

The State of the SMME in South Africa by Shoprite Holdings, 2025

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1. Introduction

- South Africa's Small, Medium, and Micro Enterprises (SMMEs) are the pillar of the nation's economy, driving innovation, job creation, and inclusive growth.
- This research analyzes the challenges and opportunities faced by Small, Medium, and Micro Enterprises (SMMEs) in South Africa, focusing on demographics, growth trajectories, and marketing strategies to support their development and scalability (expansion).
- The analysis begins with an in-depth look at business owners of these enterprises, revealing how diversity fuels entrepreneurial potential while also exposing systemic barriers.
- Gender inequality persists, with women disproportionately represented in smaller enterprises and facing large challenges in scaling their businesses.
- Geographic mapping depicts the concentration of entrepreneurial activity in economic hubs, leaving underrepresented regions battling with insufficient infrastructure and market access.

- Age and educational attainment further reveal the sector's complexity, with younger entrepreneurs showing high levels of innovation but facing barriers to entry, while older, more experienced owners dominate larger, more stable businesses.
- The study also examines the growth trajectory of SMMEs, highlighting the unique challenges faced at different stages of growth.
    - Start-ups bring dynamism and fresh ideas but battle with limited resources and market access.
    - Medium-sized businesses contribute largely to profitability and job creation, yet their scalability is often constrained by workforce management and regulatory complexities.
    - Mature businesses, while more stable, battle with macroeconomic pressures and the need for sustained innovation to remain competitive.
- Finally, the study delves into how marketing strategies evolve as businesses mature.
    - Social media platforms like Facebook and Instagram dominate across all stages, with their importance amplified in the early
      years of operation.
    - As businesses grow, their strategies diversify, incorporating traditional media like print and radio while leveraging platforms like LinkedIn to engage professional networks.
        - These trends in marketing approaches reflect changing priorities, from building visibility and credibility to sustaining customer loyalty and exploring new markets.

2. SMME business owner demographics

- SMMEs in South Africa depict the nation's multifaceted demographics, offering a complex picture of how diversity drives entrepreneurial growth.
    - This section focuses on 4 essential dimensions namely; gender, age, geographic distribution, and education.
        - These aspects are key to shaping business strategies and operational decisions, highlighting the need for

outspoken support tailored to diverse entrepreneurial profiles.

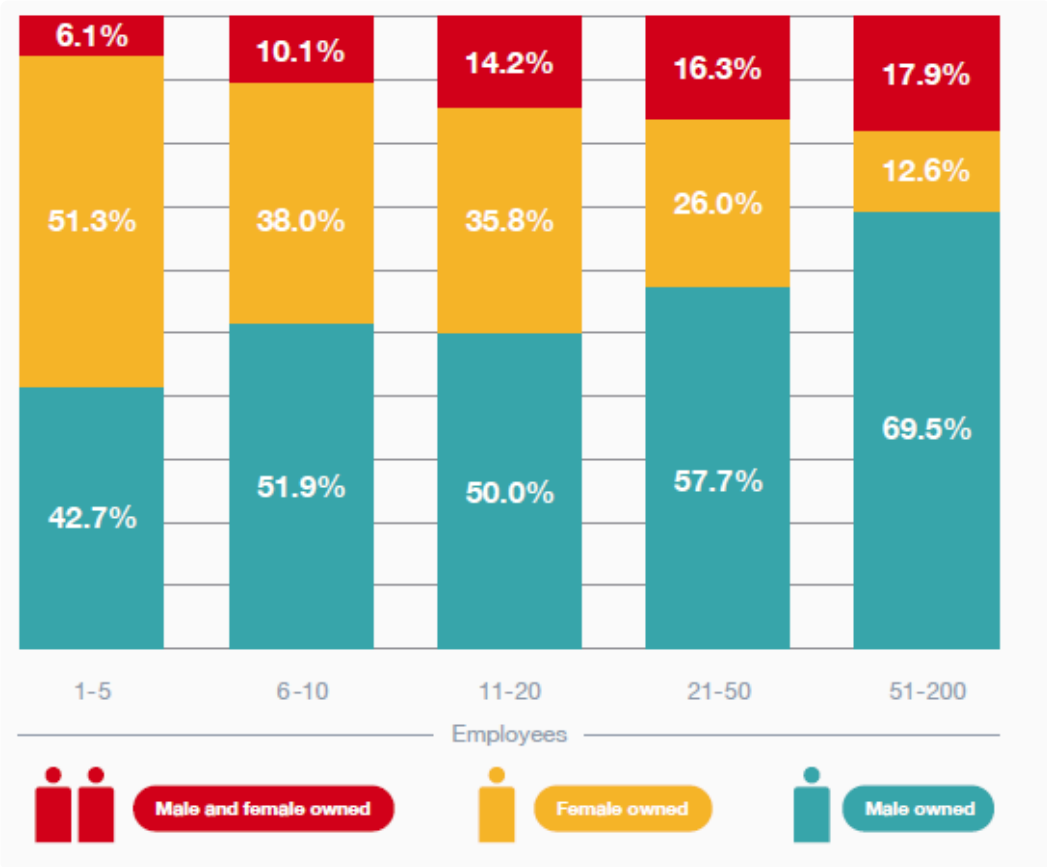
2.1. Business ownership by Gender & number of employees

- This report unveils a significant gender imbalance, with 51.2% of SMMEs owned by males, 37.7% by females, and 11.1% under joint male and female ownership.
- This trend shifts notably when business size is considered.
    - Female ownership is most dominant in smaller businesses, constituting 51.3% of enterprises with 1-5 employees.
        - However, as businesses grow, this representation contracts sharply, with women owning only 12.6% of enterprises employing 51-200 individuals.

- **The above-mentioned statistics reveal the systemic barriers women face in scaling or growing their businesses, which include limited access to growth capital, mentorship opportunities, and professional networks.**
- Moreover, industries with higher capital intensity often have low female ownership, reflecting deep-rooted gender inequality in access to resources and markets.
    - **This imbalanced distribution limits the potential for innovation and economic diversity, as women bring unique perspectives that could reshape industries if adequately supported.**
- Addressing these challenges requires gender-specific policies, such as financial products tailored to female entrepreneurs, training programmes focusing on leadership and technical skills, and initiatives to increase visibility and representation in high-growth sectors.
- **Collaborations between public and private stakeholders could provide mentorship and funding opportunities, further enabling women-led businesses to transition from micro to medium-sized enterprises.**
- Targeted interventions to solve the systemic challenges faced by female entrepreneurs are vital for ensuring equitable participation
  in economic growth.
- The statistics for Business ownership by Gender and number of employees is depicted below (Figure 1).

    - Female entrepreneurs own majority of micro-businesses (51.3%) (businesses employing 1-5 people), while Male entrepreneurs own majority of medium -sized enterprises (69.5%) (businesses employing 51-200 people) (Figure 1).

Figure 1: Business ownership by Gender of owner and number of employees. Source: Shoprite Holdings Ltd, 2025



2.2. Business ownership by Age

- SMME ownership is dominated by individuals aged 45-54, who constitute 36.7% of owners, followed by those aged 35-44 (26.7%) and 55-64 (23%).

    - These obstacles include limited access to startup capital, lack of mentorship, and difficulties in entering competitive markets.

- Interestingly, younger business owners demonstrate high levels of competitiveness, with a strong drive to innovate and leverage digital
  tools.
- The young business are often concentrated in emerging industries such as technology and e-commerce, where agility and fresh perspectives are key advantages.
    - However, their lack of experience and established networks hinder the long-term sustainability of their businesses.
- Older entrepreneurs dominate SMMEs ownership, while the under 34s (6.8%) face entry barriers.
    - Older entrepreneurs dominate larger businesses, particularly those with 51-200 employees, where individuals aged
      55-64 years constitute 41.1% of owners.

        - **This suggests that experience and established industry knowledge are essential for managing complex operations and sustaining growth in larger enterprises.**
- **Initiatives aimed at supporting younger entrepreneurs, such as incubators, funding schemes, and networking opportunities will enhance their market entry and scalability or business growth.**
- Meanwhile, efforts to harness the expertise of older entrepreneurs through advisory roles and mentorship programmes will benefit the broader SMME ecosystem.

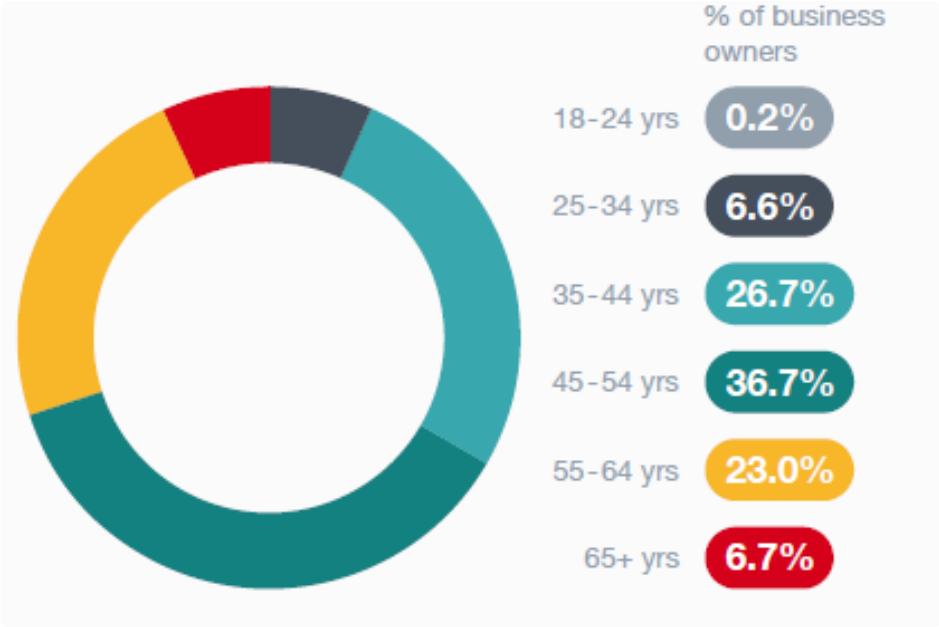
The statistics for Business ownership by Age group is depicted below (Figure 2).

- Older entrepreneurs aged 45-54 years own the majority of the SMMEs (36.7%) (Figure 2).
- Youth entrepreneurs own only a small proportion of SMMEs (18-24 yrs own 0.2% & 25-34 yrs own 6.6%).
    - These are worrisome statistics, considering the prevalence of unemployment among youth in South Africa currently.

        - **There is a need for the government and entrepreneurship development institutions to act swiftly with the implementation of micro and small businesses scaling or uplifting programmes to increase youth**

entrepreneurship in South Africa.

Figure 2: Business ownership by Age group. Source: Shoprite Holdings Ltd, 2025

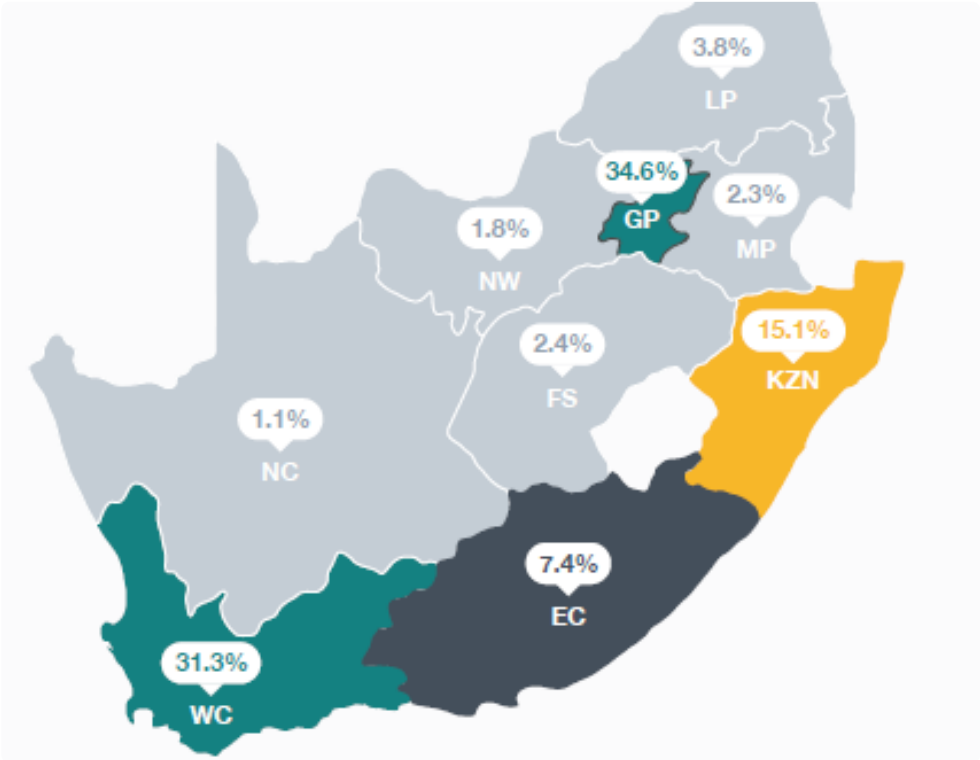


2.3. Geographic distribution of SMMEs

- The geographic distribution of SMMEs shows significant disparities in access to resources and markets.
- Gauteng is leading with 34.6% of SMMEs, followed by the Western Cape (31.3%) and KwaZulu-Natal (15.1%) (Figure 3).
    - Provinces such as the Northern Cape (1.1%) and North West (1.8%) are shockingly underrepresented, reflecting a concentration of entrepreneurial activity in major economic hubs.
        - This imbalanced distribution reflects disparities in infrastructure, market access, and institutional support.

- Urban areas, mainly in Gauteng and the Western Cape, benefit from robust transport networks, financial services, and a high concentration of skilled labour, all of which attract and sustain businesses.
    - In contrast, rural and underrepresented provinces face challenges such as limited internet connectivity, inadequate funding opportunities, and lower levels of consumer demand.
- Efforts to address these geographic imbalances must focus on building infrastructure in underserved regions, fostering regional hubs of innovation, and promoting cross-provincial collaborations.
- **For instance, providing targeted subsidies to entrepreneurs in the Northern Cape and North West could incentivise growth in these areas, fostering more equitable economic development.**

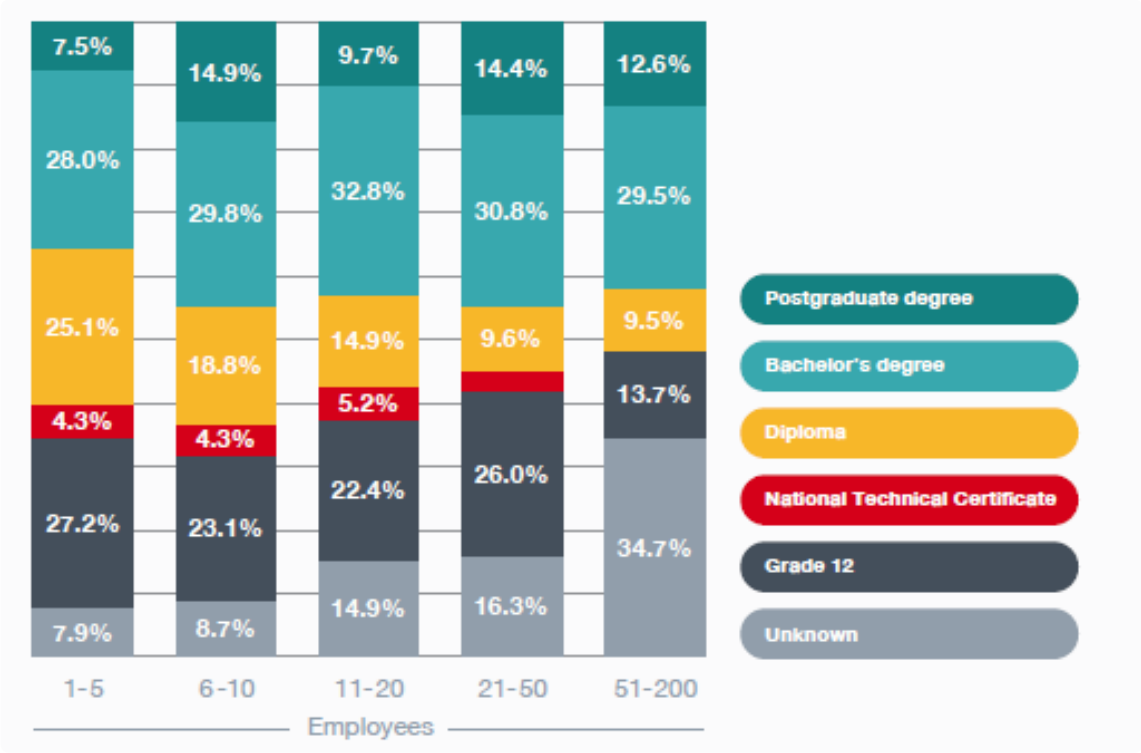
Figure 3: Geographic distribution of SMMEs. Source: Shoprite Holdings Ltd, 2025



2.4. Skills levels

- Education and experience play fundamental roles in shaping the leadership capabilities of SMME owners.
- The survey indicates that within the SMME category employing 6-10 people, 29.8% of business owners have a bachelor's degree, followed by 23.1% with a Grade 12 qualification, and 18.8% holding a diploma (Figure 4).
- Among larger businesses (51-200 employees), a higher prevalence of postgraduate qualifications highlights the value of advanced education in navigating complex operational demands and driving innovation (12.6%) (Figure 4).

Figure 4: Education level of company owner by size. Source: Shoprite Holdings Ltd, 2025



3. Evolution of SMMEs over time – stability & growth for economic impact

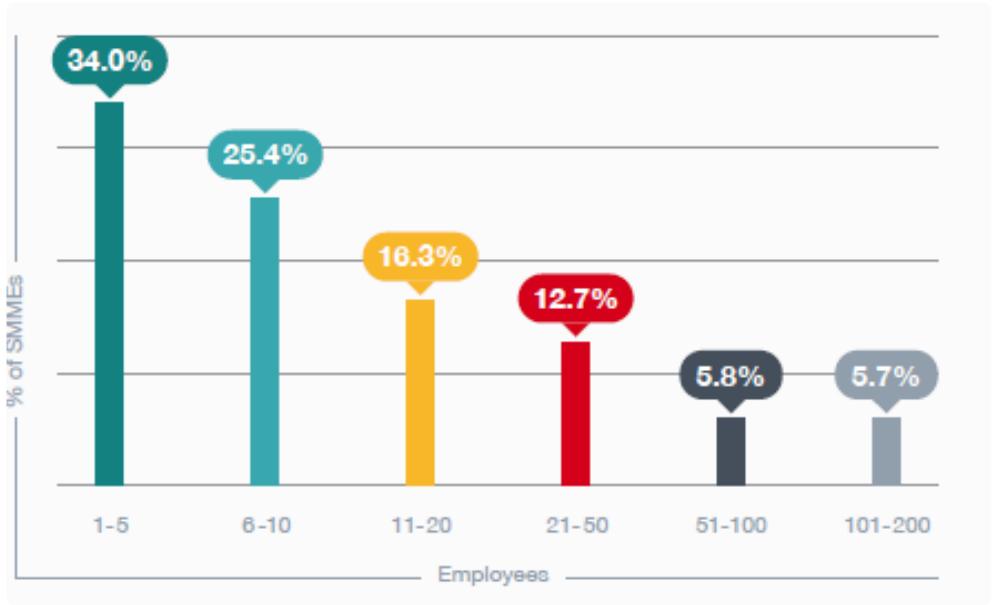
- SMMEs are essential drivers of economic growth, job creation, and innovation in South Africa.
    - Their evolution over time highlights the varying challenges and opportunities faced at different stages of growth.
- By assessing company size, operational longevity, competitiveness, and economic contributions, this section provides a comprehensive overview of how SMMEs transform from start-ups to established businesses, as well as the factors influencing their stability and scalability (expansion).

3.1. Company size

- In South African the majority of SMMEs are small enterprises, with 34% employing 1-5 individuals and 25.4% employing 6-10 (Figure 5).
    - Together, these micro and small enterprises constitute approximately 60% of the sector, reflecting their essential role as entry points for entrepreneurship.
- Medium-sized businesses (11-50 employees) constitute 29% of SMMEs, demonstrating their importance in creating more stable jobs
  and generating higher revenues (Figure 5).
- Larger businesses employing 51-200 individuals constitute 11.5% (5.8%+5.7%), underscoring their vital role in anchoring industries and contributing to economic stability (Figure 5).
- Smaller businesses often face challenges such as limited access to funding, difficulties in scaling operations, and vulnerabilities to economic shocks.
    - These constraints inhibit their ability to transition into larger entities.
    - In contrast, medium-sized and larger businesses benefit from more established networks, advanced operational systems, and greater access to markets, enabling them to achieve higher levels of competitiveness and profitability.
- Government programmes and private sector initiatives that focus on resource allocation, infrastructure development, and mentorship can play a vital role in helping smaller businesses scale effectively.
- By addressing these above-mentioned needs, the sector can achieve a more balanced distribution across business sizes, fostering greater economic impact.

- The company sizes by number of employees is depicted below (Figure 5).

Figure 5: Company size by number of employees. Source: Shoprite Holdings Ltd, 2025

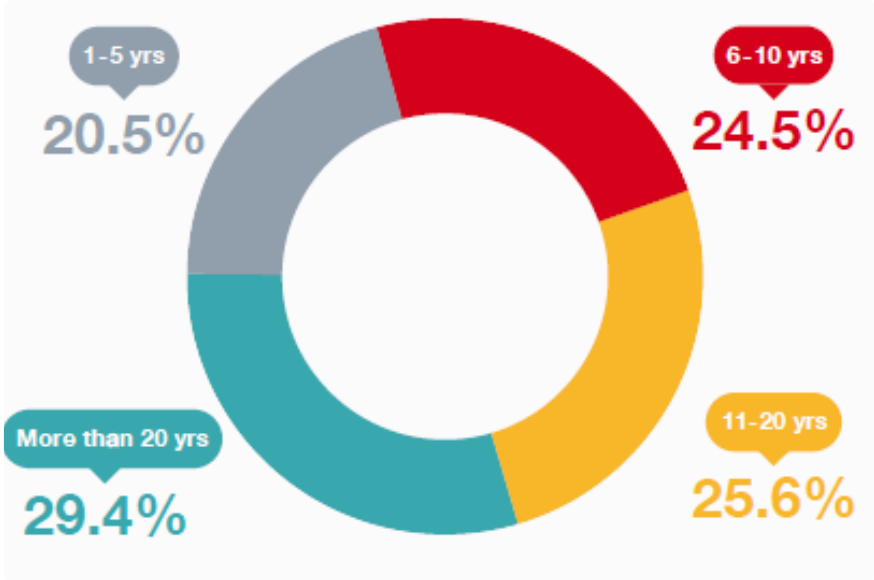


3.2. Longevity of businesses

- The longevity of businesses reveals valuable insights into their resilience and adaptability.
- Nearly 30% of SMMEs have been in operation for more than 20 years, showcasing their ability to withstand market fluctuations and maintain stability.
- Businesses operating for 11-20 years constitute 25.6%, while start-ups, defined as businesses in operation for less than 5 years, comprise 20.5%.

- Start-ups often face significant barriers, including establishing a customer base, navigating regulatory environments, and accessing seed funding.
    - However, they bring dynamism to the economy, with many introducing innovative products and services.
- In contrast, businesses with more than 20 years of operation benefit from established networks, repeat customers, and refined operational frameworks, which contribute to their longevity and success.
- **To support start-ups and younger businesses, it is important to create ecosystems that provide mentorship, market access, and tailored financial solutions.**
    - **Simultaneously, encouraging established businesses to share knowledge and resources can strengthen the overall SMME sector**.
- The company size by years of operation is depicted below (Figure 6).

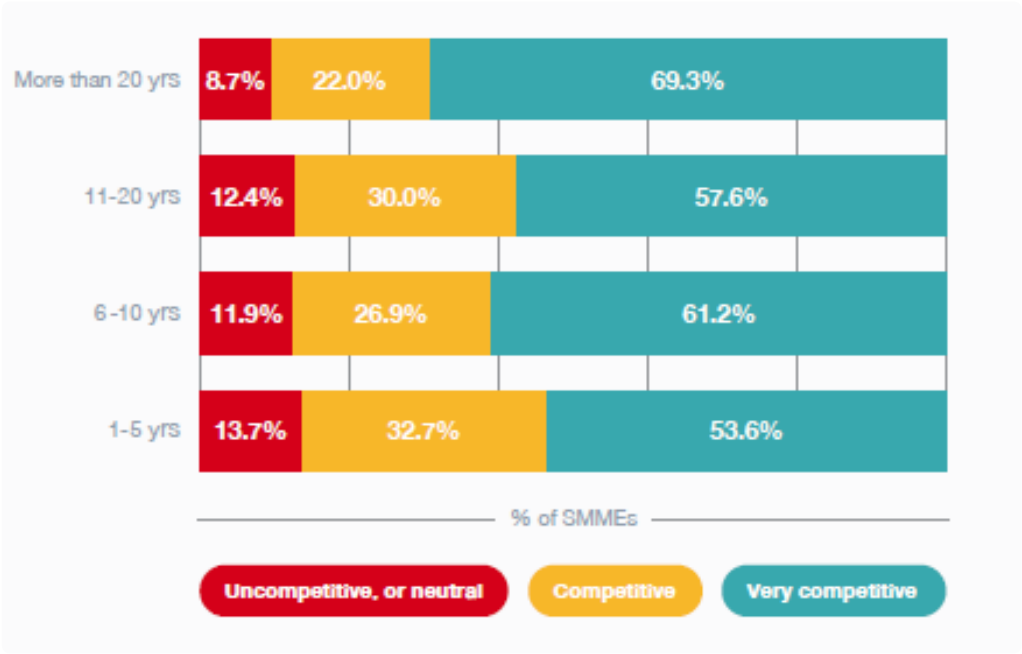
Figure 6: Company size by years of operation. Source: Shoprite Holdings Ltd, 2025



3.3. Competitiveness and stability

- Competitiveness differs significantly by business age and size, with older and larger businesses demonstrating greater confidence in their market position.
- About 69.3% of businesses operating for over 20 years rate themselves as “Very Competitive,” reflecting their deep market integration and ability to leverage economies of scale (Figure 7).
    - In comparison, younger businesses (1-5 years) indicate a lower competitiveness rating of 53.6%, often because of limited resources and market exposure.
- Medium-sized businesses exhibit strong competitiveness because of their ability to combine operational flexibility with a broader market reach.
    - However, these businesses also face challenges related to workforce management, supply chain complexities, and competition from larger corporations.
        - **These above-mentioned findings indicate the need for tailored interventions that address specific pain points at each stage of growth.**
- **Providing smaller and younger businesses with access to competitive intelligence, digital tools, and partnerships can improve their positioning.**
- Similarly, fostering collaborations between medium-sized and established enterprises can create synergies that benefit the entire sector.
- The SMMEs' Competitiveness by years of operation is depicted below (Figure 7).

Figure 7: SMMEs' Competitiveness by years of operation. Source: Shoprite Holdings Ltd, 2025



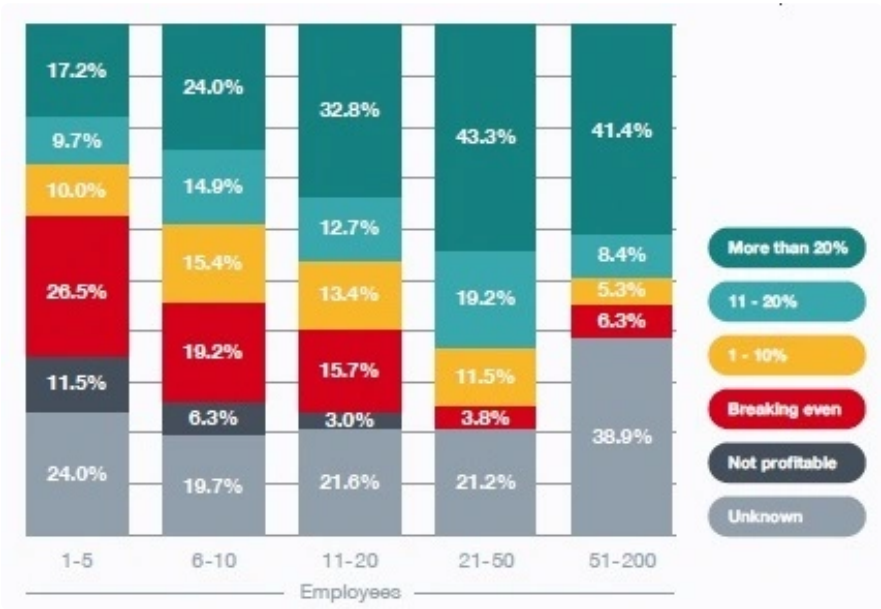
3.4. Economic contributions

- The economic impact of SMMEs differs with size and maturity, with medium-sized businesses emerging as large contributors to profitability and job creation.
- Among businesses with 21- 50 employees, 43.3% indicate net profit margins surpassing 20%, reflecting their scalability and operational efficiency (Figure 8)
    - In contrast, start-ups face greater financial risks, with 25% breaking even and 10.1% reporting losses due to high initial costs and uncertain revenue streams.
- Larger businesses (51-200 employees) often act as industry support pillars, creating supply chain linkages and generating stable employment.
    - However, their growth can be restrained by macroeconomic challenges, including inflation, interest rate fluctuations, and regulatory complexities.
- **To enhance the economic contributions of SMMEs, stakeholders must focus on enabling growth across all sizes.**

    - For smaller businesses, this includes providing access to low-cost capital and simplifying compliance processes.
    - For mid-sized and larger businesses, scaling support through advanced technology and market expansion strategies can unlock additional value.

- Medium-sized businesses contribute largely to profitability, while smaller businesses require support to overcome financial vulnerabilities.
- Similarly, fostering collaborations between medium-sized and established enterprises can create synergies that benefit the entire sector.
- The Average % Net profit after tax by company size is depicted below (Figure 8).

Figure 8: Average % Net profit after tax by company size. Source: Shoprite Holdings Ltd, 2025



4. Technology-driven marketing for SMMEs – from startup to maturity

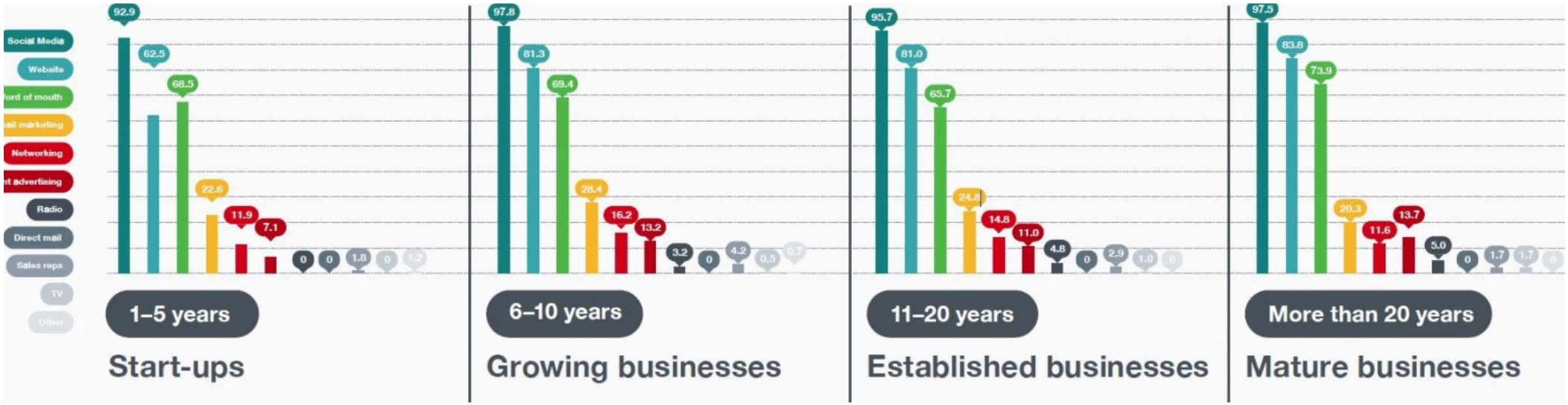
- As SMMEs graduate from start-up to maturity, their marketing strategies and choice of social media platforms evolve to meet changing
  priorities and target market engagement needs.
- This section examines how SMMEs use various marketing channels and social media platforms across different stages of business growth.

4.1. Marketing strategies by business stage

- As SMMEs mature, they continue to rely on social media and word of mouth, while gradually incorporating traditional media like print and radio.
  - Notably, websites are more readily implemented in businesses more than 5 years old.
- The data reveals how SMMEs' marketing approaches shift as they grow (Figure 9).
- The Advertising strategies used by businesses per years of operation is depicted below (Figure 9).
  - **Start-ups**: Start-ups mostly use Facebook (95.8%) and Instagram (67.3%).
    - X, formerly Twitter, (22.6%) and LinkedIn (19.0%) are also notable,
      while TikTok is adopted by 8.9%.
      - Platforms like YouTube (3.0%) and Pinterest (3.6%) are less common.
  - **Growing businesses**: Facebook usage remains high at 97.8%, with Instagram at 69.9% and LinkedIn slightly increasing to 22.9%.
    - X usage decreases to 19.4%, while YouTube (2.7%) and Pinterest (3.2%) usage remain low.
  - **Established businesses**: Facebook (95.2%) and Instagram (67.6%) continue as primary platforms. LinkedIn usage stabilises at 21.4%, with X (17.1%) and TikTok (7.6%) seeing limited adoption.

        - This stage focuses on familiar platforms rather than new channels.
    - **Mature businesses**: 70.1% remain strong, with increased use of LinkedIn (32.0%) and X (25.3%).
        - Pinterest reaches 6.2%, while YouTube and TikTok stay low at 2.9%.

Figure 9: Social media used by years of operation. Source: Shoprite Holdings Ltd, 2025



5. Conclusion and recommendations

- SEDFA and other SMMEs development institutions need to develop more tailored financial products and non-financial support for Women and Youth-owned businesses as these kind of businesses are faced with imbalances in terms of support.
- **Support start-ups:** DSBD and SEDFA need to establish more incubators and accelerators that provide mentorship, funding, and market access for early-stage businesses, especially for Rural and Township based SMMEs.

        - Since early-stage businesses depend heavily on Facebook, Instagram, and word of mouth, offering workshops on optimising these platforms would be beneficial.
            - Training in low-cost digital marketing techniques, such as organic reach strategies, can help maximise their limited budgets.

- **Strengthen medium-sized enterprises**: Focus on scaling strategies, including technology adoption, workforce development, and supply
  chain optimisation.
    - Encouraging medium-sized businesses to explore regional and international markets can drive additional growth.
    - Encourage multi-channel diversification for growing businesses.
- **Encourage longevity in established enterprises**: Promote sustainability through diversification of revenue streams, innovation, and collaboration with younger businesses.
    - Sharing best practices and resources across the sector can create a more cohesive ecosystem.
    - Some businesses in the 11–20 year range usually use traditional channels like print and radio.
        - Subsidies or partnerships with media outlets could lower the costs of print and radio advertising, making these channels more accessible.
            - However a preferred way to connect with customers is via public relations, which includes a content approach that allows SMMEs to connect with various audiences, across various channels (including social media) in a more affordable way that traditional advertising.
                - This support would allow businesses to reach offline audiences and diversify their customer experience.

- The SA Government needs to simplify regulatory processes, provide tax incentives which can ease barriers of industry entry for SMMEs.