



Spaza shop fintech closes a gap in this R40bn cash market

It is estimated that the spaza shop market in South Africa is valued at around R40-billion per year and that 90% or more of the transactions are in cash. This market is growing at around 10% each year. Despite this alarming statistic of unaccounted cash, South Africa's informal market is characterised by unbanked spaza owners with limited or no access to better financial products.

This makes it difficult for them to deal with FMCG companies who generally do not open lines of credit with smaller retailers that order in small quantities.

It was this mismatch which allowed a local fintech, Invoiceworx (now Zande Africa) to offer an innovative financial and distribution platform that provides trade and merchant finance to spaza shops.

Zande was founded by SiyaNtutela, CEO and MduThabethe, COO, to help spaza shops access crucial finance in 2017. "One of the primary reasons South African spaza shop owners don't succeed is a lack of finance and broken supply chains," Ntutela explains.

In fact, only 20% of spazas are owned by South Africans and for this reason the rest are generally owned by non-South Africans. The business provides cash and credit service offerings to all spaza shop owners and therefore Zande transacts with any spaza shop that wants better pricing and better service.

"The credit facility we offer assists owners to fill their stores and avoid stock outs. Providing this working

capital unlocks the trading and employment potential of thousands of individuals and businesses." In addition to two warehouses in Ermelo and Nelspruit, Zande is set to grow this number with plans of expanding its first mile delivery and payment solutions offerings to spaza shops in and around KwaMashu, KwaZulu Natal.

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How it works

Zande provides lines of credit to spaza shops so that they are able to buy stock. This is done through a micro distribution model to allow the spaza to take advantage of better pricing directly from manufacturers and producers. The spaza owners build a credit score by trading in cash with Zande over three to six months. The USSD technology developed by Zande allows the owners to apply for credit, check outstanding balances and make payments using their phones. The

platform also facilitates cashless transactions between suppliers and retailers, in the process eliminating the cash-in-transit risk for suppliers. In addition, with 20 vehicles on its books, Zande has developed a better model of moving products from its warehouses to spaza shops whilst creating employment in communities. Through the driver platform, transporters get paid weekly per load delivered to their local spaza shops. Bakkie or truck owners are invited to register at www.zande.co.za to become part of the driver community.

Zande raises lines of credit (30 to 60 days) with large FMCG manufacturers. These credit lines are then extended to informal retailers via physical stock and repaid in seven to 14 days. Zande delivers directly to the shops using a last-mile distribution model. Due to the volume of stock that Zande purchases, it negotiates bulk discounts with suppliers. These discounts are shared with the shop owners and inventory is delivered on credit.

Invoiceworx has changed its name to Zande Africa, which means to multiply. "The new name better reflects our business and our evolution into mobility and scaling of the business," says Ntutela. "We are now ready to fundraise to boost the speed of our growth."

