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A Value Chain Analysis of the Formal and the Informal Economy: A Case Study of South African Breweries and Shebeens in Soweto

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A research report submitted to the Faculty of Humanities, University of the Witwatersrand, Johannesburg, in partial fulfilment of the requirements for the degree of Master of Arts (Industrial Sociology).

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Abstract

South African Breweries Limited (SAB) is the dominant player in the beer market within the South African economy. The company owns 95 per cent of the market. This astounding dominance in the market is strongly linked to the informal economy. Over 82 per cent of SAB beers are consumed in illegal shebeens in townships like Soweto. During the height of apartheid, SAB went against the apartheid government and formed illegal relationships with township shebeens in order to increase their market in these areas. Thus, SAB was instrumental in the expansion of the informal retailing of beer in shebeens. SAB also grew from this informality. The very backbone of SAB is the township market, which is called the quarts (the 750 ml bottled beer) market. Even at present SAB uses shebeens to increase its market share. Given this, there is a clear relationship between the formal and the informal economies. The main reason that SAB initiated relations with shebeens was because these enterprises formed the most crucial part of their value chain. The value chain analyses demonstrate the linkages between the formal and the informal economies through a case study of SAB and shebeens in Soweto.

Declaration

I declare that this research report is my own work. It is submitted for the degree of Master of Arts (Industrial Sociology) in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any other degree or examination in any other university.

_____

Mariane Tsoeu

_____ day of _____, 2009

I dedicate this work to my parents, Nonhlanhla and Elias Tsoeu,

and to my grandmother, Mme Nneheng Tsoeu.

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List of Acronyms and Abbreviations

ANC	African National Congress
BBBEE	Broad-based Black Economic Empowerment
BCEA	Basic Conditions of Employment Act
BER	Bureau for Economic Research
BoP	Bottom of Pyramid
BOP1	Best operating practice
CC	Close Corporation
COD	Cash on Delivery
DoL	Department of Labour
DTI	Department of Trade and Industry
FAWU	Food and Allied Workers' Union
GCC	Global commodity chain
GEAR	Growth, Unemployment and Redistribution [strategy]
ILD	Institute for Liberty and Democracy
ILO	International Labour Organisation
ILOLEX	[database of international labour standards]
LFS	Labour Force Survey
LRA	Labour Relations Act
MEC	Member of the Executive Committee [of a province]
NPD	New Product Development
PBS	People's Balance Sheet
PSS	Production Support System
R&D	Research and development
RDP	Reconstruction and Development Programme
SAB	South African Breweries Limited
SABHF	South African Breweries Hop Farms
SACCAWU	South African Commercial, Catering and Allied Workers Union
SALTA	South African Liquor Trade Association

SARS	South African Revenue Services
SATAWU	South African Transport and Allied Workers Union
SETA	Sectoral Education and Training Authority
SME	Small and medium enterprises
SPSS	Statistical Package for Social Sciences
StatsSA	Statistics South Africa
SWOP	Sociology of Work Unit
TETA	Tourism and Hospitality SETA
TI	Training Institute [SAB]
UIF	Unemployment Insurance Fund
UNISA	University of South Africa
US	United States
VIP	Very Important People [promotion parties hosted by Brandhouse]