

F.E.M. RESEARCH

Socio-Economic Impact Study on Public Viewing Areas

Report 2: Vendor Analysis

User

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This report is aimed at assessing the economic impact of the various Fanjols conducted in the greater Western Cape area.

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FOREWORD

To celebrate the 2010 FIFA Soccer World Cup, the Department of Cultural Affairs and Sport provided non-commercial public viewing areas (PVAs). Called Fanjols, five districts outside of the Western Cape Metropole hosted these PVAs. The PVAs were subject to both local and national regulations as well as FIFA regulations for non-commercial PVAs. The objective of the PVAs was to provide people outside of the metropole with a world cup stadium experience. At each PVA there was a screen for world cup soccer match screenings and local entertainment for the audience.

However, the Department of Cultural Affairs and Sport also wanted to provide the local economies with a boost and so local service providers and entrepreneurs were invited to tender for the fanjols. In order to ascertain whether local economies did indeed benefit, the Department of Cultural Affairs and Sport tasked FEM Research to perform an analysis of the financial performance of service providers and vendors to determine the impact of the Fanjols on these service providers, vendors, and the larger community.

The objective of this research is to assess the social and economic impact of the fanjols on the local economies and surrounding communities. This assessment includes an analysis of the quantitative data such as the financials and the qualitative such as the audience satisfaction survey responses. From the data analysis it is possible to provide an assessment of the fanjols.

These assessments have been compiled into three reports. The first report is an economic impact assessment of the fanjols in general as well as an economic impact assessment of the fanjols for participating service providers. The second report focuses on the entrepreneurs or vendors that participated in the fanjols. This report discusses both their experiences and the economic impact of the fanjols on them. The third and final report is a satisfaction assessment of the audiences that attended the fanjols in the various districts.

1. INTRODUCTION

One of the objectives of the Fanjols was to provide local entrepreneurs and small businesses with the opportunity to benefit financially from the FIFA Soccer World Cup. The Department of Cultural Affairs and Sport tasked FEM Research to perform an analysis of the financial performance of service providers and vendors to determine the economic impact of the Fanjols on these entrepreneurs.

The objective of this report is to assess the economic impact of the Fanjols on the local economies and surrounding communities. This assessment includes an analysis of the quantitative data such as vendor financials and qualitative data such as vendor responses. From the data analysis, it is possible to provide an assessment of the Fanjols.

This report comprises of a vendor analysis that considers the impact of factors such as the Fanjol area, entity age, legal status, mixture of goods sold, number of employees, and the skill level of people involved with the entity on the profitability of vendors. Using the return on investment as measure of the economic gain that the vendors experienced, and dividing the group into experienced and inexperienced vendors, the analysis determines that the mixture of goods sold by the vendors and the area in which it is situated potentially influenced the returns received by vendors.

1.1. LOCATION OF FANJOLS

Within the Western Cape there are six local districts; these are the metropole, the Cape Winelands, the Overberg, the central Karoo, the West Coast and the Eden district. The five fanjols were hosted outside of the metropolitan area and the following towns were chosen as hosts;

1. Beaufort West (Central Karoo)
2. Bredasdorp (Overberg)
3. George (Eden)
4. Louwville, Vredenburg (West Coast)
5. Worcester (Cape Winelands)

The choice of the location was based on the following criteria;

- Security
- Size
- Proximity
- Access points- both entry and exit
- Ability to meet FIFA regulations

Added to this, towns within each district lobbied for the opportunity to host a fanjol and while some towns were obvious choices due to resources and proximity to the target audience others were

determined¹ by the effectiveness of lobbying activities. Examples of this were: Beaufort West which was the only option for the central Karoo, while Bredasdorp had good infrastructure in place although they were not ideally situated. George however was not the first choice but due to a number of deciding factors, the fanjol was hosted there. Prior to the fanjol in Vredenburg the Louville stadium received an R 1 000 000 upgrade and the Worcester venue was chosen over Paarl as the Winelands venue.

1.2. PLANNING AND PROCESS

The planning period for the fanjols was a three year process and the total cost was an estimated R 16 000 000. Each venue was provided with a sum of R 1000 000 from DCAS and a standard list of requirements was produced for each. The screens for the matches were provided by the department and four of the five fanjols had sponsorships. The main sponsor was Coca Cola, sponsoring a stage and equipment for three venues, namely Bredasdorp, Vredenburg and Worcester. George was sponsored by MTN South Africa and a stage and crew was provided.

Local municipalities were responsible for marketing and attracting audiences to the events as well as selection of local artists and entrepreneurs. The local entrepreneurs were invited to tender for the fanjols and the final applicants were selected from the process. The municipalities were also given the option of closing down any fanjol that was not attracting numbers and audiences; however none of the fanjols were closed for this reason. Each fanjol was open for eight days and it was noted that the fanjols received higher numbers on South African match days and after their elimination the attendance figures dropped significantly.

Due to the FIFA regulations² the fanjols had to pay licensing fees as well as adhere to certain rules and regulations pertaining to non commercial PVAs. An overview of the regulations is;

- No entrance or admission fee to be charged
- No sponsorships or endorsements or commercial rights of association with FIFA
- No commercial gain from the event for the organisers
- Broadcasts of matches must be in real time (live) and relevant licenses must be obtained by organisers
- Sale of beverages and food by third parties are permissible

Transport was also provided for members of local surrounding communities and areas in each district to increase the access to fanjols. The numbers of people that were expected to attend the fanjols was far greater than the actual figures and the attendance is discussed in the following section.

¹ M. Worsnip "Appendix A"

² FIFA Regulations for non-commercial public viewing exhibitions accessed at www.fifa.com on 2010/09/23

1.3. ATTENDANCE AT FANJOLS

The total number of people that attended the five fanjols was 121 240. The fanjol that received the highest number of people was Worcestor with a 39 percent of the total attendance. This was followed by Vredenburg with 19 percent and George with 18 percent. The fanjol that performed most poorly in attendance figures was Beaufort West. The percentage of the attendance per fanjol is illustrated below;

Percentages of total attendance

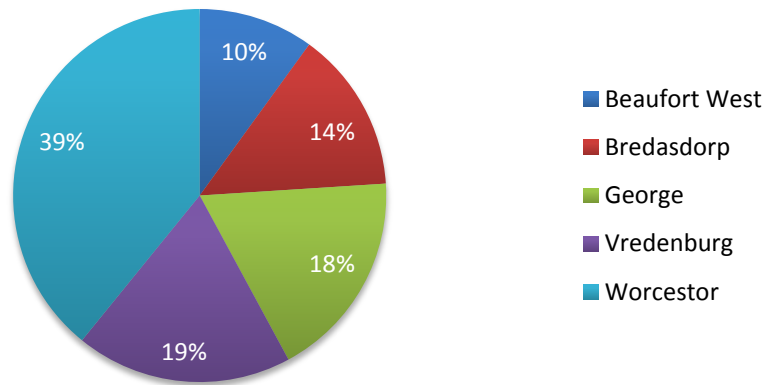


Figure 1: Percentages of total attendance per venue

The attendance figures per fanjol can be seen in the graph below;

Attendance Figures per Fanjol

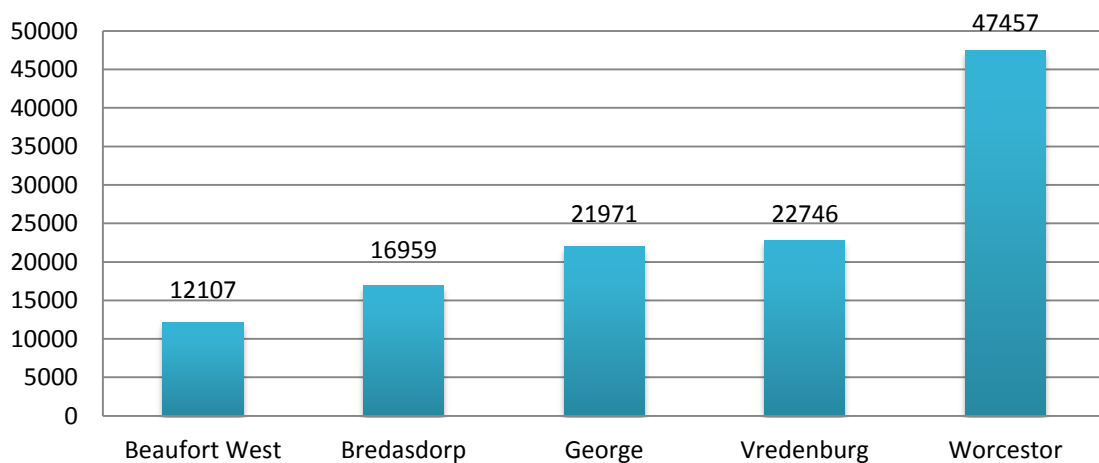


Figure 2: The total attendance figures per venue

The attendance figures for the fanjols varied per venue and per match screening day. It was noted that attendance was higher on the days that the South African team was playing and that after they were eliminated the figures dropped drastically. The one venue that experienced a relatively constant attendance figure was Worcester.

The number of people attending the fanjols was recorded by means of a clicker system. People entering were clicked in and people exiting were clicked out, the total leaving was subtracted from the total entering and the figures were recorded at 1PM, 4PM and 8PM. The following tables provide a breakdown of these totals for each venue. These figures were recorded for the eight days that the fanjols were open.

Beaufort West attendance figures can be seen in the graph below:

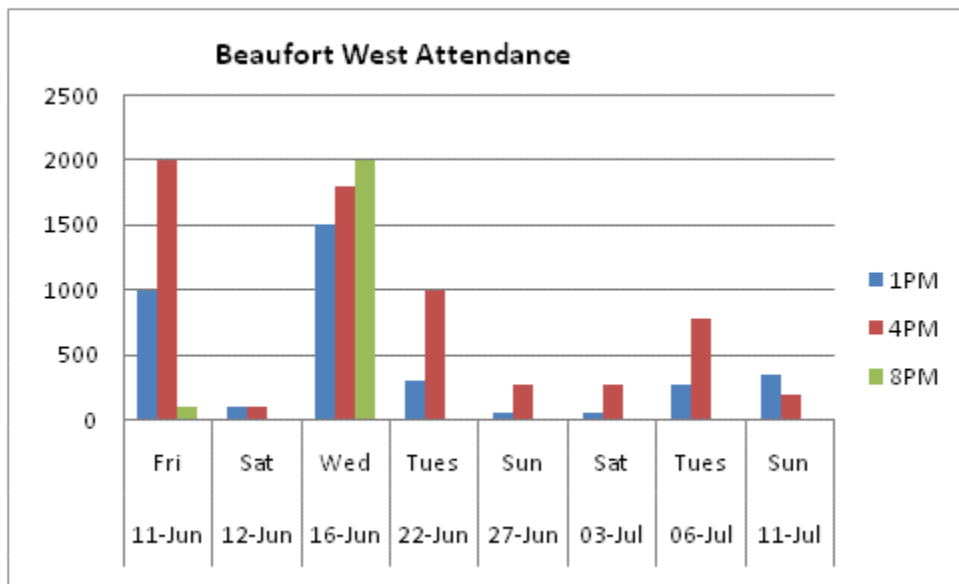


Figure 3: Attendance figures for Beaufort West

Bredasdorp attendance figures can be seen in the graph below:

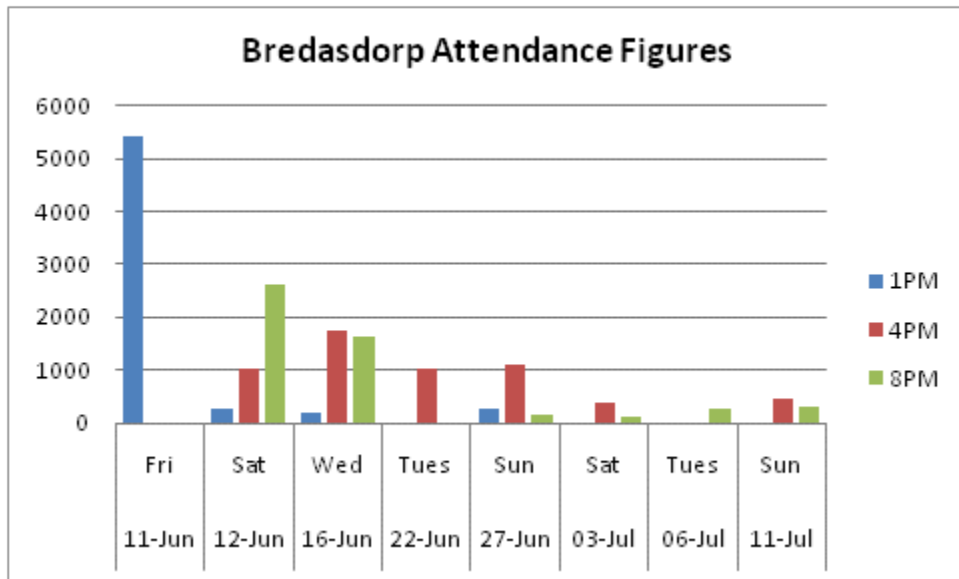


Figure 4: Attendance figures for Bredasdorp

George attendance figures can be seen in the graph below:

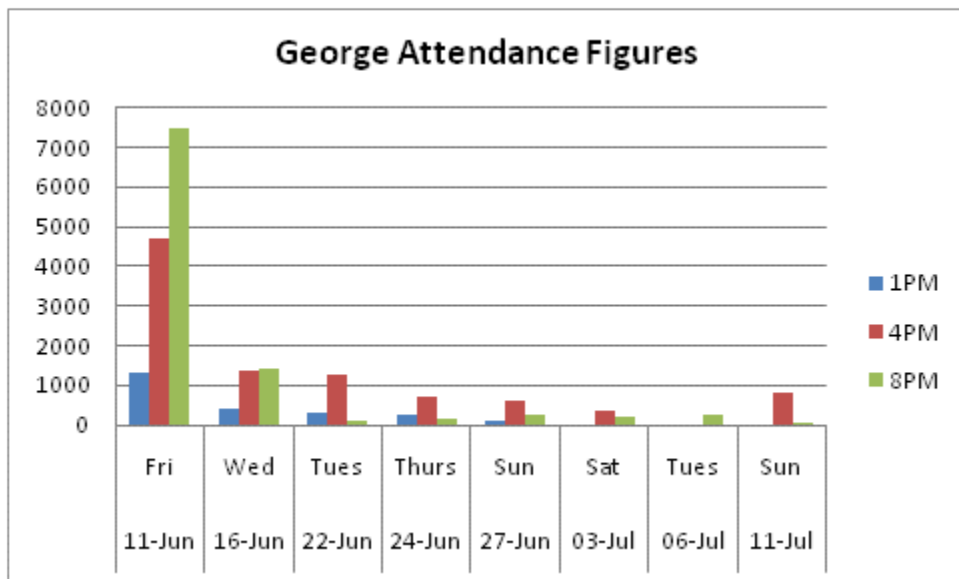


Figure 5: Attendance figures for George

Vredenburg attendance figures can be seen in the graph below:

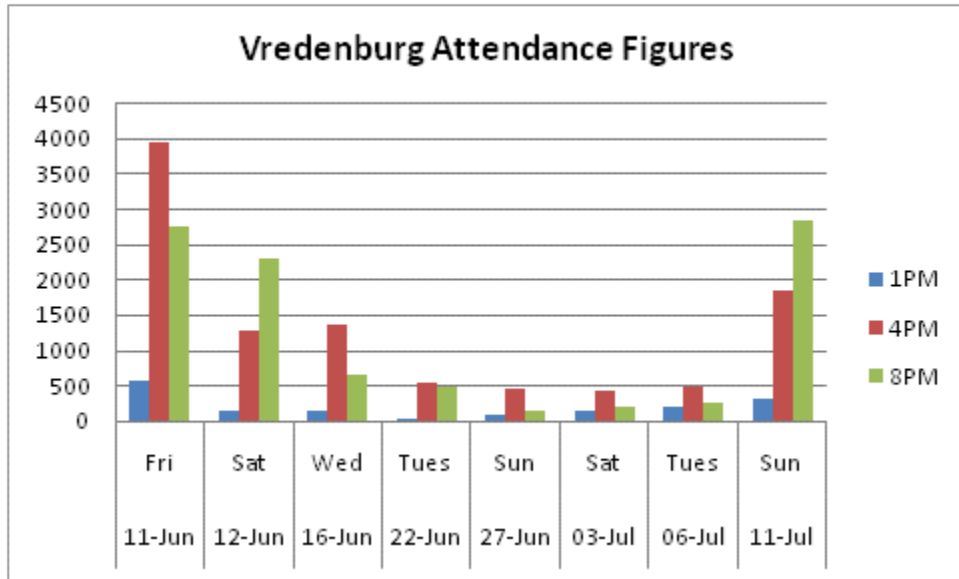


Figure 6: Attendance figures for Vredenburg

Worcester attendance figures can be seen in the graph below:

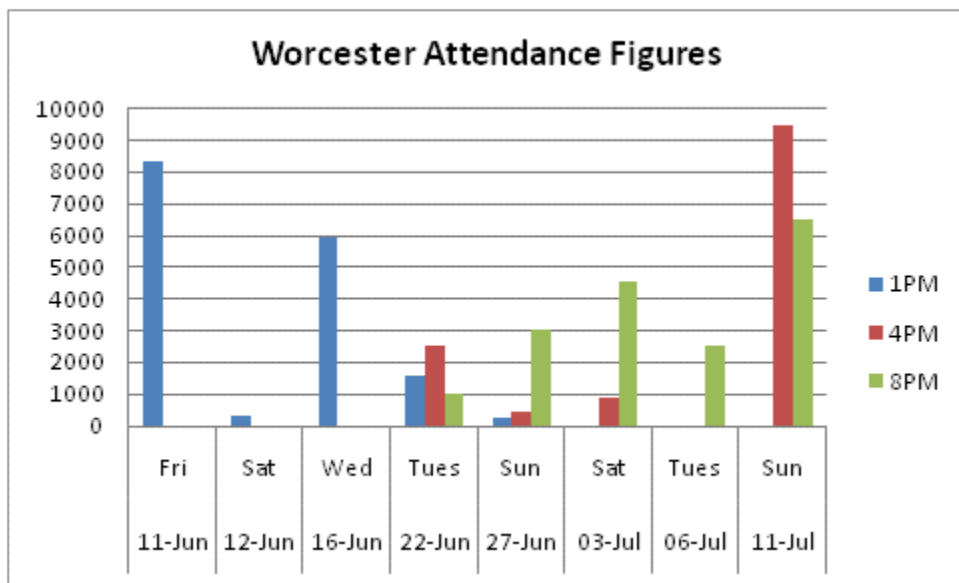


Figure 7: Attendance figures for Worcester

During the fieldwork process it was noted that a significant amount of people were leaving the fanjols before closing and thus a analysis of the reasons for this action was undertaken. Lists of reasons were compiled and the people leaving were asked to pick a reason for their departure and the numbers leaving was noted. Reasons given for leaving the fanjols:

- 1. Transport
- 2. Security
- 3. Family Responsibility
- 4. Dissatisfaction
- 5. End of Day
- 6. Food
- 7. Weather
- 8. Work
- 9. Other

Of the number of people that were willing to answer the questions the majority (37%) stated other as the reason for leaving. When asked to explain further, two reasons were provided, the first was smoking and the second was alcohol. Another reason for leaving that received a large portion of the responses (34%) was the weather. The end of day, food and dissatisfaction made up the rest of the responses. The graph below provides an illustration of these percentages:

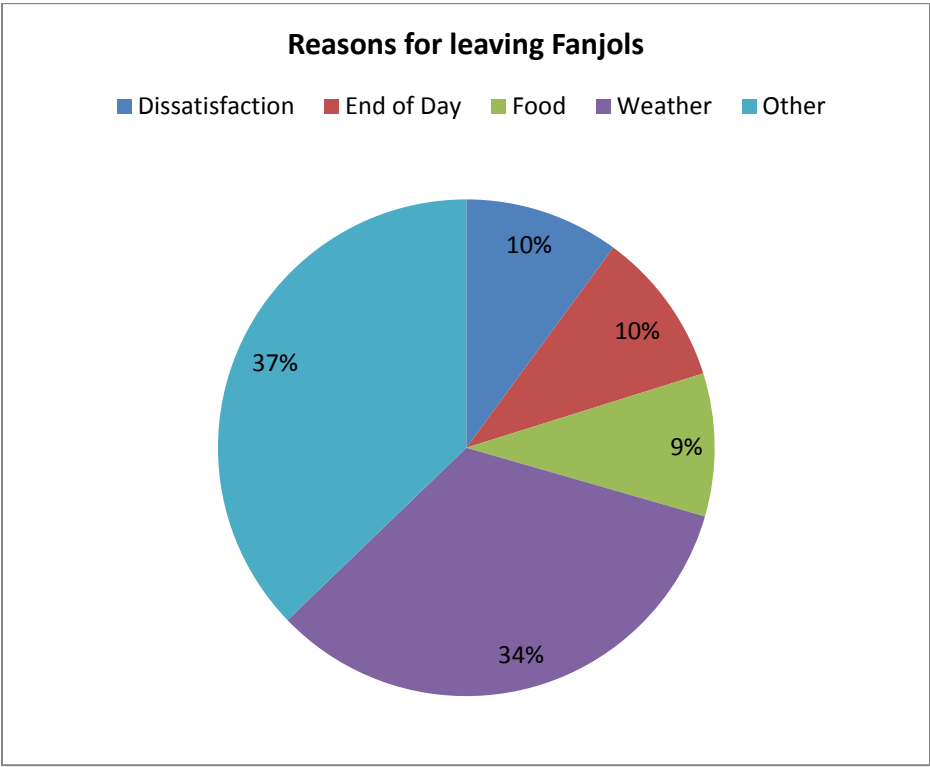


Figure 8: The reasons given for leaving the fanjols early

2. RESEARCH METHODOLOGY

The research methodology that was employed in this project consisted of three fieldwork phases. The first phase of the fieldwork was the audience satisfaction surveys; these were conducted at the various fanjols during the soccer world cup.

In collecting the relevant data relating to the Fanjol audience, a detailed and structured questionnaire was utilised. The data obtained from the questionnaire details the number of people at each venue, as well the opinions of Fanjol goers on issues relating to access, transport and areas of the fanjol which may be improved upon. The data was collected and captured and then analysed to assess the satisfaction levels of audiences at the fanjols.

The second phase of the fieldwork was to contact the entrepreneurs who included the service providers and the vendors. Both sets of entrepreneurs were interviewed using a structured questionnaire that had been developed for the fieldwork. The data was then captured and analysed to determine the economic impact of the fanjols for the entrepreneurs. The third and final phase was to obtain the budgetary information from the department and analyse the information. Once the information had been analysed and compiled it was possible to determine the social and the economic impact of the fanjols on the local communities and surrounds.

The information supplied by the vendors attending the fanjols has been compiled in this report.

2.1. SCOPE AND LIMITATIONS

The objective of this report is to determine the economic and social impact of the fanjols on the local communities; this was done through interviewing the relevant people and assessing the information that was collected. The project however was limited by the low numbers of people that attended the fanjols and the willingness of people to participate in the surveys and interviews.

3. VENDOR ANALYSIS

For the purpose of this study, entrepreneurs that applied through a tender process to sell food stuffs at the fanjols were classified as vendors. The information gathered from the surveys conducted at the fanjols aims to provide an indication of the impact that this opportunity had on vendors at the fanjols and the greater community.

Forty-one vendors from Bredasdorp, George, Vredenburg, and Worcester were interviewed telephonically. FEM Research sourced the vendor contact information during fieldwork conducted to determine spectator satisfaction. A lack of contact information for vendors from Beaufort-West meant that no interviews occurred. Of the original sample, 34 vendors (82.93%) were willing to participate and 70.59% of them were willing to provide financial information.

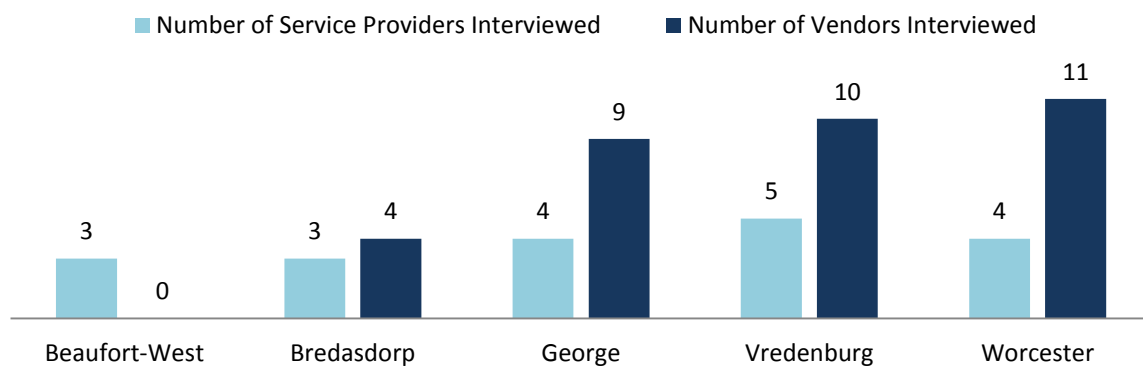


Figure 9: Number of entities interviewed

The graph below shows the number of vendors and service providers interviewed from the different Fanjol venues.

The following sections outline the responses received from them during the interviews in the fieldwork phase of the project as well as the financial analysis that followed.

3.1 GENERAL INFORMATION

The majority, 79.41 percent, of the vendors interviewed were the owners of the stalls and 82.35 percent were sole proprietors. The three most popular goods sold by vendors were hotdogs, hot chips and Simba chips. In addition, 47.06 percent of the 34 vendors were in business for less than a year by the end of August 2010, with 13 new entities created specifically for the fanjols. Furthermore, 76.47 percent of the 34 vendors interviewed stated that they would continue with their businesses. Moreover, the Information provided in this section does not reflect vendor information from Beaufort-West, as there was no contact information provided.

3.1.1 PERSON INTERVIEWED AND LEGAL STATUS

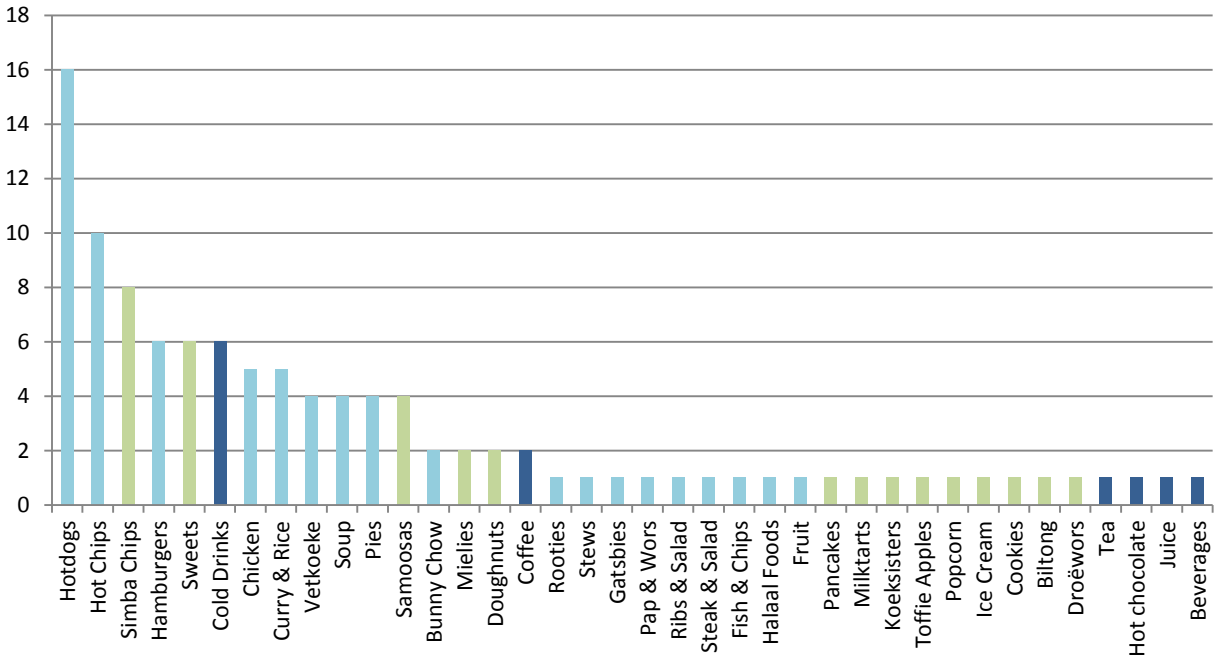
Of the 34 vendors interviewed, 27 were stall owners, four were co-owners, two were managers, and one was a stall co-coordinator for a local church.

In addition, sole proprietors represented 82.36 percent of the vendors interviewed, with Bredasdorp having only sole proprietors. Closed corporations and Section 21 companies (two church groups) are the second most common (11.76%) with each representing two of the interviewees. The remainder of the other group (5.88%) was a franchisee, and a stall owned by the Worcester municipality.

3.1.2 CORE WORK CONDUCTED

Information gathered from vendors indicates hotdogs outperformed other food items in sales and popularity among vendors. However, the increasing amount of vendors selling the same items led to price competition which decreased the profitability of the food item.

In following order of popularity, 16 vendors sold hotdogs, ten vendors sold hot chips, eight vendors sold Simba chips, and six vendors sold hamburgers, sweets or cold drinks. The graph on the following page illustrates how many vendors across four Fanjol areas sold a specific type of vendor good. The bars in light blue are food, the ones in light green are snacks and the bars in dark blue are beverages.



3.1.3 AGE OF VENDING ENTITIES

The Fanjols led to the creation of 13 vending entities with Worcester having the highest percentage of entities created, and 70.47 percent of the vendors stating that they will continue with their businesses after the fanjol. Of the sample of 34 vendors, 50 percent had been in business for one year or less by August 2010.

As shown in the graph on the following page, 47.06 percent of the vendor entities had been established for less than a year by August 2010 and another 29.41 percent had been vending for between one and four years. Vendor entities from George, Vredenburg and Worcester have varied ages ranging from the two months to ten years, with a Vredenburg vendor that has been in business for 25 years. Bredasdorp is an exception, with most of its vendors at the lower range with three out of the four interviewees indicating an age of two or three months, and one vendor with two years worth of experience.

Age of vending entities

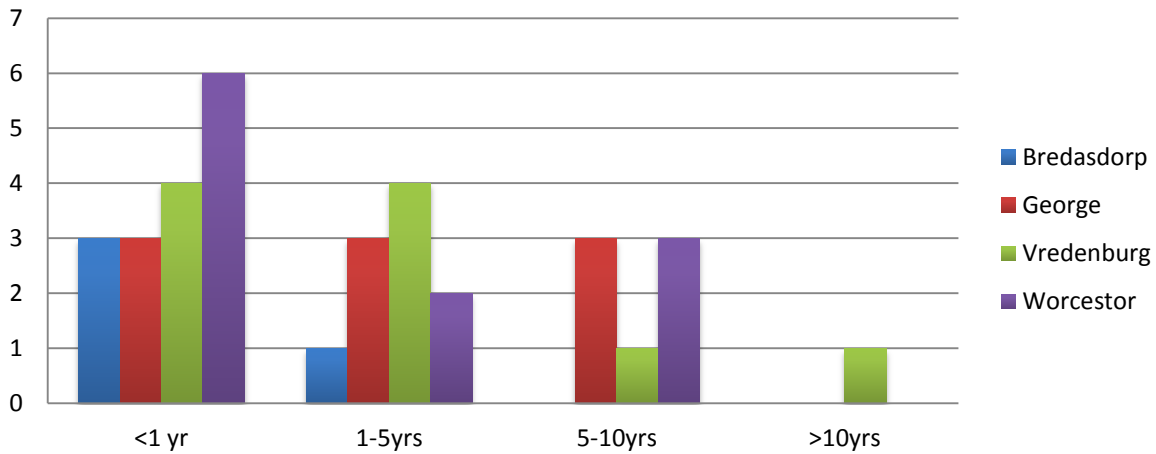


Figure 10: Age of vending entities in the different Fanjol areas

3.1.4 CONTINUATION

At the start of the Fanjol, 21 of the 34 vendors had previous vending experience, after the Fanjol 26 indicated a willingness to continue with their business. Six out of the thirteen new vendors said they would continue after the fanjol and one of the established vendors said they would not. This means that the total number of vendors have increased by 23.82 percent. This is from a low base, as the original pool size was 21 vendors, but shows that more people now consider entrepreneurship as a means of gaining income. This could have a positive impact for the growth of entrepreneurship within the fanjol areas.

The eight vendors that will not be continuing represent the sum of a loss of two vendors each from Bredasdorp, George, Vredenburg and Worcester. Bredasdorp, however, only had four vendors interviewed, so this means that half of its vendors interviewed will not be continuing, but George, Vredenburg and Worcester had 9, 10 and 11 vendors interviewed respectively, so the sample from Bredasdorp might simply be too small to be representative of all Bredasdorp vendors.

3.1.5 THE IMPACT OF LEGAL STATUS, AGE AND CORE WORK ON VENDOR ENTITY SUSTAINABILITY

Sixteen (47.06 percent) of the vendor entities have been established for less than a year by August 2010, this includes 13 first time vendors and 3 newly established vendors. Six out of the 13 first time vendors would continue on, and all three of the vendors in business for less than a year – a total of nine out of

16. For the more experienced vendors (a year or more of experience), 17 out of 18 will be continuing. This means that of the group of 34 vendors, 76.47 percent will continue.

Hotdogs played a commanding role as the product sold by the most vendors, with 47.05 percent of them selling the food item. Furthermore, ten vendors sold hot chips, another eight vendors sold Simba chips, and six vendors sold hamburgers, sweets or cold drinks. The high concentration of vendors selling hotdogs and hot chips is said by vendors to have been a response to the popularity of these goods among Fanjol attendees and the low revenue generated on their assigned food items.

The impact of the food and/or beverages sold on whether the vendor will continue is inconclusive. Financial information for six out of the eight vendors that will not continue is available and half made a profit. Three (which includes two of the profitable vendors) out of the eight that commented why they will not be continuing mentioned that the scale of other events simply are not large enough to prove attractive enough to them. From this it can be gathered that at least three out of the eight will not be continuing because they are practicing vending as an additional revenue stream and not their sole source of income. Section 3.3 also addresses the link between food and beverages sold by vendors and its impact on their return on investment.

From the vendors that stated that they would not be continuing, all were sole proprietors, but sole proprietors were 28 (82.36%) of the 34 interviewed. This result is expected as the other six (17.64%) vendors interviewed were closed corporations, section 21s, a franchisee and a municipal stall which are represent more robust and established vendors.

3.2 EMPLOYMENT, SKILLS AND PROFIT

A total number of 114 people employed through 34 vendor stalls during the Fanjol period, an average of 3.35 employees per vendor, of which, 23.8 percent were either highly skilled or had studied further than matric. In addition, the total costs incurred by the vendors amounted to 72.89 percent of the total turnover of vendors (R114,550.50), representing an average profit of R1,293.98 across 24 of the vendors. Furthermore, the four main categories of input costs include stock, wages, capital investment and other expenses. Moreover, the Information provided in this section does not reflect vendor information from Beaufort-West, as there was no contact information provided.

3.2.1 NUMBER OF EMPLOYEES AND SKILL LEVELS

Sixteen of the 34 vendors (47.06%) interviewed indicated that they had employed two or less people while another 32.35 percent indicated that they had employed three or four people during the Fanjol period.

The graph below shows the number of vendors per area that have a certain number of employees. Worcester had a large variance in the number of employees involved with vendor operations, ranging from one to ten people. George and Vredenburg vendors on the other hand have employee number between two and five with vendors with two employees representing 60 percent of the Vredenburg sample and 55.56 percent of the George sample. Bredasdorp vendors either had two or four employees.

Number of employees by vending entity

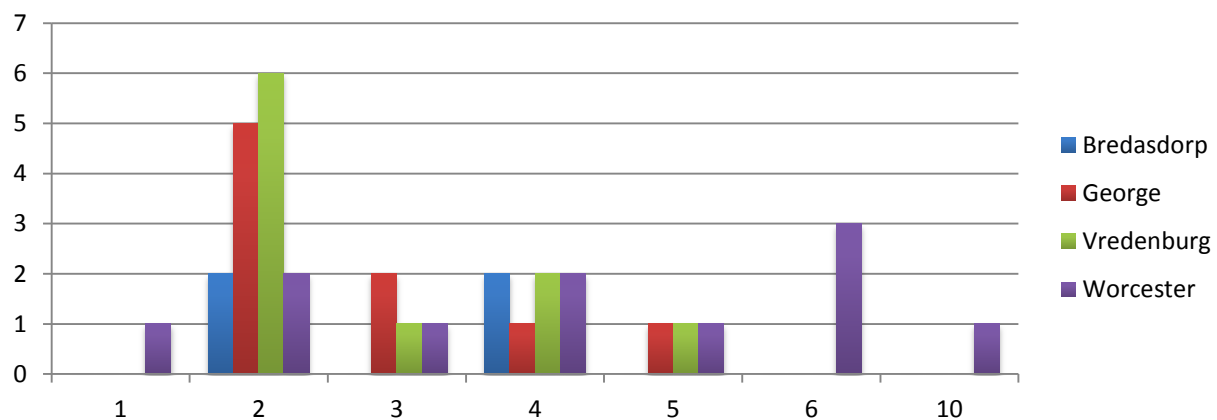


Figure 11: The number of employees by vending entities per area

The skill level of vendors and their employees varied across Fanjol areas, with eight (23.53%) of the 34 vendors stating that 50 percent of their employees were highly skilled while 47.06 percent stated that none of their employees were highly skilled. Of the 13 vendors who created their stalls specifically for

the fanjol, 76.92 percent had not studied further than matric (nor had their employees). This is in contrast to the experienced vendors, of whom only 71.43 percent had studied further than matric.

3.2.2 PROFITABILITY

The financial information used for this section is based on a sample of 24 vendors: seven vendors from George, Vredenburg and Worcester each, and three from Bredasdorp. The total turnover produced by 24 of the vendors for four of the five fanjols amounted to R114,550.50, with an average turnover of R4,800. Worcester (R59,200.50) sold more goods than Bredasdorp (R12,300), George (R26,855), and Vredenburg (R16,195) combined. The large number of supporters that attended the Worcester Fanjol can partly explain the turnover performance of Worcester vendors.

From the data provided it was determined that 50 percent of vendors had a turnover of less than or equal to R3,000 for the period. Given that on average, goods sold for R10 each, and the fanjols was eight days, this means that for 50 percent of the vendors, approximately 40 food items were sold per day per vendor.

The total cost incurred by 24 vendors across all fanjol areas (except Beaufort-West) was R83,494.90, with the an average cost of R 3,478.95 per vendor. The costs faced by vendors varied across vendors and Fanjol areas, but for the group as a whole, 50.00 percent spent between R0 and R3000 on inputs and an additional 37.50 percent spent between R3,001 and R,6000.

The table below offers an overview picture of the average turnover, cost and profit (or loss) performance of vendors within the four Fanjol areas surveyed.

Fanjol	Ave. T/O	% of Ave. T/O	Ave. Cost	% of Ave. Cost	Ave. Profit/Loss
Bredasdorp	R 4,100.00	21.92%	R 1,333.33	10.51%	R 2,766.67
George	R 3,836.43	20.51%	R 4,242.06	33.43%	R -405.63
Vredenburg	R 2,313.57	12.37%	R 2,414.29	19.03%	R -100.71
Worcester	R 8,457.21	45.21%	R 4,700.07	37.04%	R 3,757.14
TOTAL	R 18,707.21	100.00%	R 12,689.75	100.00%	R 6,017.47

Figure 12: Table summarising the average turnover, cost and profit or loss of vendors from the different Fanjol areas

George and Worcester were the only Fanjols that had vendors who earned between R8,000 and R20,000, but four out of the five vendors that achieved this feat were from Worcester. Sixteen of the 24 vendors (66.67 %) willing to provide financial information indicated earning between R0 and R5,000 in turnover. All seven Vredenburg vendors interviewed earned between this band. While Vredenburg had the same number of vendors as both George and Worcester, but on average the vendors in Vredenburg generated smaller incomes from their sales. The venue with the smallest total turnover was Bredasdorp but only three vendors provided financial information compared to Vredenburg and George's seven each.

Bredasdorp had three vendors give financial information whilst George, Vredenburg and Worcester all had seven. The impact of this is more evident when averages are used, which weights the totals and gives a more even handed impression of the financial performance of the vendors from the different Fanjol areas. Adjusting for the differing size of the samples used, a different image emerges with Bredasdorp vendors' turnover and cost influence and its share of total profitability doubling. Although the rest of the venues have similar impact since they all had seven vendors representing them, only Bredasdorp was disadvantage in terms of totals by being represented by only three vendors.

What is clear, is that Bredasdorp and Worcester vendor groups were the most profitable groups and in terms of a one for one vendor comparison (using average performance) Worcester made almost a R1,000 more during the fanjol period. However, Bredasdorp vendors' high average profitability is largely driven by the low average cost paid to their suppliers – it is the lowest amongst the different areas and is equal to almost a third of the turnover, whereas Worcester vendors' cost were almost half on average.

3.2.3 IMPACT OF THE NUMBER AND SKILL LEVEL OF EMPLOYEES ON PROFITABILITY

The table below documents the average turnover, cost, profit, number and percentage of skilled employees per Fanjol area.

Fanjol	Ave. T/O	Ave. Cost	Ave. Profit	Ave. Size	Ave. Skill
Bredasdorp	R 4,100.00	R 1,333.33	R 2,766.67	2.67	25.00%
George	R 3,836.43	R 4,242.06	R -405.63	2.43	19.64%
Vredenburg	R 2,313.57	R 2,414.29	R -100.71	2.71	25.00%
Worcester	R 8,457.21	R 4,700.07	R 3,757.14	4.43	25.71%
Vendor Ave.	R 4,772.94	R 3,478.95	R 1,293.98	3.13	23.65%

Figure 13: Table summarizing average turnover, cost, profit, number of employees and skill level of vendor entities

As shown by the table above, Worcester is the only area with a turnover average higher than the overall vendor average. In addition, Worcester and George have costs higher than the average, this makes sense for Worcester due to its above average turnover, and for George due to the loss experienced by the average vendor. Worcester and Bredasdorp both have above overall vendor average profit. In terms of number of employees, Worcester is the only Fanjol area that achieved a higher than overall area average and this is mostly influenced by it having overall vendor group outliers like two vendors with six and ten employees respectively. George is the only area that had an area average level of skilled employees less than the overall vendor average.

Analyzing the impact of the average number and skill level of employees on average turnover, cost and profit, now a clear pattern exists between the financial information and the number and proportion of skilled employees. Worcester could prove the relationship as it has the highest average number and

highest average proportion of skilled employees, and achieved the highest average turnover, cost and profit. However, George vendors had the lowest average number of employees and the lowest proportion of skilled employees, yet it had the third lowest average turnover (a close third) and the second highest cost.

3.3 FINANCIAL ANALYSIS

This section, in addition to sections 3.1 and 3.2, show that measures of success like the age of the entity, its legal position, the number size of the entity as measured by the number of employees, and the percentage of highly skilled staff have showed little or no relationship to the ROI achieved by 24 of the vendors interviewed.

This section shows information obtained from data gathered about the difference in financial impact among experienced and inexperienced vendors. Experienced are classified as vendors that have been in business before the Fanjol came to their town and the inexperienced vendors are classified as those that started vending because of the Fanjols.

Total turnover of experienced vendors was R 75,670.50, almost twice that of inexperienced vendors (R 38,880.00), but so were their costs (R 56,149.90 and R 27,345.00 respectively). In addition, the experienced vendors' sample size was 14 vendors compared to the inexperienced vendors' ten – the difference of four is equal to 40 percent of the number of inexperienced vendors interviewed. The experience vendors tended to have a greater proportion of highly skilled employees, with 28.57 percent had no skilled employees compared to the inexperienced vendors' 80 percent. Moreover, amongst experienced vendors, only 28.57 percent of them made losses, compared to half of the inexperienced vendors.

3.3.1 RETURN ON INVESTMENT

This section includes an overview of the return on investment received by vendors, the comparison of the characteristics and financial performance of experienced and inexperienced vendors, the impact of the fanjols on suppliers and the community, and lastly an overview of what the information gathered is telling us. Moreover, the information provided in this section does not reflect vendor information from Beaufort-West, as there was no contact information provided.

Calculating the return on investment (ROI) requires taking the profit (total turnover minus total cost) and dividing it with the total cost – giving a clearer picture of how much a vendor received in return for the input costs incurred to sell the food or beverages.³

The total profits of 24 of the vendors interviewed was R31,055.60, representing a ROI of 37.19 percent. However, the average ROI experienced is 91.19 percent, this implies that the distribution is skewed to the right, and that most of the vendors made a return greater than 37.62 percent.

The table below shows the average and median ROIs of vendors from the different areas compared to the overall ROI performance of the 24 vendors across all four Fanjol areas.

³ E.g. if the tender was valued at R1,000, and the costs were R500, the profit would be R500, and the ROI would be 100% since the service provider made R500 profit from a R500 investment.

Area	Bredasdorp	George	Vredenburg	Worcester	Overall
Average ROI	246.67%	-15.19%	123.51%	98.60%	91.19%
Median ROI	140.00%	-15.38%	-9.44%	90.21%	37.62%

Figure 14: Average and median ROIs for vendors from different areas

The eight (33.33%) vendors who had the highest ROI do not include any vendors from George, but vendors from Vredenburg, Bredasdorp, and Worcester feature evenly. However, the bottom eight (33.33%) include only vendors from George and Vredenburg.

Overall, George vendors had the lowest ROI among the four Fanjol areas with its seven vendors receiving an average ROI of -15.19 percent. Worcester and Vredenburg vendors placed third and second respectively with ROIs of 98.60 percent and 123.51 percent respectively. Unlike the other areas who have seven, financial information for only three of Bredasdorp’s vendors is available, but based on their information Bredasdorp vendors as a group did the best in terms of ROI with an average ROI of 246.67 percent. This amount could be significantly less if more financial information were available for Bredasdorp, as one out of the three had an ROI of 500 percent and the other two, 100 and 140 percent. Vredenburg’s average ROI of 123.51 also benefited by the outlier ROI performance of 900 percent.

3.3.2 EXPERIENCED VENDORS

The experienced vendor group consisted of 14 vendors (for whom financial data was available) who did not start their business because of the Fanjols. Experienced vendor ROIs varied between the Fanjol areas. Gaining insight into why only certain vendors did well required that experienced and the inexperienced vendors be separated into groups, then ranked according to ROI performance and then divided into four parts. Following this, a vendor selection of the highest and lowest performing ROI and two vendors equally spaced between these two extremes served as points of comparison within the two distinct groups (experienced and inexperienced) but also between the groups.

The experienced vendor achieving the highest ROI (500%) was from Bredasdorp, selling hotdogs, pies, toffee apples, Simba chips, sweets, and cold drinks. Two people owned and ran the stall, generating a profit of R 5,000.

The second point of comparison within the experienced vendor group is a Worcester vendor who achieved an ROI of 90.21 percent, selling burgers, hot chips, bunny chow, and Gatsby’s. This vendor along with nine other people ran the stall to raise funds for a local church, 80 percent of ten people involved were highly skilled, generating sales of around R17,500.50 and a profit of R8,300.

Another experienced Worcester vendor managed to achieve an ROI of 20 percent, selling hotdogs, hot chips, samoosas, burgers, 1/4 chickens, steak and salad, and soup. The vendor operated as a sole proprietor and had ten years of experience, as well as three unskilled and one skilled person (the owner)

involved with the stall. This vending entity generated R4,800 in sales and made a R800 profit during the eight days of the Fanjol.

At the lowest ROI extreme is a hotdog selling vendor from George with two years of experience, who made R3,500 loss on an R5,000 investment (an ROI of -70%). The entity was a sole proprietorship with one highly skilled and one unskilled person involved with the stall.

Comparing the Vendors from Bredasdorp and George, the Bredasdorp vendor’s venture was younger and had no highly skilled individuals involved with it. In addition, the Bredasdorp vendor sold a diverse mix of goods – hotdogs, pies, toffee apples, chips, sweets and cold drinks. The Georges vendor only sold hotdogs in at a Fanjol where seven out of the nine vendors in George said they sold hotdogs and commented on the negative impact of price competition on their profitability.

Experienced vendors had a strong preference for selling food items as opposed to snacks or beverages with 41, 14 and 6 vendors selling these categories respectively. For inexperienced vendors, the numbers of vendors selling these three categories were 24, 17 and 6 respectively. Among food items, experienced vendors tended to sell hotdogs, chips, burgers and chicken.

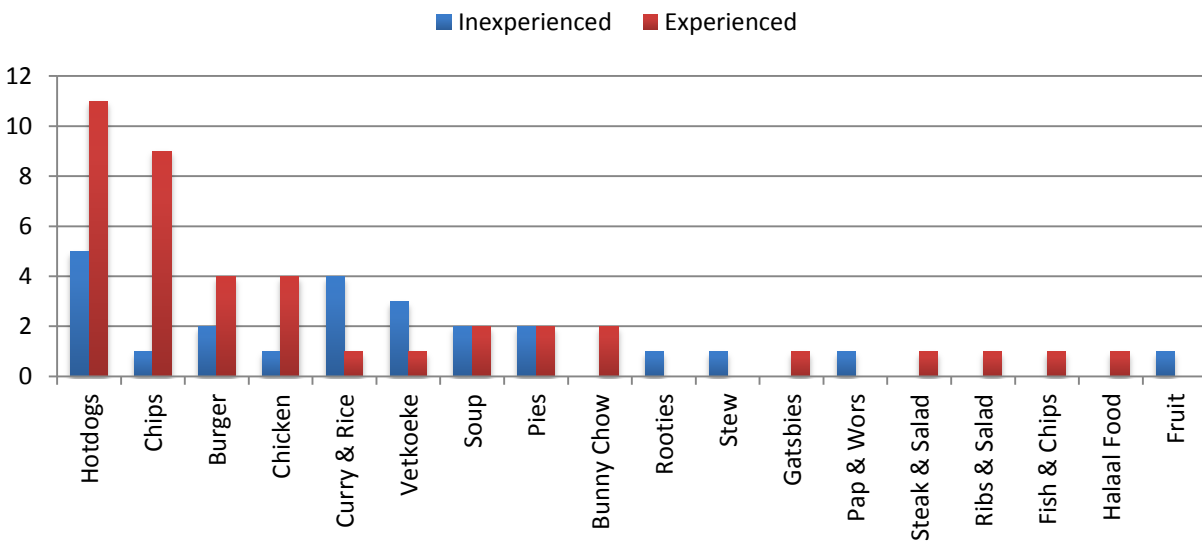


Figure 15: The number of inexperienced and experienced vendors that sold different food items

Furthermore, the physical location might have had an influence, since all three vendors interviewed from Bredasdorp placed within the top third in terms of ROI performance – George had none. The large gap between the median ROI of vendors from George and Bredasdorp, illustrated by the table below, further strengthens this view. In addition, Bredasdorp Fanjol received the lowest attendance numbers (16,959), some 22.81 percent less than George (21,971), however, this failed to favour the ROI performance of the experienced vendors in George compared to Bredasdorp.

Area	Bredasdorp	George	Vredenburg	Worcester
Number	3	4	3	4
Average ROI	246.67%	-0.60%	-12.47%	67.55%
Median ROI	140.00%	-4.25%	-9.44%	75.11%

Figure 16: Average and median ROI of the experienced vendors from Bredasdorp, George, Vredenburg and Worcester

Given information on the previous pages, the area in which vendors operated and/or the mix of goods sold might have had an impact on the profitability of experienced vendors.

3.3.3 INEXPERIENCED VENDORS

This group consisted of ten vendors who created their businesses because of the fanjol. The highest, lowest, and two in between ROI performances are used to gain insight into the performance difference among inexperienced vendors.

A vendor from Vredenburg had no highly skilled individuals involved with their stall, but had a ROI of 900% – the highest amongst all vendors inexperienced and experienced. Selling soup, curry 'vetkoek', Simba chips, and sweets, this vending entity generated R5,000 in sales from R500 in input costs.

From the third segment of the data, a Bredasdorp vendor received an ROI of 100 percent, selling hotdogs, burgers, and rooties. Two unskilled people were involved with the stall, which generated R4,500 in sales and R2,250 in profit. Even though the vendor made a profit, it was lower than expected, and the vendor will not be continuing with the business.

A vendor from George, in second segment of the data, had a negative ROI of 15.38%. Three unskilled people were involved with the stall, selling R1,100 of curry and offal, roasted chicken, and cold drinks; but with input costs totalling R1,300, the vendor made a loss of R200.

In terms of ROI, another vendor from George was the least successful, selling hotdogs, vetkoek, and curry and rice at a loss of R3,515. The stall had two unskilled people involved with it, generating a R780 turnover, but with R4,295 in expenses an ROI of negative 81.84 percent was achieved. The vendor stated that this vending entity would not continue past the Fanjol period.

Comparing the vendor from Vredenburg (ROI of 900%) with the vendor from George (ROI of -81.84 %), no notable difference exists between the two vendors' entity age, legal status, number of employees, or skill level of employees. The only prominent differences lay in geographical location and mix of goods sold.

Vredenburg's top two ROI performing vendors were both inexperienced vendors and place in the top third of all vendors. George's top two performing vendors were both experienced vendors placing in the middle third of the distribution. Inexperienced vendors from Vredenburg (4) fared better than those in George (3) with the average ROI for inexperienced vendors within these areas 225.50 percent and -

48.36 percent respectively. Taking account for the outlier performance of one of the vendors from Vredenburg (ROI of 900%), inexperienced Vredenburg vendors had a median ROI of 35 percent and George had a median ROI of -15.38 percent⁴.

Area	Bredasdorp	George	Vredenburg	Worcester
Number	0	3	4	3
Average ROI	-	-48.61%	225.50%	140.00%
Median ROI	-	-15.38%	35.00%	146.67%

Figure 17: Average and median ROI performance of inexperienced vendors for George, Vredenburg and Worcester

The impact that the specific Fanjol location might have had in terms number of attendees, facilities etc. might have been of lesser importance as the difference in attendance numbers between Vredenburg (22,746) and George (21,971) were 3.14 percent. However, the George Fanjol did not have a tent offering alcohol, which might have meant that the attendees would have stayed for a shorter period and thus spending less on buying food at the venue. This view is supported by the low attendance numbers recorded in the evenings in George (even during the finals).

Considering the influence of vendor good mix on their ROI, the Vredenburg vendor sold two food types and two snacks types: soup, curry vetkoeke, (Simba) chips and sweets. The George vendor sold three food types: curry and rice, hotdogs and vetkoeke. From the sample, two vendors sold soup in Vredenburg, but it was the only seller of curry vetkoeke in Vredenburg. In addition, two vendors sold chips and two sold sweets in Vredenburg. Furthermore, seven vendors (in the sample) sold hotdogs in George, whilst two sold vetkoeke and two sold curry and rice. Soup and curry vetkoeke were popular in the cold weather of June and July, and were some of the more affordable food items during the Fanjols, this combined with little competitors might have influenced the profitability of the Vredenburg vendor. Moreover, hotdogs were popular food items, but the competition in George⁵ made this food item less profitable as the competition drove down prices and lower volumes could be sold per vendor.

Given the above information, it might be that the area in which vendors operated and/or the mix of goods sold had an impact on the profitability of inexperienced vendors, and in the specific case of the vendor from George competition might have played a stronger role.

3.3.4 MULTIPLIER EFFECT AND COMMUNITY

The four main categories of expenses incurred by vendors were stock, wages, capital investment and other expenses. The different types of stock mentioned by vendors ranged from meat, vegetables and other foodstuffs required by the entity. Capital investment referred to by vendors included tables, chairs, gas burners and gazebos, whilst other expenses included gas, containers and petrol.

⁴The lowest of all of the Fanjol areas for which data is available

⁵ Seven out of the nine vendors sampled in this area sold this food item or a substitute such Russian or viennas.

Vendor turnover across Bredasdorp, George, Vredenburg and Worcester amounted to R360,000. Given the impact of money changing hands from one person to another (called the multiplier effect) and money expanding across the economy, the impact of the vendor turnover is estimated to be R540,000⁶. Suppliers of the previously mentioned inputs benefit by additional amount of R540,000 moving through the economy.

Despite the lower than expected attendance levels (especially influenced by Bafana Bafana's elimination), local communities benefited beyond just being able to attend free match screenings on a big screen with fellow community members. Firstly, local musicians, performers and schoolchildren had the opportunity to entertain the crowds. Secondly, vendors and local retailers and wholesalers were able to generate an additional income during what is traditionally an off-season period. Lastly, the majority of service providers were SMMEs and given the profitability of all service providers involved with the Fanjols and feedback received from them, all of those interviewed have benefited from the experience and will continue being sustainable.

3.3.5 RESULTS

There are very few differences between the first time vendors and the experienced vendors beyond the length of time that the vendors have been in business and the percentage of highly skilled staff members employed, in which experienced vendors had higher average numbers. However, the total turnover generated differs with the experienced vendors achieving close to double the amount of sales of the inexperienced vendor group. Yet, if the return on investment is considered: inexperienced vendors received an average ROI of 42.18 percent, which is higher than the 34.77 percent ROI achieved by the experienced group.

It might be that the area in which vendors operated and/or the mix of goods sold had an impact on the profitability of experienced vendors.

The losses experienced by 37.50 percent of vendors can be attributed in some degree to the overestimation of supporter turnout over the eight days of the Fanjol – a definite decline in numbers appeared after Bafana Bafana dropped out of the competition. For vendors from Vredenburg and (especially) George the overestimation meant a significant amount of food wastage. Bredasdorps' total attendance number of 16,959 was a third of Worcester's 47,457, whilst George (21,971) and Vredenburg (22,746) had almost half of Worcester's total attendance number.

In addition, the number of stalls that were open during the fanjols reduced over time in places such as Vredenburg and George. This has the impact of possibly raising the profitability of the vendors that stayed and increasing the amount of cost relative to turnover for vendors who invested heavily in inventory at the start of the Fanjol but did not attend all eight events.

⁶ $R360,000 * 2.5 = R900,000$ and $R900,000 - R360,000 = R540,000$

Moreover, the reporting of costs might be biased towards the lower spectrum of what the vendor's actual costs were; since many did not keep record their expense and the majority did not list their own salary amongst their expenses. This could have the effect of making the profitability of the vendors seem higher than it actually is.

Furthermore, it can be seen that area had a definite impact on the profitability of vendors as evident with inexperienced vendors in Vredenburg and Worcester outperforming experienced vendors in these areas.

The goods sold by vendors also impacted upon vendor profitability. Vendors commented on a lack of enforcement with regards to vendors sticking to selling the goods they were rewarded a tender to sell. In the case of George this led to seven out of the nine (77.78%) vendors interviewed stating that they sold hotdogs or a hotdog substitute. Price competition and low volumes of sales (due to low attendance and some vendors saying the middle class was not well enough represented) meant that some vendors could not be as profitable as possible.

3.4 FEEDBACK

Problems and positive feedback given by vendors can be grouped under the four broad categories of planning, management and implementation, communication, and the tender process. In terms of problems, management and implementation (43.61%) followed by planning (42.86%) were the most referred to categories. On the other hand, positive feedback was mostly given for management and implementation (81.58%) and planning (18.42%) related matters.

Management and implementation, communication, planning, and the tender process emerged as common themes for both negative and positive aspects experienced by the vendors at the fanjols.

Once again, no vendor information is available for Beaufort-West, so only Bredasdorp, George, Vredenburg and Worcester are represented in the vendor information that follows.

3.4.1 PROBLEMS FACED BY THE ENTITY BEFORE, DURING AND AFTER THE FANJOL

The two biggest problems experienced or commented on by the vendors were management and implementation (43.61%) and planning (42.86%). A smaller percentage (9.77%) commented on the lack of communication between organizers and vendors.

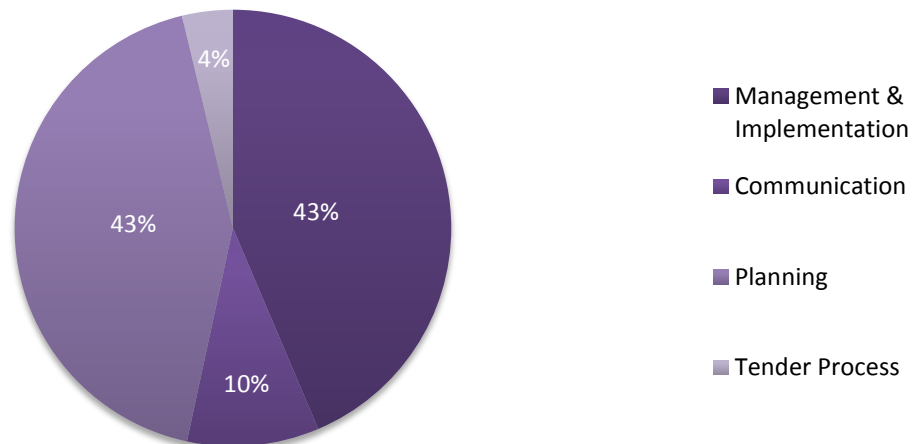


Figure 18: Problems face by vending entities during the Fanjol

Comments from vendors included, dissatisfaction with not being involved in the planning and decision-making process, with an emphasis on greater community involvement, especially amongst Vredenburg respondents, where 40 percent stated this as a problem. George and Vredenburg were the areas where vendors commented on communication failures such as: lack of feedback structures, not being told of the fanjol date change and experiencing a language barrier problem between the security guards and themselves.

Thirty six percent of the vendors stated that the biggest management & implementation issue was the lack of monitoring of sales by vendors. During the tender process, each vendor was told what food item to sell yet at the fanjols this was not enforced or monitored. Respondents from Vredenburg and George commented on this problem, stating that vendors selling things other than what they were suppose to were not reprimanded and as such led to an increase in competition, which in turn led to 'price wars'.

Twenty four percent of the vendors interviewed, from all four areas, have stated that they thought that poor advertising and marketing negatively affected the turnout of supporters and their sales. A lack of reliable electricity supply was the third largest problem experienced by 20.59 percent of the vendors. The problem however seems to have been localised to Bredasdorp and George.

Twenty nine percent of vendors interviewed stated that the supporter turnout was poor due to winter weather and the poor seating and shelter provided for spectators made it unpleasant to attend the fanjol. Another observation made by vendors is that the marquee tents supplied by the municipalities went unused by either vendors or spectators as the vendors were not allowed to use it and the tents were too far from the screen for the spectators.

In addition, comments were made about the poor audience attendance figures, the low numbers of white people in attendance, the poor choices of location for the fanjols and the entertainment provided for the audience. Furthermore, 55.56 percent of vendors from George made remarks stating that a location closer to the town centre would have been more appropriate than on the outskirts of town. There were also complaints about the tender application and selection process and the limitations imposed on the goods sold by vendors.

3.4.2 WHAT WORKED WELL

Of the positive feedback from vendors: 18.42 percent thought that the planning of the fanjols was done well, while 81.58% of the vendors thought that the management and implementation had been the most successful part of the fanjols. In addition, ten vendors (29.41%) viewed their fanjol experiences as successes; of this figure seven out of the ten vendors were from Worcester.

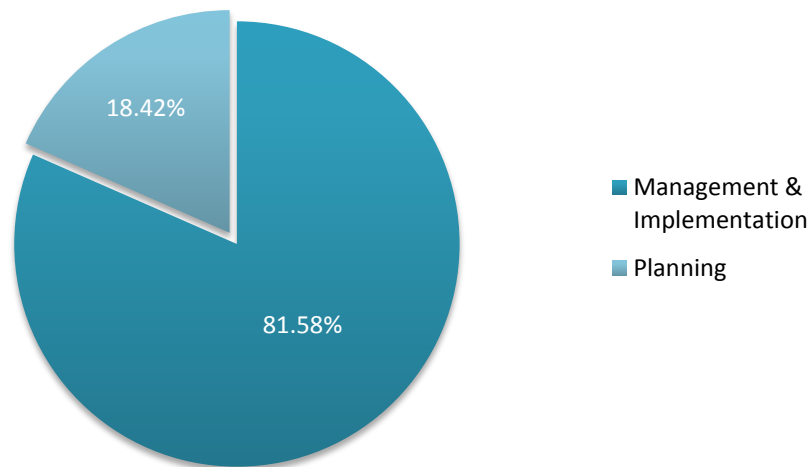


Figure 19: What vendor entities viewed as working well during the Fanjols

The positive feedback about the planning processes came from George, Vredenburg and Worcester. Vendors from Worcester were the most positive about fanjol planning, representing 71.43 percent of the positive feedback given to the planning of the events. In Worcester, 2.94 percent of vendors gave positive feedback for the good venue selection, the large number of people, the good location of vendor stalls within the venue, and two vendors (5.88%) commented positively on the low stand rental price. In Vredenburg, a vendor gave positive feedback towards the toilet and electricity availability, and in George, a vendor gave positive feedback on the availability of a big screen to watch the match.

In terms of management and implementation, the police, security, traffic, and emergency staff's presence worked well, with 41.18 percent of vendors commenting positively on it. Entertainment (with 23.53%) received the second highest number of comments from vendors in Vredenburg and Worcester. The third issue was organisation (11.76%), with many vendors (especially in Vredenburg) viewing the organisation a success given that an event of the fanjols' scale has not been done before while communication and the tender process received no positive comments.

3.4.3 FURTHER COMMENTS OR RECOMMENDATIONS FROM VENDORS

One vendor stated that it would have been good to give the vendors an option of where they would want to setup their stalls and maybe simplifying the paperwork allowing a vendor to apply to many different places with one form.

Another would have preferred that the venues shift through different parts of the community. It was also stated that different venues should have received separate advertising. A general consensus amongst the vendors was that the finals offered improved income prospects because less stalls were present.

3.4.4 SUMMARY

Main issues experienced by entrepreneurs at the fanjols:

- Tender application and selection process
- Lack of communication and feedback
- Poor advertising of the event
- Poor planning

Of the issues faced by the entrepreneurs the main one that can be addressed is advertising, although prior to the fanjols, flyers and posters had been printed, during the fanjols the marketing and advertising does appear to be limited. The one venue with an active advertising campaign was Worcester, the local radio station played from the venue and efforts were made to continually market the venue as 'the place to be'. From the research that was conducted it would appear that the same efforts were not made by the other venues and many of the advertising campaigns were ineffective.

Furthermore, the issues with communication and feedback do need to be addressed as the success of the entrepreneurs and the fanjols rely on an effective communication and networking system. The tender process would need to be addressed from a municipal level.

4. CONCLUSION

There are six local districts within the Western Cape: The Metropole, Central Karoo, Overberg, Eden, West Coast, and the Cape Winelands (represented by Cape Town, Beaufort-West, Bredasdorp, George, Vredenburg and Worcester respectively). The aim of this report was to determine the economic impact of the Fanjols on vendors across the five Western Cape districts beyond the Metropole.

Measures of success like the age of the entity, its legal position, the number size of the entity as measured by the number of employees, and the percentage of highly skilled staff have showed little or no relationship to the ROI achieved by 24 of the vendors interviewed.

In addition, the total turnover of experienced vendors was R 75,670.50, almost twice that of inexperienced vendors (R 38,880.00), but so were their costs (R 56,149.90 and R 27,345.00 respectively). In addition, the experienced vendors' sample size was 14 vendors compared to the inexperienced vendors' ten – the difference of four is equal to 40 percent of the number of inexperienced vendors interviewed. The experience vendors tended to have a greater proportion of highly skilled employees, with 28.57 percent had no skilled employees compared to the inexperienced vendors' 80 percent. Moreover, amongst experienced vendors, only 28.57 percent of them made losses, compared to half of the inexperienced vendors.

However, factors such the area in which the vendor operated and the mixture of goods sold by the vendors influenced the economic gains made by vendors.

Furthermore, the average turnover of 24 vendors were interviewed across four of the five Fanjol areas (except for Beaufort-West) was R4,800. At a minimum, if there were 15 vendors per area the estimated turnover generated would be R360,000. Assuming a multiplier effect of 2.5 this implies a total impact of R900,000 of which the communities would have benefited from an estimated R540,000 from the vendors.

5. RECOMMENDATIONS

Vendors could have benefited from mentors that could guide them in marketing themselves and managing costs. Inventory management was a problem occurring among many vendors, with some stating that they suffered large losses due to food wastage. During the data gathering process, it became clear that many of the vendors had not recorded financial information relating to costs incurred and sales achieved during the Fanjol period and as such could not provide information for financial analysis in this report. Expectations of the volume of sales and profit that the vendors would be receiving were not in-line with what in fact occurred and many vendors were ill equipped to adapt to this situation.

Furthermore, vendors would have benefited from receiving the opportunity to voice grievances and addressing problems that they might have or considering solutions that they might have thought of. In this regard Vendors stated that they would have liked to have been involved to a greater extent with regards to factors that would affect them from the start.