



INSIGHTS

NON-MARKET STRATEGY & CUSTOMER EXPERIENCE



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In any complex emerging market, businesses are faced with the immense challenge of being profitable, sustainable, and having business models that work, while navigating a turbulent non-market environment. To manage this, businesses need market and non-market strategies at the various stages of the business lifecycle, and they need to be constantly evolving. Yebo Fresh's story particularly shows the power of non-market forces (i.e. government policies and regulations, societal norms and pressures, culture, and other factors not controlled by market mechanisms) to shape the business environment, and why developing a strategy around these non-market elements is critical.

Yebo Fresh have tapped into a massive market and have been focussed on delivering FMCG to townships. Their major challenges have predominantly been non-market problems: the lack of infrastructure, crime, and fraud. This is not a surprise.

Security and access to functional physical infrastructure (i.e. a consistent power supply) in many contexts are public goods, provided to all members of society equally for no profit by the government, and are often not issues that startups need to consider. This is not the case in South Africa, which separates it even from other dynamic African countries with thriving private sectors.

The fact that security and access to infrastructure are not public goods in South Africa reveals the long tail of history. Every country's past lives on in its modern institutions, but the particular shape of those institutions is deeply rooted in context. That is where the non-market forces come from: these historical continuities and evolutions. Therefore, Yebo Fresh's challenges are very much a South African story, which includes the recent impact of state capture on overall governance institutions. So far, Yebo Fresh have solved for their challenges by making tactical changes, but they need to adopt strategic ones. The lesson for startups is that developing a strategy that integrates both market and non-market dynamics from the very beginning is essential.



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Among the big FMCG players, there is great appreciation and awareness that townships are a significantly untapped environment that require a lot more focus. There has been a mission to get closer to it, but no one has really gotten it right yet.

The appreciative enquiry question discussed in the podcast resonates with me: Is there really a problem? We should separate out what is working and what is not. Often shoppers pay a penalty when shopping in a spaza since they would pay a higher price per gram. However, many shoppers would have to pay taxi fare and buy an extra seat for the goods if they go to a bigger supermarket. But some shoppers see this trip as a day out, it is a social event. And yet, undeniably, there are costs that are unfair, when you compare with Kenya where digitisation has been a key enabler for consumers and traders. Being cashless changes things for everyone.

One insight from my MPhil research at the GSB is the importance of price promotion on trusted brands for consumers within this space. Coming from a low-income background myself, I saw how news of 'deals' quickly spread from neighbour to neighbour – and how that only happened for the trusted brands. Physical availability of the product is equally important. If FMCG companies want their products to be considered as part of the set, then they would need to advertise, engage in trials, and deliver consistent quality to build a trusted brand, and then ensure the product is physically available in pack sizes that are affordable. This is useful for Yebo Fresh to think about in terms of the products supplied.

Yebo Fresh also needs to look out for the changing competitive landscape. In my research, consumers prefer to visit chain stores like Usave, which are growing in townships and have a strong supply chain and buying power. However, the spaza shop is still relevant in communities due to the trust-based relationship between owner and shopper (informal credit), proximity, and flexibility. How are competitors disrupting these ties and usurping the role of spazas? Relational trust is more difficult to replicate in a formalised environment – an opportunity for Yebo Fresh.

