

Socio-Economic Impact of Liquor Outlet Location and Density

Implications for policy from case study evidence

Liquor Retailing in Browns Farm (Philippi), Cape Town

Presented by

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Aim of Presentation

1. Contribute towards a better understanding of the economic and social influences in liquor outlet location and density in the township context.
2. To highlight current socio-economic impacts of 'supply reduction' measures on unlicensed liquor retailers (shebeens).

We present case study data collected through SLF's Formalising Informal Micro-Enterprises (FIME) in 2011.

- Surveyed 4 distinct geographic localities (Browns Farm, Delft South, Sweet Home Farm, Vrygrond).
- Surveyed 3514 micro-enterprises and conducted 998 interviews with business owners.
- The evidence with respect to liquor retailing is broadly consistent across all sites.

Browns Farm (Philippi): Case Study

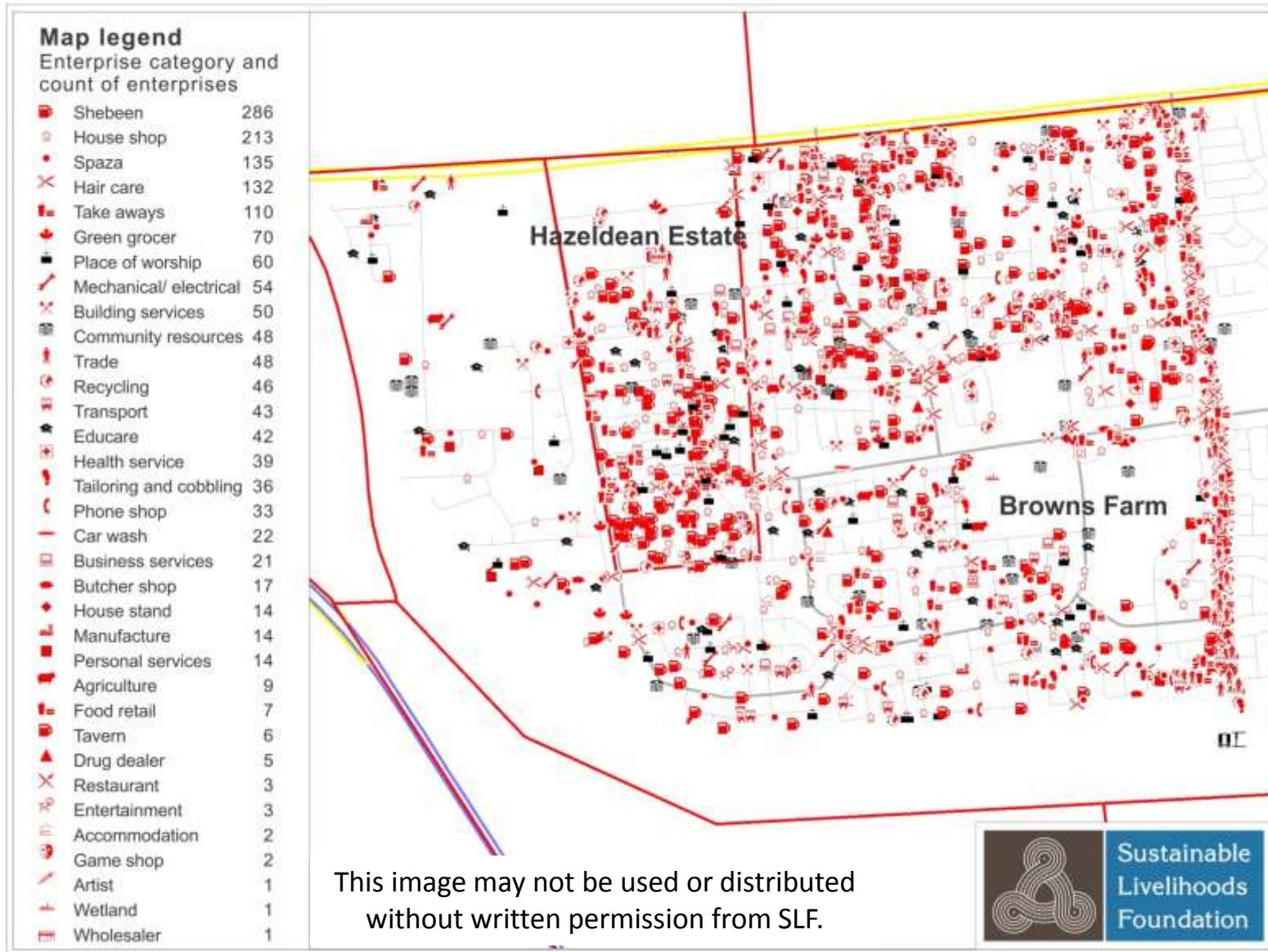
Aerial overview of Philippi showing demographic profile Browns Farm and Hazeldean Estate, Philippi, November 2011



- 10,124 households.
- Total population 38,000 persons.
- 95% Black.
- 65% unemployment.
- R606 monthly income per capita.
- A mix of privately developed suburbs, formal townships, informal settlements.

Distribution of micro-enterprises by enterprise category

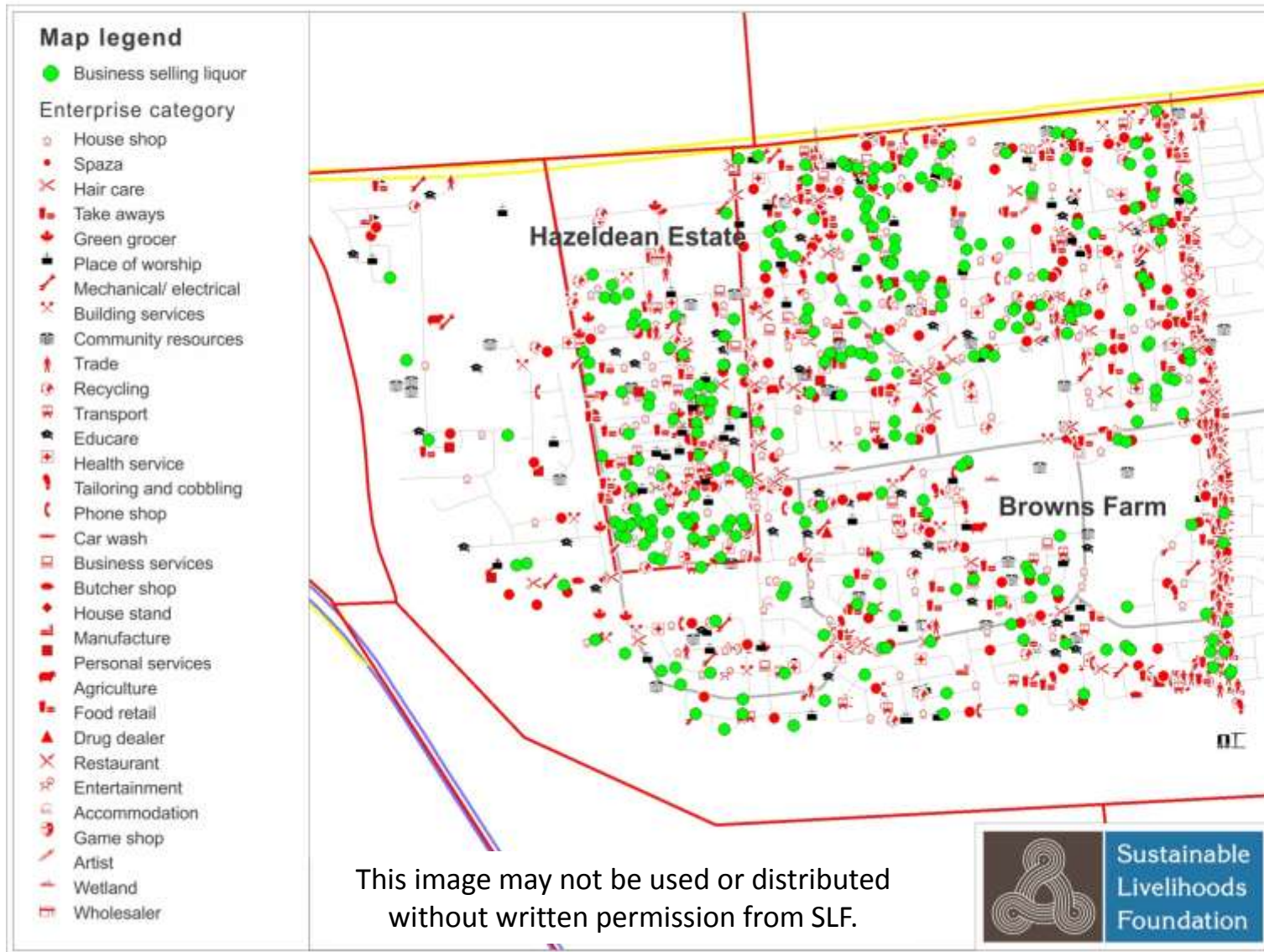
Browns Farm and Hazeldean Estate, Philippi, November 2011



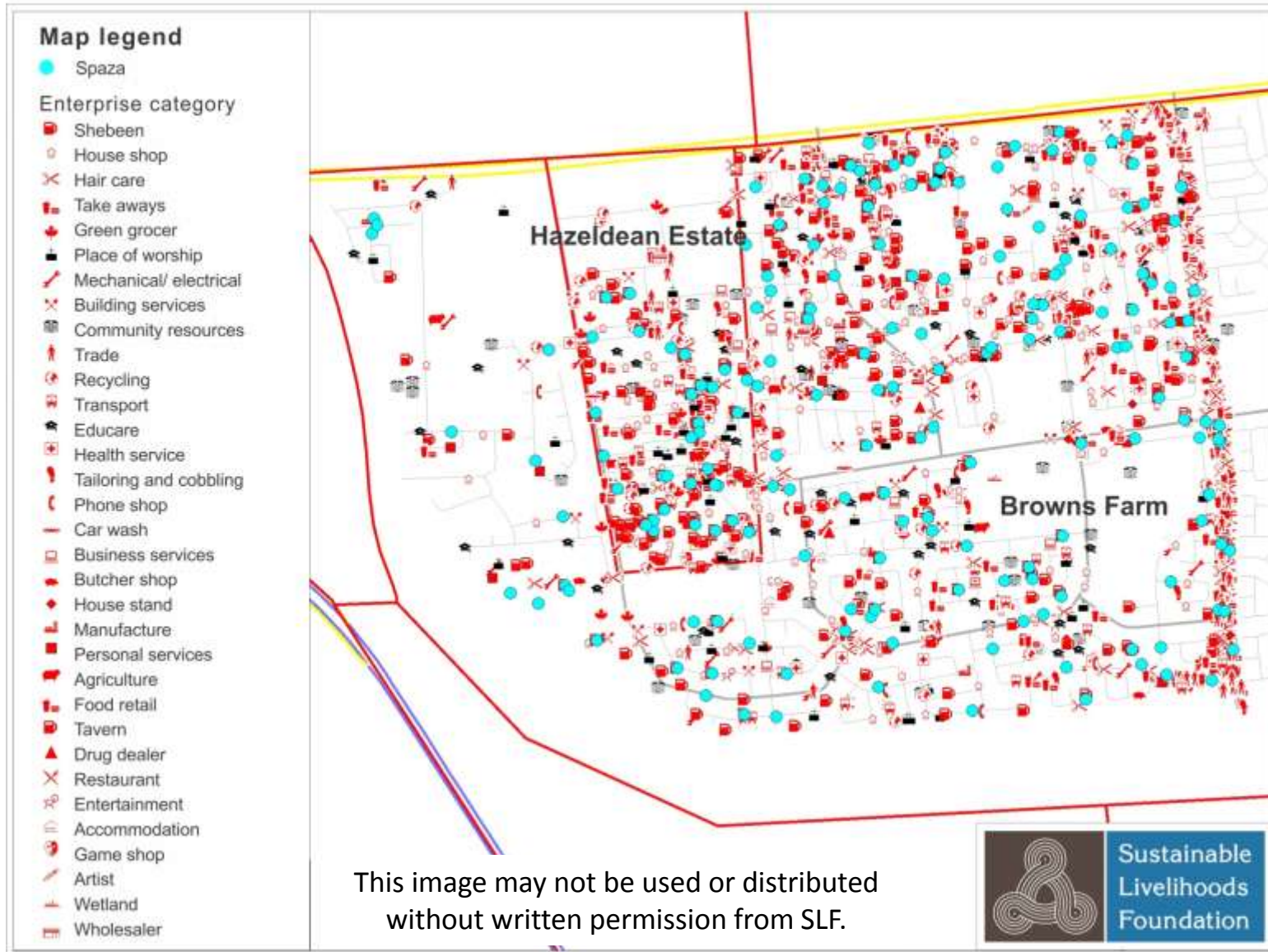
Liquor Retail Outlets: Demand Side Considerations

- I. Demand for liquor is highly localised, with most enterprises serving customers located within a narrow geographic radius.
- II. The informal liquor retail market is highly differentiated, characterised by a diversity of (non-competing) localised niche markets.
- III. The great majority of shebeens are long established, operate over weekends and sell low volumes to an established client base.
- IV. The majority of shebeen owners are women, who trade liquor as a means of survival, and have no choice to remain in business given labour market conditions and the competitiveness challenges in other spheres of the informal economy.

Distribution of businesses selling liquor in context of all identified micro-enterprises Browns Farm and Hazeldean Estate, Philippi, November 2011

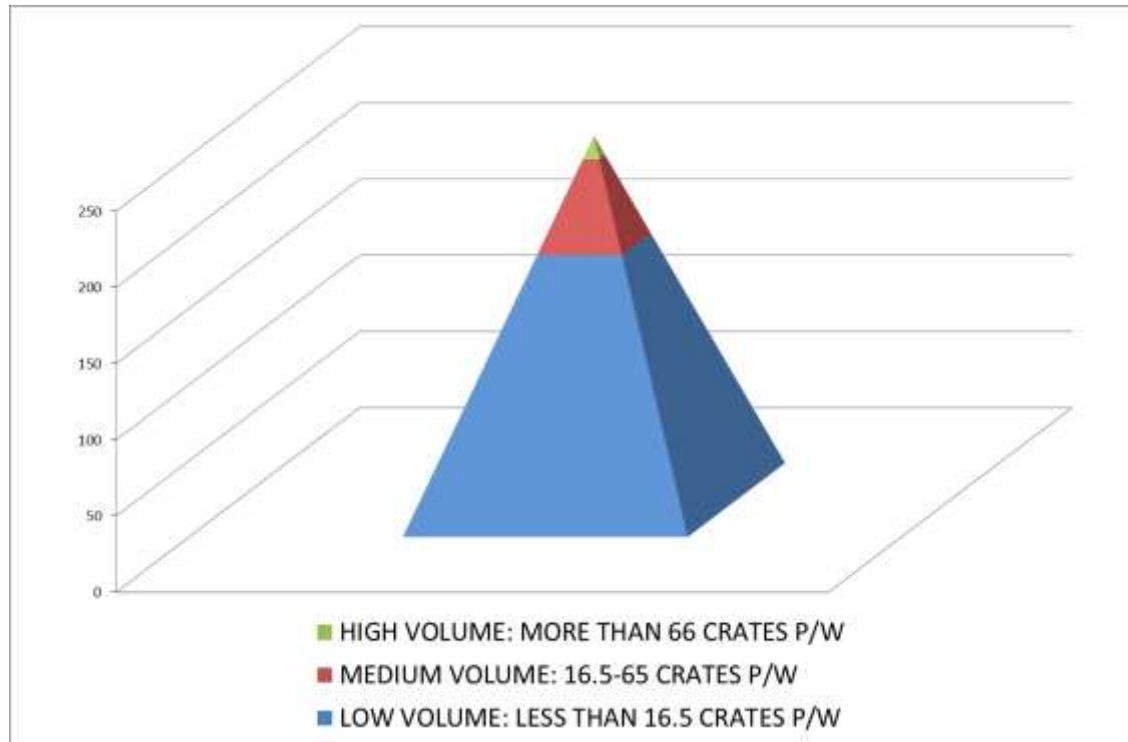


Distribution of spaza shops in context of all identified micro-enterprises Browns Farm and Hazeldean Estate, Philippi, November 2011



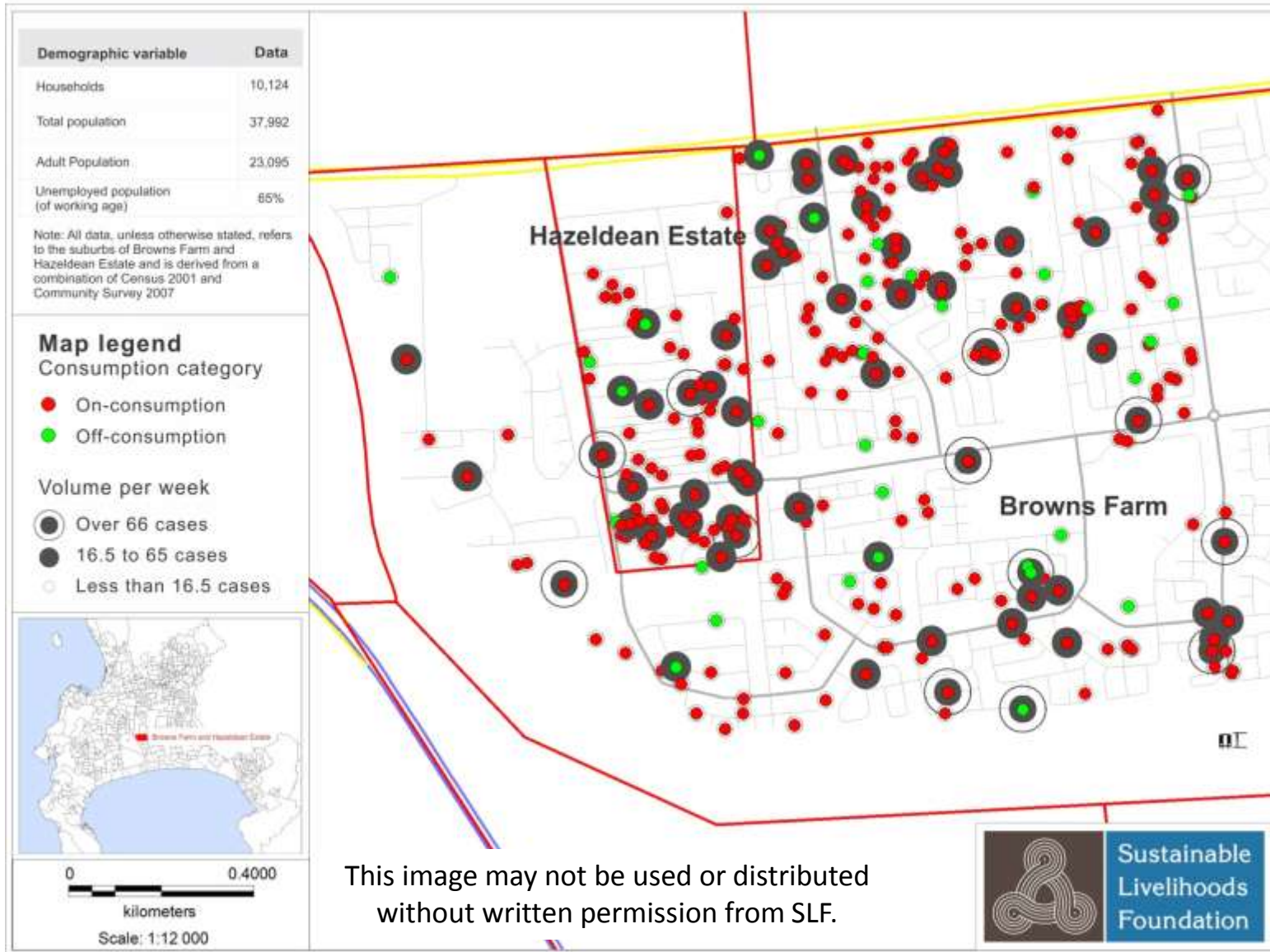
Structure of the Liquor Retail Sector in Browns Farm

(239 SURVEYED BUSINESSES)



- 9 licensed taverns.
- Average time in business 5.2 years (all businesses).
- 19% began trading within the past 12 months.
- 18 businesses have applied for licences.
- 54% of all businesses are run by women, whilst women are equally represented in all volume segments.

Distribution of businesses selling liquor by consumption and volume of sales Browns Farm and Hazeldean Estate, Philippi, November 2011



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Niche Characteristic of the Shebeen & Tavern Market

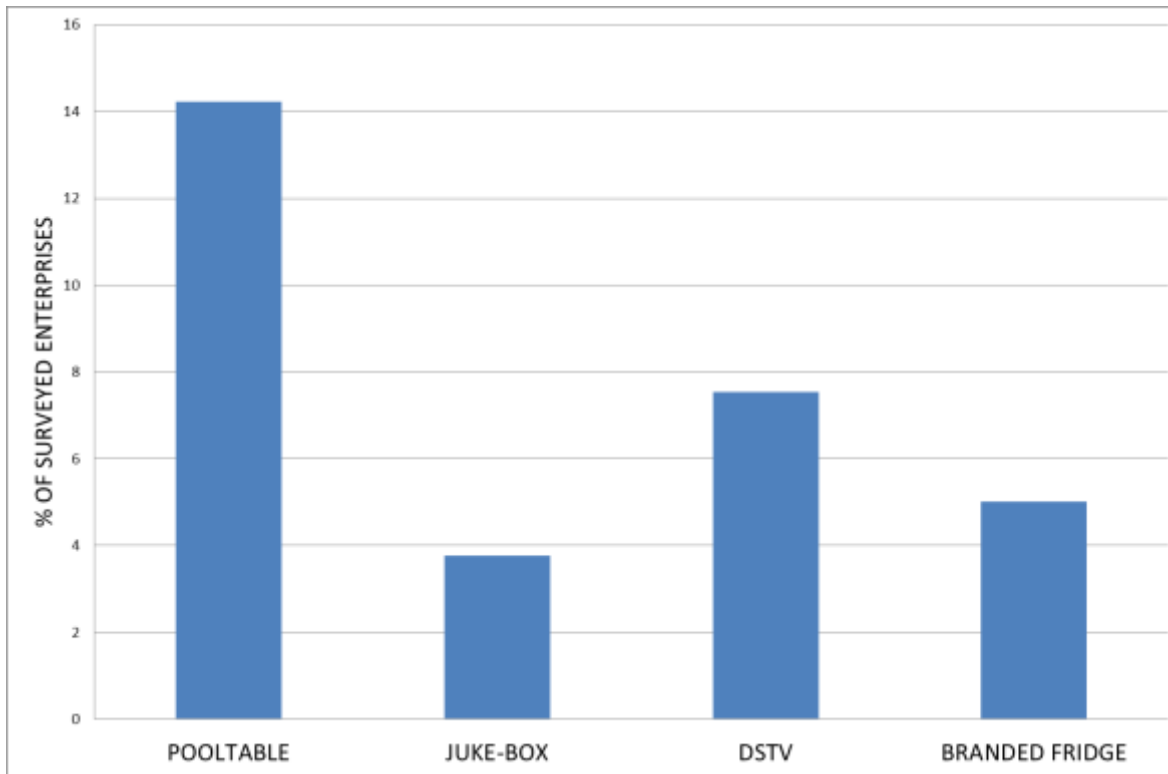


Liquor Retail Outlets: Supply Side Considerations

- Impact of regulation is constrained by the low number of licensed outlets, even though many outlets have the desire and capacity to fall within the regulatory framework,
- Despite intensive police action, the majority of informal liquor operators continue to trade;
 - About 5% of business have closed through police action, whilst the intensification of policing has resulted in negative social and livelihood outcomes.
- The liquor industry has had a limited impact on shaping the market structure and entrepreneurial practices,
 - Simultaneously, unregulated product niches are fast developing as a result of unregulated distribution.

Investment of Browns Farm Shebeens/Taverns in Infrastructure

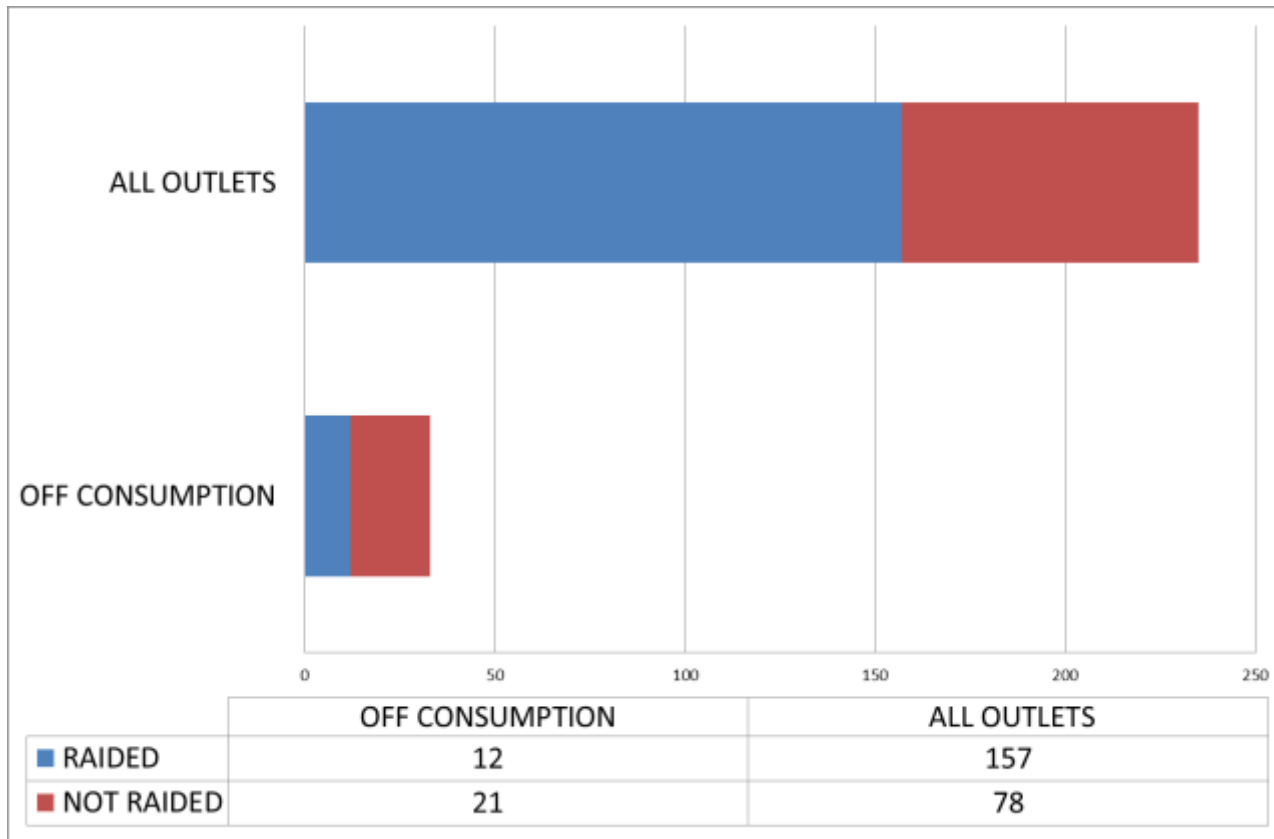
(239 SURVEYED BUSINESSES)



- 13.8% of businesses display liquor sponsored signage and/or posters.
- 33% operate in brick buildings, 67% in shacks.
- 23% of all businesses have been directly affected by armed robbery in the past 5 years.
- 8% of all businesses sell 'Ales'.

Impact of Policing

(surveyed 239; 294 liquor retailers identified)



- 66% of all businesses were raided in the past 12 months.
- 51% were to close temporarily.
- 5.4% of all identified liquor retailers had closed down outright, in part through police action.

Official Police Statistics, Browns Farm, Nyanga: Drug Related Crime



Distribution of businesses selling liquor by enterprise category Browns Farm and Hazeldean Estate, Philippi, November 2011



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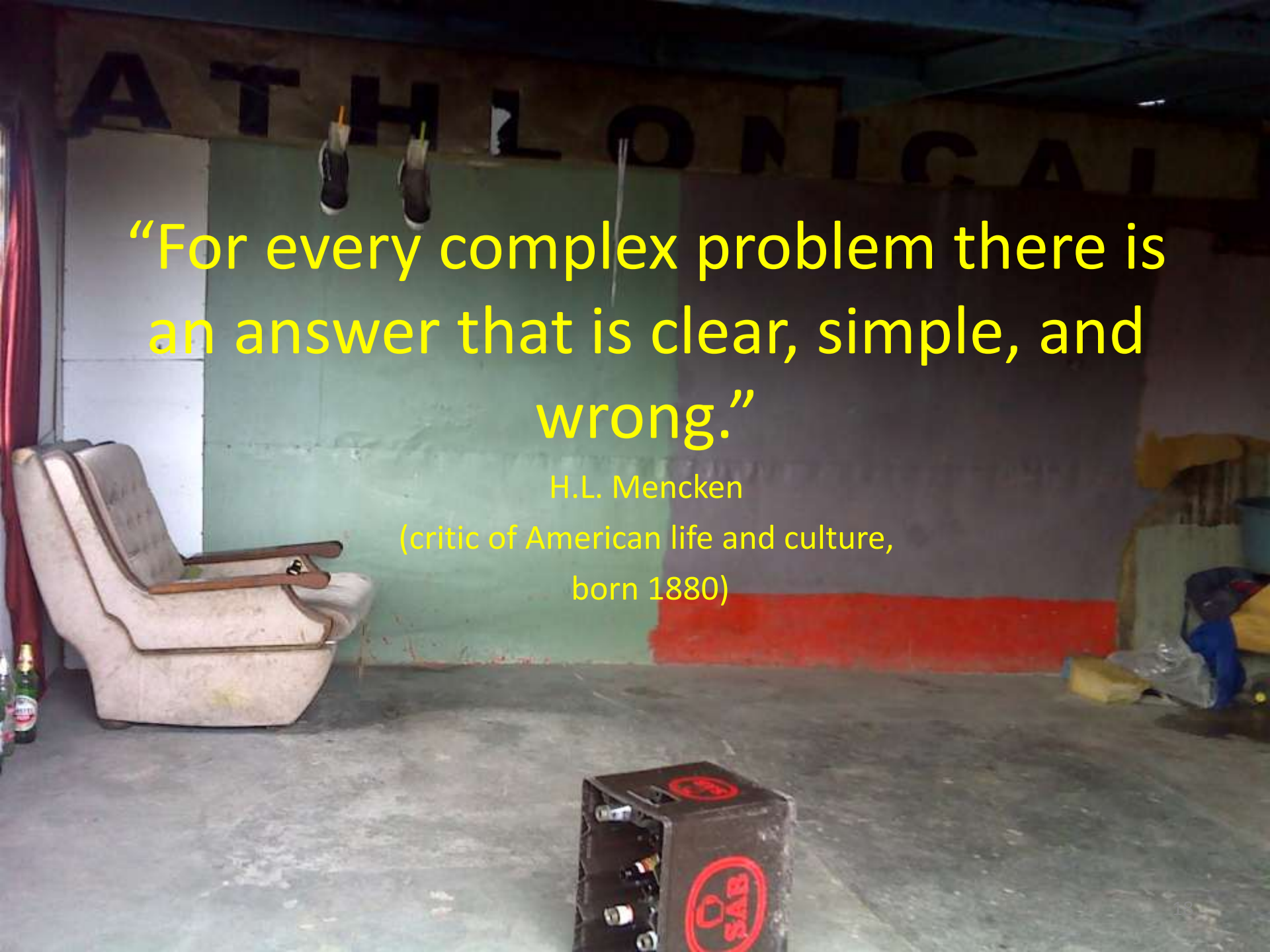


Conclusions

- Proposed supply side interventions (to reduce outlet density) will not significantly alter demand side considerations.
- It is important to remember that most shebeens do not simply sell liquor, but also provide venues which fulfil a role in enabling sociability through providing entertainment and a publicly accessible space away from home for relaxation and social interaction.
- Unintended outcomes are already evident:
 - Proliferation of small outlets,
 - Opportunities for criminal entrepreneurs have broadened,
 - Significant growth in illegal concoctions and Ales,
 - Evidence of a discord between the community and police.
- Actions to shift informal liquor traders to commercial zones or high streets and the imposition of stringent conditions on trading times has the potential for black disempowerment as established liquor retailers will be favourably advantaged.

Policy opportunities

- Regulation can provide a means to empowerment for a broad-base of micro-entrepreneurs in the liquor industry.
- The effectiveness of regulation in addressing harms within the unregulated sector will be proportional the extent to which micro-enterprises within the medium to high volume pyramid are included within the regulatory framework.
- Industries (formal sector) cannot have an influence at the base of the pyramid if businesses are illegal and criminalised.
- Inappropriate policy results in harm:
 - One of the main liquor policy harms has been the ghettoization of drinking culture, resulting in drinking spaces that contribute to anti-social behaviour and liquor harms.



“For every complex problem there is
an answer that is clear, simple, and
wrong.”

H.L. Mencken

(critic of American life and culture,
born 1880)