

# LEARNING BUSINESS PULSE

Issue 06

Quarter 4 2019



Getting a feel for South Africa's small business climate.





# There's power in small.

The success of our economy lies in small business. Already, they constitute a disproportionate number of formalised businesses, contribute around one third of GDP and provide employment to millions of South Africans.

But running a small business in South Africa can be difficult and lonely at times. When the going gets tough, it can be comforting to know that other small business owners are going through a similar experience.

Yoco is in a unique position. We're the largest provider of payments and point of sale for small businesses in South Africa. More than 70 000 small businesses across the full width and breadth of the country make use of our services. There is an opportunity to use our large merchant base to collect and distribute information about the state of small business in South Africa. Qualitative and quantitative data gathered through surveys to our merchant base has been used to create the Yoco Small Business Pulse; **a quarterly measure of South African small business.**

In this way, the Yoco merchant base acts as a powerful bellwether of the status of small business in South Africa.

Small businesses exist in a fast-moving, seasonal and unpredictable business environment. Many factors can cause growth or regression in a business with little warning. Our aim is to provide insights into key influential factors on a quarterly basis. We hope to help South African businesses by providing relevant insights into the current business environment and continue to be an active partner in your growth and success.

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## HOW IT WORKS?

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# Learning as an entrepreneur

Entrepreneurs want to learn: **58%** of business owners would like to take part in a specialist entrepreneur education program, but haven't done so yet.

Only **9%** attend [entrepreneurship events](#) regularly.

## What's stopping you from learning?



Prefer to learn by themselves.



[Say that it's too expensive.](#)



[Don't have enough time.](#)



Prefer to learn informally by listening to friends, family and other entrepreneurs

## Where do you go to fill your knowledge gaps?



**84%**

[Google and YouTube.](#)



**55%**

[Books.](#)



**51%**

[Other entrepreneurs.](#)

## The best ways to convert your learnings to earnings:

42%

Apply your learnings immediately.

41%

Experiment with what you've learnt.

35%

Share your learning with others.

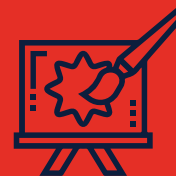
## What will you learn in the process of running a business?



Management and operations.



Marketing and sales.



Creativity.



Critical Thinking.



Planning and decision making.

## What knowledge gaps do you have now?

1.

Financial literacy.

3.

HR and talent management.

2.

Marketing and sales.

4.

Planning and decision making.

# Key Takeouts

Over the course of the year, business confidence has fallen across all indices; the [RMB/BER](#), the [SACCI BCI](#) and the Yoco Small Business Pulse.

This is the first quarter where all indices showed an increase in business confidence.

**The Yoco Small Business Pulse score rose by a record 7 points since last quarter. Compared to the same time last year, it has increased by 1 point. It now sits at 35 on a scale from -100 to 100, where 0 is neutral.**

The Pulse score measures the business confidence of small business owners in South Africa. Here is what we saw from October to December of 2019:

- This increase in positivity was largely affected by the incoming holiday season.
- While their sentiment increases, their transaction volume shows a different story.
- All industries and provinces have increased their Pulse scores from Q3 to Q4 in 2019. The current readings are the highest recorded ever, despite the drop in transaction volume.
- On average industries decreased their transaction volume by 1% compared to the same period last year. The biggest drops in transaction volumes occurred in the Leisure, Travel & Entertainment industry (-4%)
- The Eastern Cape experienced a 15% drop in transaction volume, while Gauteng increased their volume by 8%.
- This shows that South African consumers spent significantly less during the festive season in 2019 compared to 2018. Could this be because consumers are more strapped for cash than they were a year ago and less willing to travel?
- The top three challenges small business owners are currently facing is the poor state of the economy (49%, down 5% from Q3), cash flow issues (44%, same as Q3) and access to finance (35%, up 5% from Q3).

*"It's not easy , but or me it's worth it. There are so many people I've met along the way that I never imagined I would meet in my whole life. People came, and inspired me. It makes it worthwhile to be somebody, to do something in a small place like this."*

**- Willeen of Willeen's Arts and Crafts, Arniston**



# The Yoco Small Business Pulse

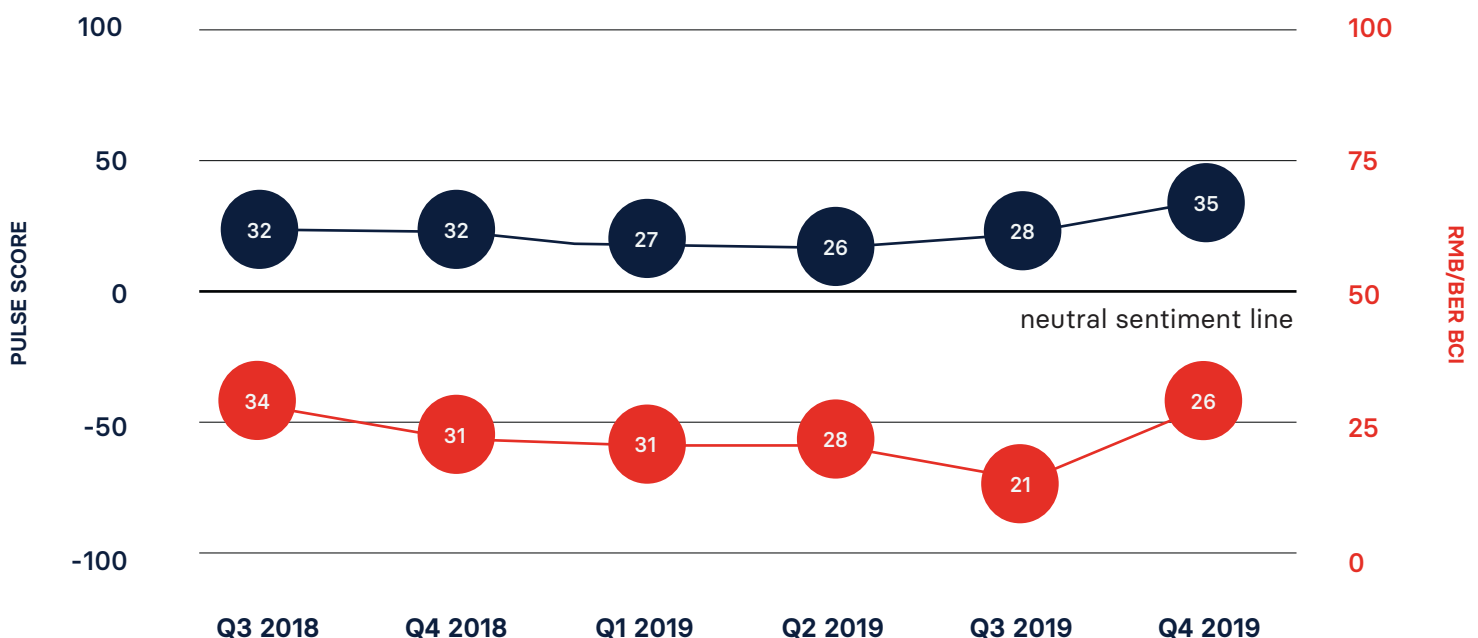
The Pulse score for the fourth quarter of 2019 is the highest ever recorded sentiment for small business. On a scale from -100 to 100, with 0 being completely neutral, the overall Pulse score sits at 35 – seven points more than the Q3 score and three points more than the same period last year. [Click here](#) to view previous Pulse reports.

Business sentiment tends to increase towards the end of the year as we approach the festive season. Business owners feel more confident about the prospects of their business as they set goals and plan for the new year. An influx of customers and tourists also increases their positivity. On top of that, businesses were just coming out of a very difficult and negative second and third quarter. The positive upswing could have been due to the relief of making it through some very difficult months.

The positive jump in business sentiment found in the Pulse is mirrored by the findings in the [RMB/BER report](#) of Q4 2019. After recording a seven point drop from Q2 to Q3 the Q4 RMB/BER BCI recording rose to 26. [SACCI BCI](#) also recorded a 1.3 point increase in business sentiment from Q3 to Q4 2019.

## BUSINESS CONFIDENCE INDEX RECORDINGS

● PULSE ● RMB/BER



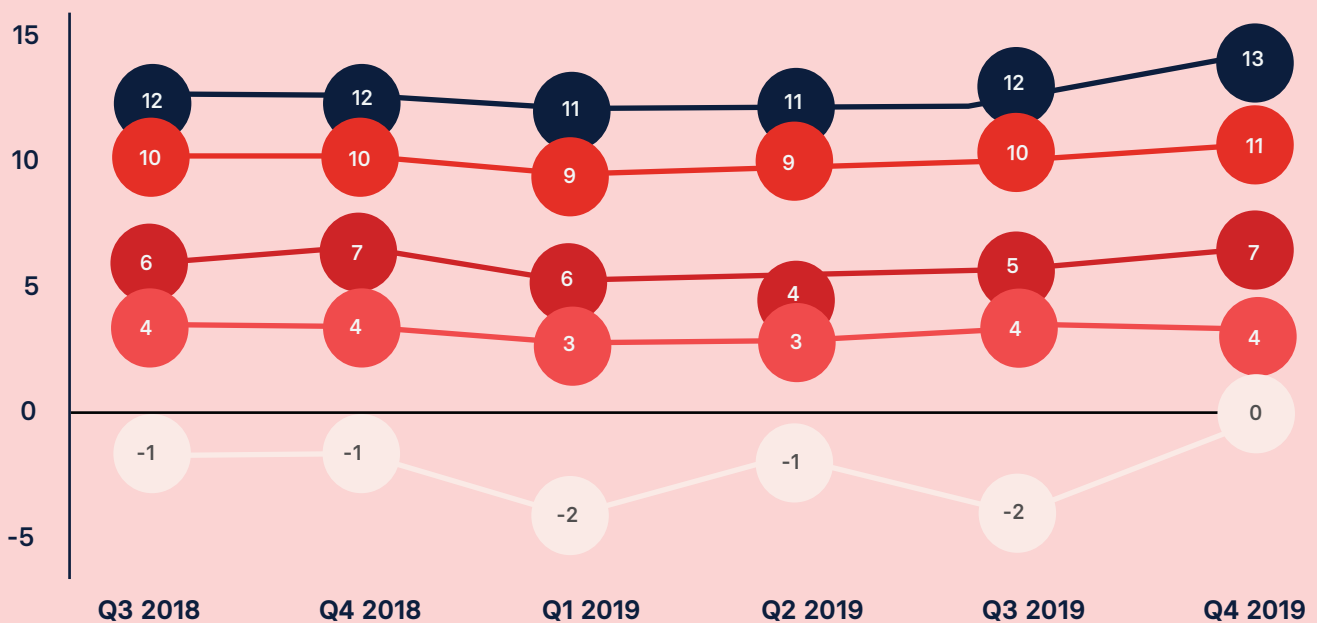
\* The Pulse score is composed of five questions that respondents were asked about their business environment. The questions asked them to assess their business performance now relative to 12 months ago, their prospects for business growth for the next 12 months, expectations of profitability in 12 months' time, anticipated staff levels in 12 months' time and their perception of the likely status of the general business situation in South Africa in 12 months' time.



# How does the Pulse breakdown?

The Pulse score is composed of five questions that respondents are asked about their business environment. The cumulative score of these questions give us the overall Pulse score. When we breakdown the Pulse into these questions we see an increase in sentiment across all five questions this quarter, with most of them being the highest recorded score for the question ever. Businesses are especially confident about the growth of their business over the next 12 months. We also noticed an increase in sentiment regarding the general business situation in South Africa – this is the first quarter where this question doesn't result in an entirely negative response and rather a neutral one.

## PULSE BREAKDOWN BY QUESTIONS



Thinking about the next 12 months do you expect your business to grow, stay the same or shrink?

How do you expect your business's profitability to perform over the next 12 months compared to the same period last year?

In general how do you feel your business is currently performing compared to how it was 12 months ago?

How do you expect your overall staffing levels to change over the next 12 months?

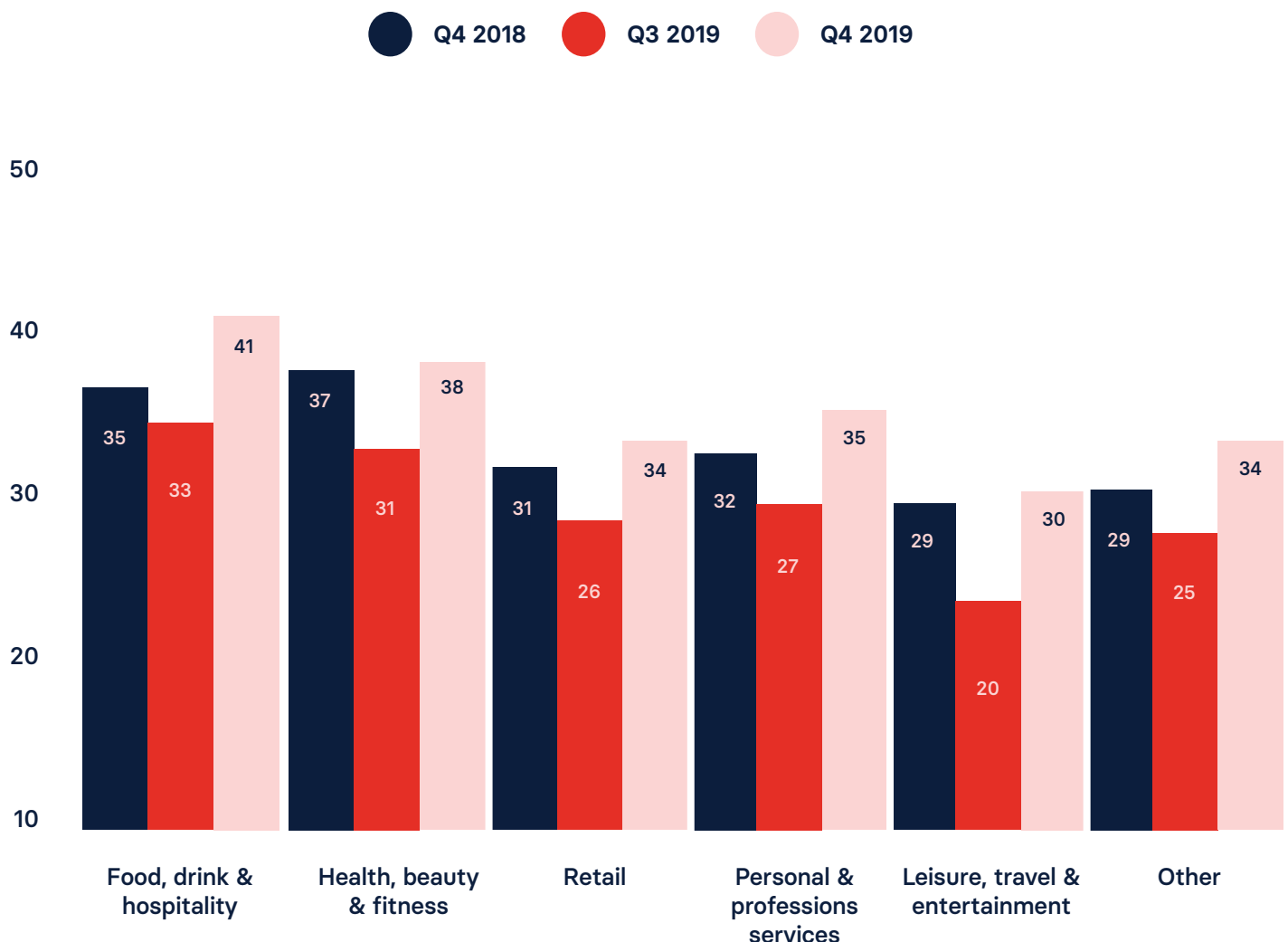
Do you think the general business situation in SA will improve, remain the same or deteriorate over the next 12 months?

# Industry Breakdown

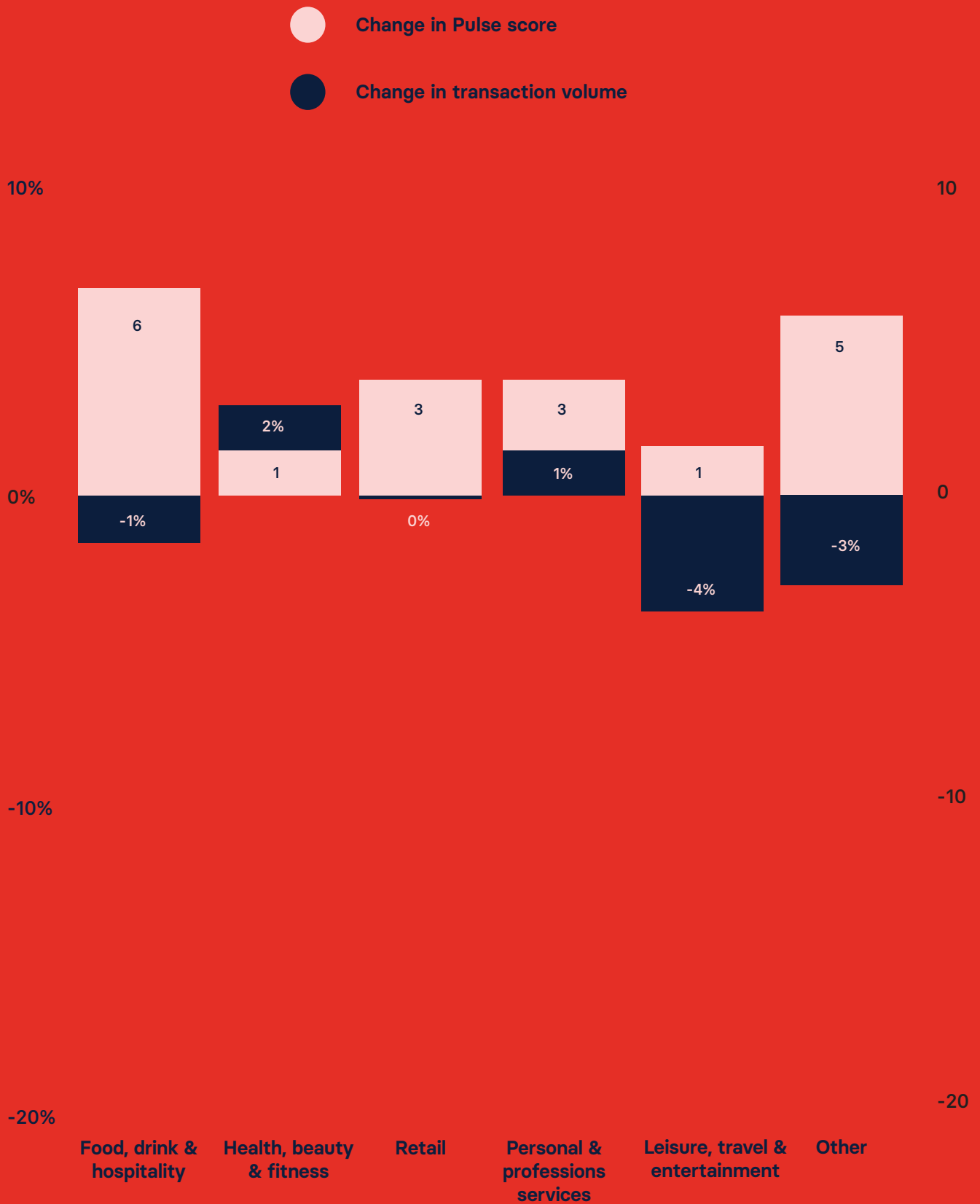
Pulse scores are the highest they have ever been across all industries. Food, Drink & Hospitality and Health Beauty and Fitness have the highest sentiment scores for Q4 2019.

While the sentiment increases, the transaction volume shows a different story. Yoco businesses decreased their transaction volume by 1% compared to the same period last year. The biggest drops in transaction volumes occurred in Leisure, Travel & Entertainment (-4%).

This shows that South African consumers spent significantly less during the festive season in 2019 compared to 2018. Could this be because consumers are more strapped for cash than they were a year ago? Perhaps it's easier for them to do their Christmas shopping and eating out at bigger franchises instead of small business? This is a likely explanation since bigger brands and franchises are more likely to offer crazy deals over Black Friday and Christmas. Shopping cheap is sometimes more important to consumers than shopping small, despite 99% of consumers stating that they make shopping at small business a priority. To read more about the importance of shopping small, [click here](#).



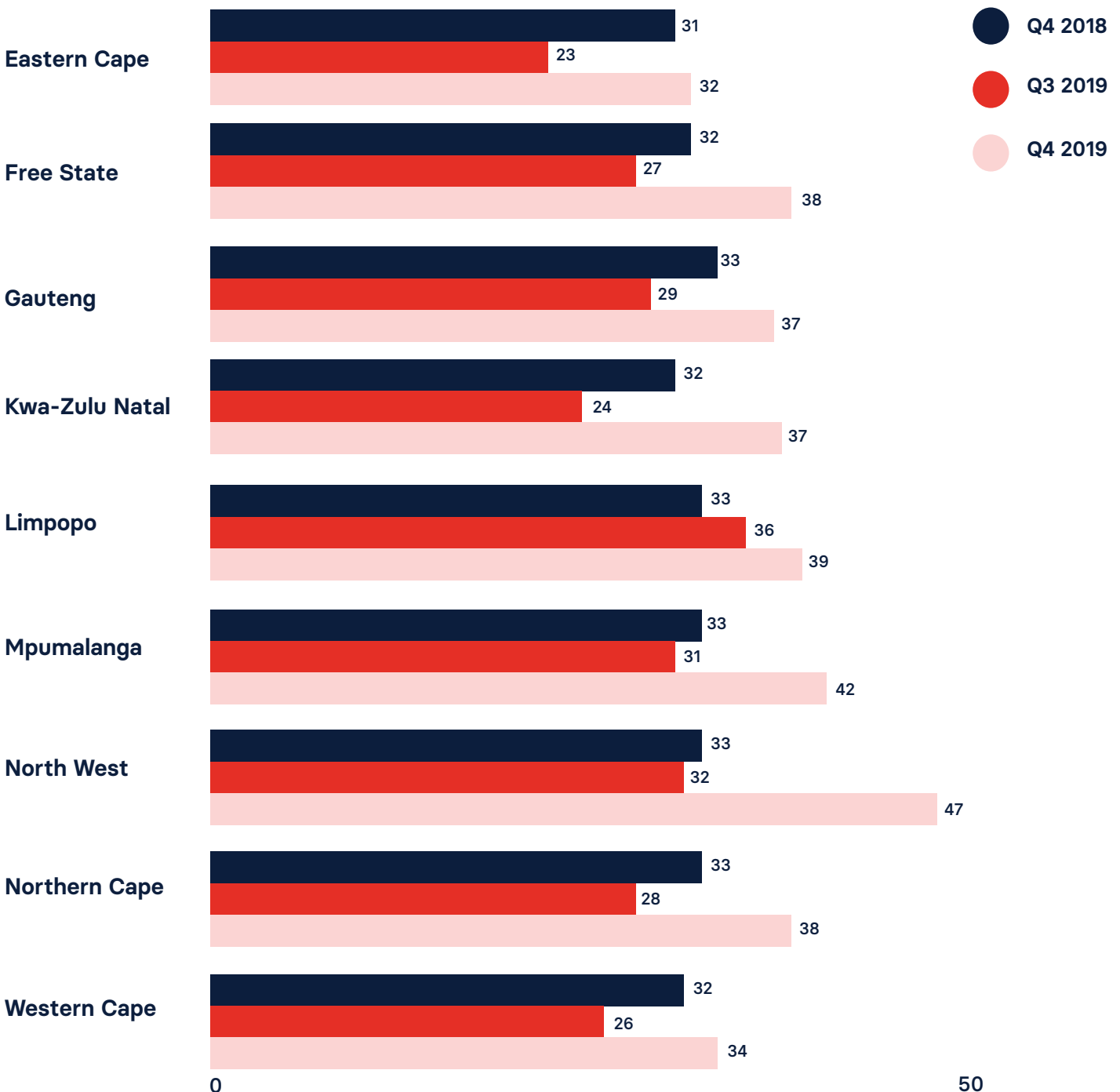
## INDUSTRY CHANGE IN PULSE SCORE COMPARED TO CHANGE IN TRANSACTION VOLUME OVER ONE YEAR



# Geography Breakdown

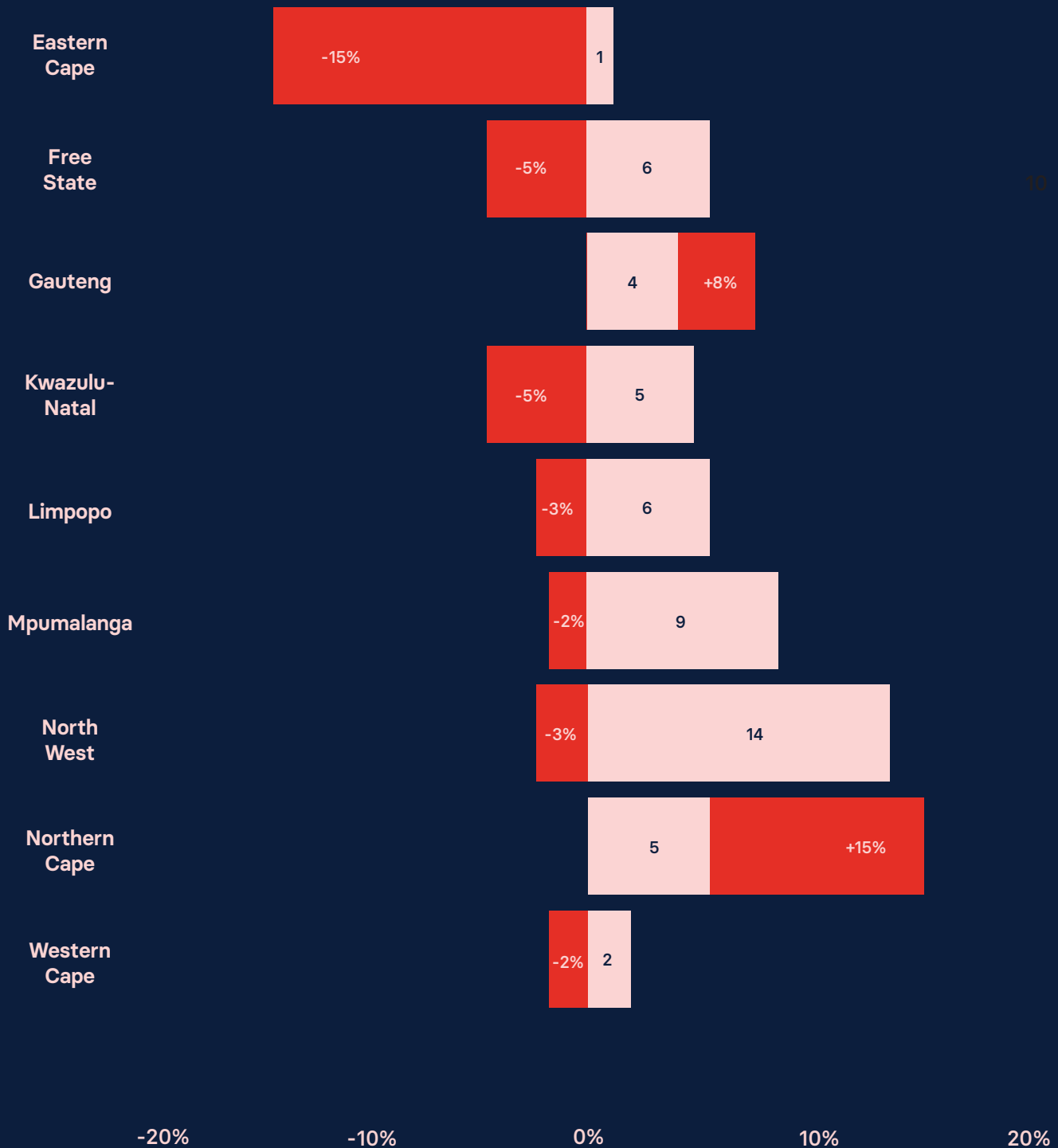
The Geography Breakdown shows that all provinces experienced the highest sentiment scores so far. The most optimistic provinces are the Northern Cape (47), and Mpumalanga (42).

This is in contrast to their transaction volumes – the average drop in transaction volume in comparison to the same period last year is 1%. The Eastern Cape and KwaZulu-Natal have experienced the largest drops in transaction volume – 15% and 5% respectively. Gauteng showed an increase of 8% in transaction volume. This may be an indication that less people are travelling to coastal towns during the festive season and so small businesses can't rely on the same boost in income that the tourists usually provide during this time of year.



## GEOGRAPHY CHANGE IN PULSE SCORE COMPARED TO CHANGE IN TRANSACTION VOLUME OVER ONE YEAR

- Change in Pulse score
- Change in transaction volume





*"You have to have hair on your teeth to start a small business! It was a challenge but I went to my former job roles and it helped me. Build a good relationship with your colleagues. They drive your business. Treat them like family. They will help you overcome problems and challenges."*

**- Chantal of Nu Look Beauty Salon, Lambert's Bay**

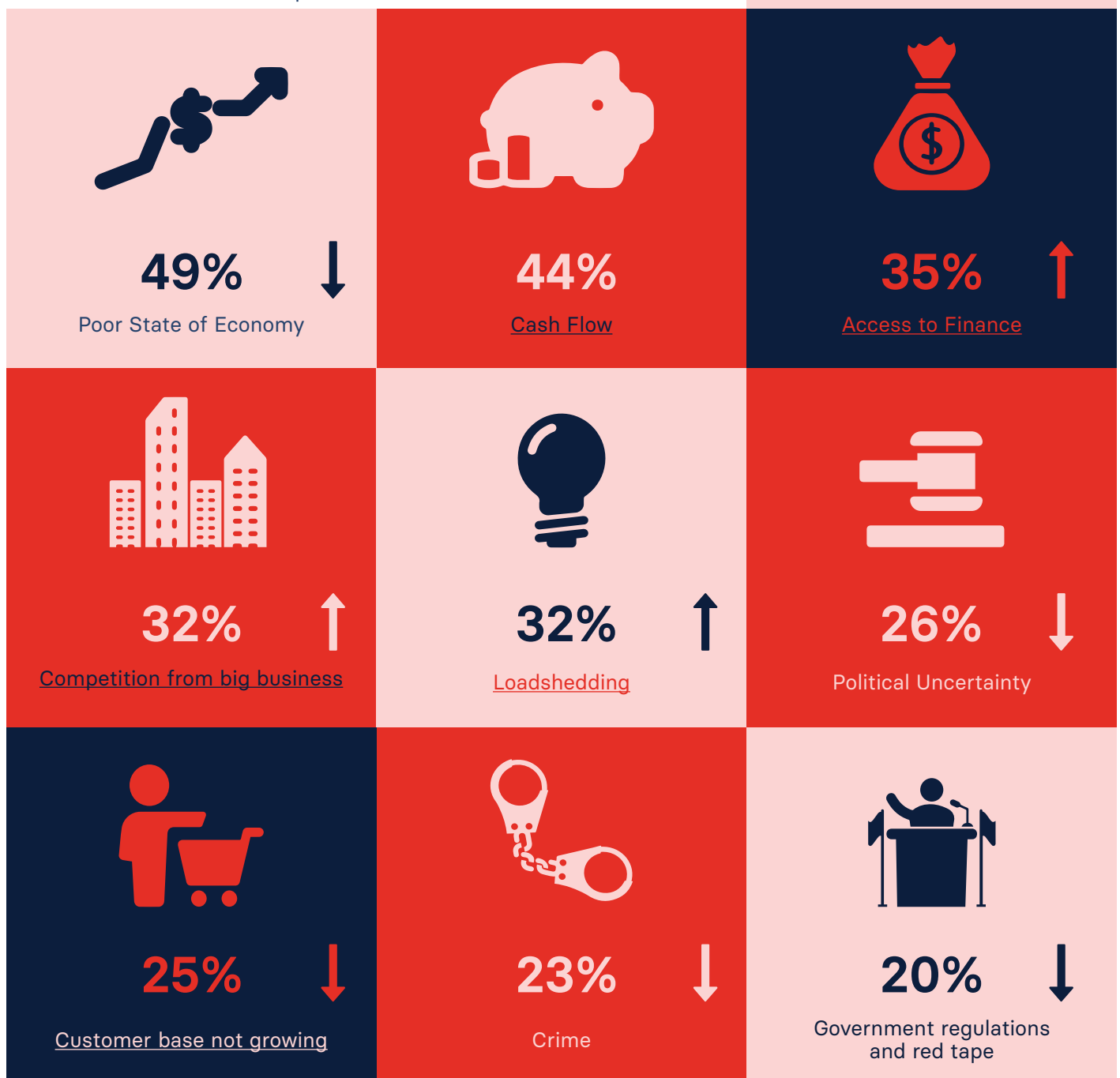
# Business Challenges

The top challenges for small business is consistent over time. Poor state of the economy, cash flow challenges and access to finance are constant worries for South African small business owners.

Loadshedding has begun to impact small business again during Q4 – the percentage of business owners challenged by loadshedding has increased by 12%. For tips on how to deal with loadshedding, take a look at this [article](#). The number of businesses challenged by political uncertainty has dropped by 8% over the past quarter.

\*Click links for resource on topics

↑ Up from Q3 2019    ↓ Down from Q3 2019



# How it works

A quarterly survey was sent out to more than 70 000 business owners within the Yoco merchant base.

Business owners are asked to rate their current business conditions and their expectations for the future. We use the results from the survey and compare them to quantitative statistics from the Yoco database, such as average card transactions per merchant over time.

The businesses in the sample represent small business in South Africa. 78% of them have an annual turnover of less than R1 million.

A wide range of trades and services are represented across the country, including market traders, health professionals, cafés & restaurants, theatres and sole proprietors in various industries.

This marks the Yoco Small Business Pulse out as a unique tool for businesses that are under-represented in traditional South African business reports. This is mostly due to the high market concentration of key sectors and data that is heavily weighted towards larger corporates and listed companies.

## Who answered the survey?

The Yoco Small Business Pulse was run at the beginning of December 2019. Survey responses were received from 5 128 small businesses in Yoco's merchant base.

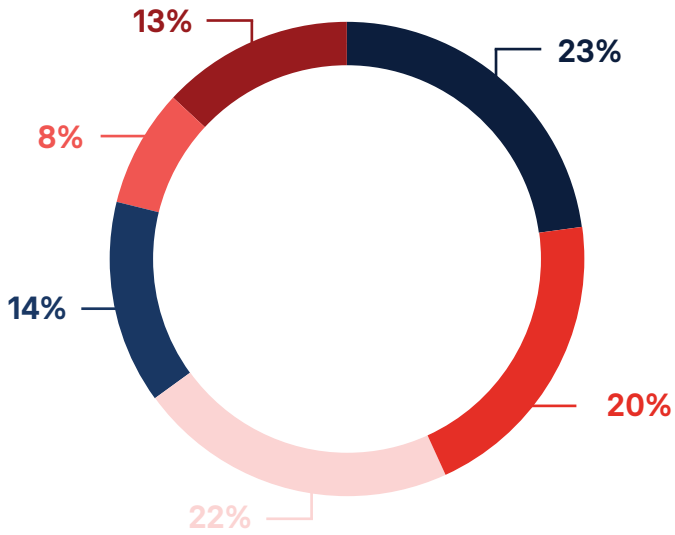
The sample set is a diverse representation of small businesses in SA. The average respondent has been in operation between three to four years, employs less than four employees and has an annual turnover below R250 000. 32% of the businesses surveyed are based in the Western Cape, 37% are based in Gauteng and the remainder is located across the country.

The small businesses are spread across a wide breadth of industries, including Food, Drink & Hospitality (23%), Health, Beauty & Fitness (20%), Retail (22%), Personal & Professional Services (14%) and various other sectors.

The demographics of the business owners showed that the majority (31%) of respondents fall between the ages of 30 and 39. There is almost a 50/50 split between female (56%) and male business owners (44%). The demographics of this sample are very similar to previous Pulse samples and therefore it is comparable to the results from previous quarters.

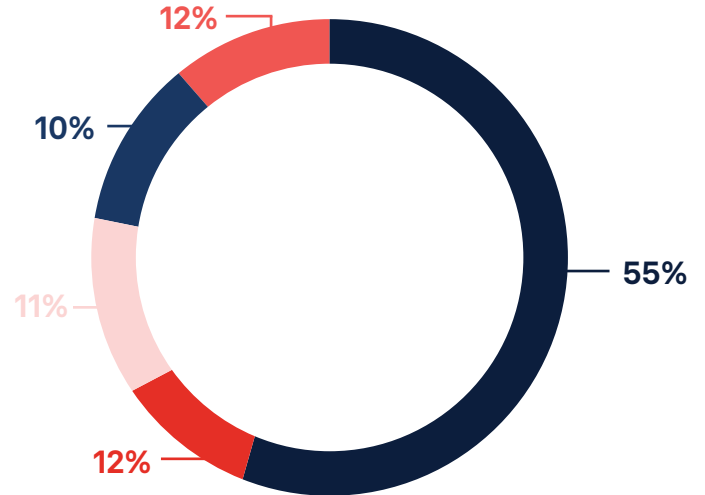


### INDUSTRY:



- Food, Drink & Hospitality
- Retail
- Health, Beauty & Fitness
- Personal & Professional Services
- Leisure, Travel & Entertainment
- Other

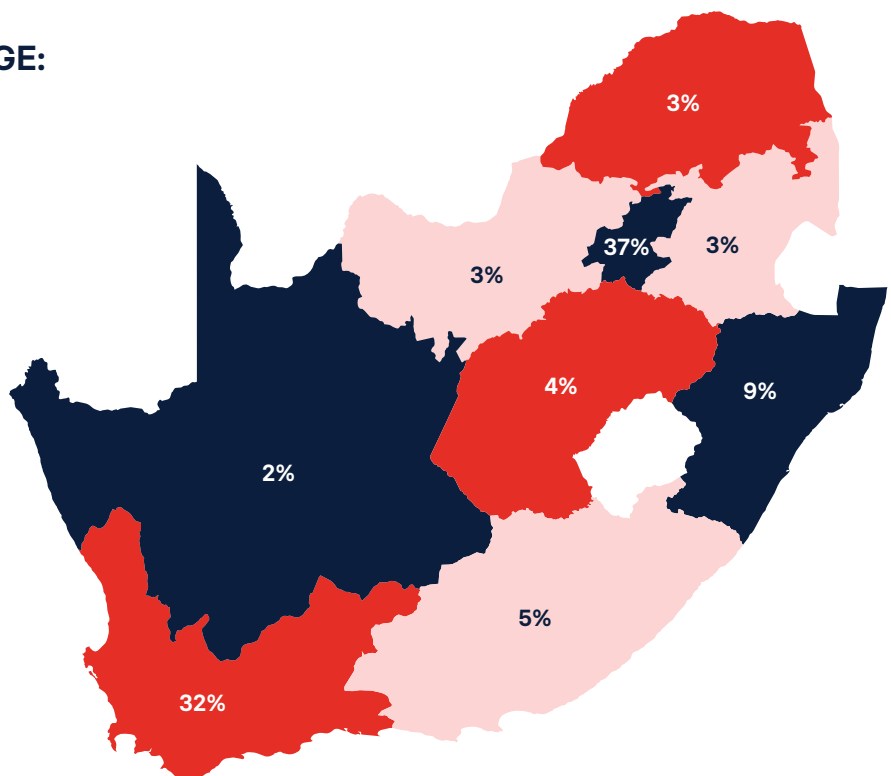
### ANNUAL TURNOVER:



- R250 000 or less
- R250 000 - R500 000
- R500 000 - R1 000 000
- R1 000 000 or more
- Prefer not to answer

### GEOGRAPHIC COVERAGE:

Gauteng:	1 911
Western Cape:	1 618
Kwa-Zulu Natal:	443
Eastern Cape:	259
Free State:	197
Mpumalanga:	177
Limpopo:	134
North West:	151
Northern Cape:	82



# Closing Statement

**It has been a difficult year for small businesses in South Africa. Despite this their sentiment rises significantly coming into the new year – The Pulse score has increased from 28 to 35 over the last quarter.**

Despite their positivity, there are still concerns around the falling transaction volume per merchant experienced across industries and provinces. Businesses are plagued by an unstable economy, cash flow challenges and poor access to finance. But their hope coming into 2020 drives them forward.

# Who is Yoco?

**We exist to help entrepreneurs thrive – whether they have moonshot visions or down to earth ambitions.**

Our payments and point of sale technology gives small businesses an easily accessible and simple to use platform that helps them sell their products and services, whether on a street corner or in a fancy mall. By giving these entrepreneurs the tools they need to start, run and grow their businesses - we help to create jobs, thriving communities and drive economic growth. Our 70 000-strong small business community also gives us the invaluable insights we need to create a frictionless payment experience for our customers, and theirs.

Yoco was founded in 2013 by four friends with a shared passion for smart technology and a desire to see small businesses succeed.

[Click here to view the Yoco Journey](#)

