical components.

The Workshops noted that although there were various institutions (the Botswana Export Development and Investment Authority (BEDIA), Botswana Development Corporation (BDC), Botswana Export and Manufacturers Association (BEMA), Local Enterprise Authority (LEA), Botswana Bureau of Standards (BOBS), Botswana National Productivity Centre (BNPC), Department of Industrial Affairs and Rural Industries Innovation Centre (RIIC)) responsible for the implementation of recommendations pertaining to increase of local manufacturing, their performance was handicapped by a number of factors such as lack of serviced land, high cost of utilities, red tape in licensing, inadequate product quality standards, negative perception of locally produced products, lack of skilled labour, low productivity, and inability to monitor projects closely. It was recommended that government should strengthen these institutions so as to enable them to discharge their responsibilities.

Having promoted the establishment of the manufacturing projects, government should ensure their sustenance through patronage. Among the suggestions proffered by respondents were:

Government-aided institutions must buy from citizen owned companies” (Respondent 180)

Ensure retailers to give preference to local producers (Respondent 038)

Introduce a quota system where retailers import 60 % of their stock and 40 % sourced locally. (Respondent 158)

*Encourage local companies by imposing quotas on imports [or] increase **import duties** to encourage manufacturing businesses to set up here. (Respondent 161)*

Government should subsidize farmers to help increase production of quality products, particularly for the supermarkets. Encourage co-operation among small scale producers. (Respondent 170)

Patronage may be achieved through legal requirements that local retailers must buy a specified proportion of their stock from local manufacturers. In addition, government itself

should make it mandatory for all government and government-supported establishments and institutions to purchase a specified proportion (to be reviewed from time to time) from local manufacturers. Stringent penalties should be attached to non-compliance with this requirement. Appropriate government tariff policy should be harmonised with this policy to ensure that it is not undermined. In both stakeholders' workshops, it was emphasized that in order to achieve sustenance through patronage, it was imperative that the local manufacturers work closely with the Botswana Bureau of Standards (BOBS) and Botswana National Productivity Centre (BNPC) to ensure high quality and availability of products.

4.5.3 Citizen Participation and Empowerment

One of the challenges faced by many respondents was the competition faced by indigenous retailers from the Chinese stores and the Chain stores that are now establishing in rural areas in particular. Respondents alleged unfair competition because the Chinese sell “low quality” goods that are similarly priced. On the other hand, the competition from the Chain stores was considered unfair because chain stores are big and enjoy economies of scale advantage in purchasing directly from manufacturers. Indigenous retail stores could therefore not match the scale of operations, the prices and the atmospherics provided by the chain stores. The effect is that the indigenous retail stores are on the decline and many were on the verge of closing down as their patronage has practically disappeared. Suggestions for dealing with this challenge included two approaches. First is a “Co-optition” approach in which the Chinese or chain stores go into cooperation or partnership with extant indigenous local retail stores. The second entails placing “restrictions” on operations of large foreign owned chain stores, particularly in the rural areas where their adverse impact on indigenous retail outlets had been most felt.

Co- optition. One respondent (055) suggested:

*Government should encourage retail stores owned by non-citizens to go into partnerships with sole traders owned by Batswana. This is very important because non-citizen companies will only operate in an economy when it is stable but are likely to leave as and when they wish when they see some better opportunities somewhere else. ... So if citizens are involved in the ownership they would not want to leave any time and this will prevent a crisis. We need a policy that could encourage non-citizen firms to **sell shares** to citizens.*

Another respondent (006) suggested that *“government should encourage localization by insisting that all the companies operating in Botswana should have citizen owners”* Franchising was also considered as a solution to this competitive challenge. Respondent (045) observed that *“retailing in Botswana is mostly dominated by chain stores which are not even local as they are mostly owned by non-citizens”* and then suggested that *“the government should encourage retailers to sell franchises to citizens like what Choppies is doing. In fact, rather than for retailers to open more branches in villages, they should be encouraged to grow by selling franchises to locals in such villages and this will help to alleviate poverty as well as empower citizens”*.

Restriction: An alternative solution suggested was for government to restrict the operations of chain stores and foreign-owned retail outlets in rural areas in particular. In this respect, it was suggested that government should reserve retail trade exclusively for Botswana or at least ban foreign-owned retailers or chain stores from rural areas. For example, one respondent (015) suggested that *“the government should isolate or designate certain sectors for Botswana only. For example, these days in villages you see Chinese shops competing with small general dealers which are mostly owned by Botswana. How many citizen companies can compete with Chinese shops as they provide lower prices? The number of branches belonging to the same company in a specific location should be limited. The issue is when they are too many branches belonging to the same business in village this creates unfair competition especially for small businesses that are mostly owned by Botswana”*. Another respondent (091) alleged that *“large businesses destroy businesses for local and small businesses”* and suggested that *“when licenses are issued, the location has to be taken into consideration [such that] large supermarkets should not be encouraged at the expense of local and small businesses.”*

It appears that the investment of large scale retailers and Chinese stores in rural areas in particular is more of a “displacement investment”. As such, it brings very little marginal benefit to the economy. However, the two approaches for dealing with this competitive challenge pose a dilemma to policy makers. The compromise solution of substituting “Co-optition” for competition seems to offer a better prospect in that it offers a “win-win” situation in terms of safeguarding the interests of consumers as well as protecting indigenous retailers. Encouraging cooperation between otherwise competing firms could help to empower citizens, enhance entrepreneurial activities, and safeguard employment without

denying the community the benefits of a modernised outlet. In addition, co-optation does not deny retail investment opportunities to potential foreign investors or to existing modern retail outlets. On the other hand, restricting or banning the operations of Chinese retailers or the large retail stores in rural areas could adversely affect Botswana's drive for foreign investment while at the same time, it might rob consumers of the advantages of modernising the retail trade in rural areas. Our recommendation here therefore is co-optation through franchising, partnerships, or joint ventures between local existing retailers, who had developed and nurtured the market to the stage that it became attractive to large or foreign retailers.

Citizen Empowerment: One of the benefits of retail trade is the incubation ground it provides for potential entrepreneurs. Three possible activities of retailers can help to develop entrepreneurs. First is joint ownership of retail stores with foreign entrepreneurs. The second is employment at decision making level of the retail institution. These two activities provide exposure to business management and operations, thereby equipping and empowering the citizen owner or employee to the rubrics of entrepreneurship and management. The third activity by which retailers contribute to empowerment is through training.

Our findings showed that less than 10 per cent of the sample retail establishments were joint ventures between foreigners and citizens. As such, the contribution to citizen empowerment through that activity is rather insignificant. Performance with respect to employment was better, as 750 citizens were employed at the supervisory and managerial levels, with the managers constituting an average of 55 per cent of each store's management cadre. However, we found that the nomenclature of manager could be misleading as not much decision making authority was attached to the positions. Training activities were also at a low level, with about 85 per cent of training being operational in type and conducted in-house or on-the-job.

It is plausible to argue that the current low level of responsibility and authority exercised by store managers is related to the ownership pattern and the source of stock sold. Since the owners of the stores reside in the country of origin of most of the stock, they take all decisions for the store. With the policy of promoting local production, it is likely to be uneconomical to continue with this style of operations.

Another major finding relating to citizen participation was that consumers in Botswana tend to shun local products and prefer foreign made products due to their perceived superiority in quality. However, the stakeholders rebutted the argument pointing out that there could be other underlying factors contributing to this. One such factor was the failure of local manufacturers to adopt marketing strategies to create competitive advantage.

During data collection, retailers also alleged that their VAT payment was arbitrary in its calculation. However, at the stakeholders' conference, officials from the Botswana Unified Revenue Services (BURS), the government organisation that collects VAT, explained the source of this allegation as the failure of retail outlets to keep records which are essential for VAT calculation. The absence of such records denies retailers deductions that would have reduced their VAT indebtedness.

Recommendations:

Increasing citizen ownership of and participation in economic activities of the country is one of the cardinal objectives of Vision 2016. As a result, government needs to develop policies that safeguard, indeed improve, citizen ownership and participation in retail business without denying consumers of the benefits of competition and modernisation. A compromise policy is for government to promote "Co-optition" rather than competition between citizen-owned retail outlets on the one hand, and the chain stores and foreign traders on the other especially in small towns and rural areas. "Co-optition" may take the form of joint ventures or franchises. In both the stakeholders and implementation workshops, the strategy of Co-optition was identified as a "win-win" proposition that would ensure the survival of the indigenous outlets and allow the chain stores to grow. One additional benefit of this proposal, apart from increased citizen ownership and participation, is that it provides citizens the opportunity to develop their entrepreneurial and managerial skills, which can be transferred to other business endeavours. However, in both workshops, it was stressed that in order for Co-optition to be effective, there is a need for the Botswana Government to develop a proper policy framework. For instance, it is our view that government should grant licences for chain stores and foreign-owned retail traders in rural areas only if they partner or collaborate with existing retailers in the locality who have developed the market to make them attractive to the chain stores.

Government needs to also ensure sustainability of indigenous businesses by protecting the sectors that are reserved for citizens. As already mentioned in section 4.5.3.5.1 above, this could be achieved through reviewing policies and making the granting of retail trading licenses to chain stores and non-citizen stores, particularly in the rural areas, conditional on effective partnership with citizens and existing retail traders in those areas. There is also a need for the government to regularly monitor businesses that have been awarded licenses to ensure that they are trading in compliance with the conditions of their licence. It is strongly hoped that this will curb abuse of licence by some Batswana who sell their licences to foreigners who use them to run businesses that were otherwise meant for local entrepreneurs.

One other government policy that can improve the fortunes of indigenous retail traders is the promotion of cooperative societies among retailers. Existing cooperative stores have suffered the same fate as the indigenous retailers and general stores. In Mahalapye, Bobonong, and other villages, once-flourishing cooperative stores are currently in their last stage of existence. The bigger the cooperative movement, the better they would be to be able to compete against national chain stores. The active promotion and encouragement of a national cooperative society is therefore desirable and deserves the encouragement from the government.

Government and other institutions responsible for training such as LEA, CEDA, University of Botswana, BNPC and Botswana Training Authority (BOTA) need to provide comprehensive training on productivity, marketing and management to retail cooperatives and locally owned enterprises to equip them to effectively compete with the chain stores. A higher quality of training can also be encouraged among locally established enterprises through fiscal incentives for training activities. In many developing countries, developmental training is encouraged by making expenditure on staff training tax deductible or by specifying a proportion of corporate revenue that must be spent on training or contributed to an industrial training fund administered by a government parastatal.

It was also proposed that Small and Medium Enterprises (SMMEs²) promoting institutions such as LEA and CEDA as well as local commercial banks need to increase their financial assistance to citizen-owned businesses.

It was agreed that Botswana Unified Revenue Service (BURS) should intensify its customer education on VAT calculations and the importance of receipts and record keeping.

5. Conclusion

We have studied the structure, growth, activities, and contributions of retail trade in Botswana and made recommendations on how the operating environment of retailing could be improved such that Botswana could derive greater benefits from retailing activities in terms of growth and diversification.

Our findings are that:

- ✓ Retailing is a widespread activity in Botswana, and is found in even the remotest of villages.
- ✓ Retail trade has grown in number, size and sophistication since 1960. The rate of growth has accelerated in the last eight years when 56 per cent of the sample retail trades were founded
- ✓ Most retail trade stores were private limited liability companies and generally owned 100 per cent by citizens or foreigners. Joint ownership and partnerships were not popular.
- ✓ Retail trade has contributed modestly to sustainable development by creating employment opportunities and income for thousands of people, providing developmental and entrepreneurial training, generating income for public utilities and government, and encouraging local production.
- ✓ Retailing in Botswana is however highly import-dependent, thereby losing the greater potential benefits of growth in the sector.
- ✓ There are two levels of changes that need to be made to unleash the potentials of retailing for the growth of Botswana economy. These changes are at the micro level of the individual retailers but much more importantly, at the macro level in terms of government policy changes and regulatory functions.

6. Future Research Directions

Several future research areas were suggested in both Stakeholders' workshops including:

- ✓ An assessment of the impact of the informal sector on economic development in Botswana;

- ✓ An assessment of the failure rate of citizen-owned businesses and the causes of such failure.
- ✓ An investigation of the effects of large Chain stores on General Dealers;
- ✓ A study of products that can be economically produced in Botswana to help LEA and CEDA to channel their efforts of encouraging small businesses
- ✓ An assessment of challenges faced by Small, Medium, Large and Foreign-owned retail outlets.

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Appendix: Questionnaire

The Contribution of Retail to Sustainable Development

1. Position of Respondent:				
2. Number of years in Position:				
3. Highest Education Level:				
4. What specific training programmes have you undergone?				
5. Company Name:				
6. Year of Establishment:				
7. Type of Retail Store (please tick)	Department store <input type="checkbox"/>	Clothing <input type="checkbox"/>	Furniture <input type="checkbox"/>	Grocery/supermarket <input type="checkbox"/>
8. Location:				

9. Why did you choose this location?

10. (a) Are you satisfied with the location of your store? Yes No

(b)

Why

11. (a) Have you changed the location of your store since 2004? Yes No

(b) Why?

12. (a) Is your store a member of a group or independent ?

(b) If it is a member of a group, please indicate whether branch or Franchisee

Instruction: If it is a branch ask for details of the headquarters

, otherwise continue with the interview.

13. Form of Ownership (please tick)	Single ownership (sole trader)	<input type="checkbox"/>
	Partnership	<input type="checkbox"/>
	Private limited company (Not quoted on BSE)	<input type="checkbox"/>
	Public limited company (Quoted on BSE)	<input type="checkbox"/>
14. Share Ownership (in percentages)	Botswana Citizens	
	Government/Government agencies	
	Non-Citizens	
15. Size of company	Total number of employees	
	Annual Sales (in pula)	
	Paid Up Capital (in pula)	
16. Employment	Number of Citizens	
	Number of employees in managerial positions	
	Number of citizens in managerial positions	
	Number of employees in supervisory positions	
	Number of citizens in supervisory positions	
	Number of employees in clerical and operation positions	

	Number of citizens in clerical and operation positions	
17. Staff Development and Training	On average how many of your staff are trained annually	
	On average, how many of the citizen staff do you train annually	
	On average, how much do you spend on staff training (<i>in pula</i>)	
	Types of Training Technical Administrative Operational Others please state _____ _____ _____	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
18. On the average, how much tax does your company pay annually?		
19. On the average how much does your company spend annually on the following (<i>in pula</i>)	Rent paid to landlords	
	Transportation of goods/stock	
	Vehicle running and maintenance	
	Electricity bills	
	Water bills	
	Telephone bills	
	Postal services (including courier services)	
	Payment for waste and refuse removal	
	Internet	
	Others please state: _____ _____	

20. Approximately, how much does your company spend annually on the purchase of goods?	
--	--

21. Who are the major suppliers of your stock?	Supplier	Country, Location

22. What percentage of your stock was “Made in Botswana”? _____ %

23. Why is procurement in Botswana low/high?

24. (a) Have you assisted or developed a local supplier (s) for products you sell?			Yes <input type="checkbox"/>	No <input type="checkbox"/>
(b) If yes, please state.	Names	The Goods they supply	Form of assistance given to the local supplier (s)	
25. (a) Do you know of any of your former employees who have set up their own businesses?			Yes <input type="checkbox"/>	No <input type="checkbox"/>
(b) If yes, please state.	Type of Business	Form of assistance given to the employees		
26. (a) Have you invested in any other business in Botswana?			Yes <input type="checkbox"/>	No <input type="checkbox"/>
(b) If yes, please state.	Names of business	Type of business	Amount of capital invested	

27. How do you normally get customers/potential customers to know about your business?

28. On the average, how much does your company spend promoting its business through the following media?	
Print media (newspapers, magazines, etc)	
Radio	
Television (BTV, GBC etc)	
Sponsorship of social, cultural, and sport events	
Total expenditure on promotion	

29. What else do you do to attract customers?

30. (a) Do you have any special deals or terms for resellers (street vendors, tuck shops etc) of your products?		Yes <input type="checkbox"/>	No <input type="checkbox"/>
(b) If so, what deals?			
31. Do you use any information and computer technology for any of the following activities? (Probe for software used?)	Activity	Information and computer technology used	
	Price tagging		
	Check out on purchased goods		
	Stock ordering		
	Stock management		
	Online purchasing		
	Security		
	Others please state:		
32. How much have you spent on acquiring such information and computer technologies/software in the last three years (in pula)			
34. What is your opinion on the impact of the following government policies on retail trade in Botswana?	Government Policies	Opinion	
	Company registration		
	Value Added Tax (VAT)		
	Import of merchandise		
	Duties paid on imported merchandise		
	Government employment policies		
	Trading hours		
	Sale of shopping bags		
	Minimum wage regulations		
	Company tax		
	Others Please State		
	35. What changes do you think the Government needs to do in order to increase the contribution of retail trade to the following in Botswana?		
Employment, Poverty Alleviation, Citizen Empowerment, Creating new businesses			
Others please state:			

36. What challenges do you think face retail trade in Botswana?
