COMPETITION

The Competition Commission's Rural and Township Economy Project – Be well advised to sit up and listen

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by Ahmore Burger-Smidt, Director and Head of Regulatory, and Boitumelo Khwene, Candidate Attorney

What the Report Is

On 3 September 2026, the Competition Commission of South Africa ('the Commission') published a research report highlighting its findings on the Rural and Township Economy Project ('the Report'). The purpose of The Report is to inform policy makers, regulators, and business leaders about the economic dynamics in South Africa's township and rural areas, focusing on competition and economic participation. It was authored by researchers within the Commission's Economic Research Bureau, Qhawe Mahlalela, Tessa Bleazard, and Zintle Siyo, with assistance from Dr Hariprasad Govinda, drawing on literature, enforcement experience, and two dedicated surveys: a Business Survey and a Consumer Survey. The Report is not a market inquiry, nor does it carry binding legal force. It is, however, a substantial and data-rich piece of research that the Commission plainly intends to use as a platform for future enforcement, policy engagement, and inter-agency cooperation. Its publication should be understood as a signal of the Commission's intention to apply a more nuanced and empirically grounded approach to competition in historically underserved markets.

Why It Matters

Townships and rural settlements are home to a very large share of the South African population, over 40% of the country's residents live in townships alone. These areas were shaped by apartheid-era spatial policies, principally the Group Areas Act of 1950 and the Natives Land Act of 1913, which were designed to confine non-white South Africans to geographically isolated, economically marginalised settlements. The Report describes this legacy as "*exclusion by design*," and traces a direct line from those historical policies to the patterns of poverty, unemployment, inequality, and business informality that persist in these areas today.

The economic significance of these communities is widely recognised. National policy frameworks, including the National Development Plan 2030 and the Medium-Term Development Plan 2024–2029, identify township and rural enterprises as critical to employment creation and inclusive growth in pursuit of economic development. The Commission's Report adds a competition dimension to this national conversation, asking what specific market and regulatory barriers prevent businesses in these areas from entering, growing, and competing effectively, and what this means for the consumers who depend on them.

What the Report Finds

The Report's findings are organised around three broad themes:

- market barriers;
- regulatory barriers and;
- the implications of both for how competition should be assessed in these economies.

On the market side, two problem areas stand out. The first is procurement. The Report finds that how businesses obtain their stock and inputs differs sharply depending on the type of business. National chains and franchises tend to be well-integrated into large, formalised supply networks with strong bargaining power and reliable access to goods. Independent and informal businesses, which make up the overwhelming majority of firms in township and rural areas, rely instead on smaller suppliers and intermediary channels, where they face higher costs, less reliable supply, and weaker negotiating positions. The data is stark: township national chains source roughly 65% of inputs through large formal wholesalers, whereas independents and informal businesses are far more dependent on smaller and costlier channels. Moreover, the Report finds that there are procurement difficulties across several sectors such as the agriculture, construction, hair and beauty, hospitality, medical or health services, and retail industries. It is said that businesses in those sectors are experiencing higher input or inventory costs. In light of this, independent and informal businesses are therefore inclined to reduce their order sizes which further weakens their bargaining power, while lack of local supplier availability and stock shortages are also found to present significant issues in these sectors. These procurement asymmetries translate into higher procurement costs for township and rural businesses and narrower product ranges for the consumers who shop at smaller outlets.

The second market barrier is route to market. Most township and rural businesses sell through their own physical premises, typically small, low-footfall stores, with very limited access to major retailers, shopping centres, or online platforms. The Report finds that this is not because smaller businesses lack ambition or interest in expansion. On the contrary, the survey evidence points to significant latent demand among smaller firms for access to formal retail spaces such as malls and shopping centres. What holds them back is a combination of high rental costs, exclusivity arrangements favouring established brands, information gaps, and a general preference by mall operators for large, well-known tenants. Online channels present a similar story: registration thresholds, infrastructure weaknesses, and a lack of digital know-how keep many township and rural businesses off e-commerce platforms entirely.

On the regulatory side, the Report documents a pervasive landscape of "*red tape*", complex and costly compliance requirements associated with permits, licences, zoning rules, municipal by-laws, and service disruptions. These burdens fall most heavily on smaller and less formal businesses, which have the fewest resources to navigate opaque administrative systems. The effects are not merely bureaucratic: regulatory barriers can delay market entry, prevent businesses from relocating to better premises, discourage investment, and entrench informality by making the cost of formalisation prohibitively high. Businesses that remain non-compliant find themselves locked out of funding, unable to access formal supply chains, and invisible to potential partners and customers. For consumers, the downstream consequence is fewer nearby options, less variety, and longer travel distances to reach better-stocked stores, with transport costs functioning as an additional, hidden price.

A Revised Lens for Competition Assessment

Beyond its factual findings, the Report proposes a shift in how competition authorities and practitioners should think about markets in township and rural settings.

On the question of closeness of competition, the Report warns against the assumption that businesses operating in the same area and selling similar products necessarily constrain one another. Consumer survey data shows that shoppers frequently do not view independent or informal outlets as substitutes for chain stores, they perceive meaningful differences in quality, variety, reliability, and the type of shopping occasion each serves. Two businesses may coexist in the same township, but if consumers do not regard them as interchangeable, the competitive pressure between them may be much weaker than appearances suggest.

On geographic market definition, the Report calls for an approach grounded in actual consumer behaviour and local realities rather than theoretical assumptions about how far people are willing to travel. Shopping patterns vary significantly by product category: food and pharmacy purchases tend to be relatively local, while clothing, electronics, and household goods draw consumers further afield, often to the nearest town or urban centre. Rural consumers generally travel longer distances than township consumers, but this may reflect the absence of local alternatives rather than genuine competitive integration across wider areas. Transport realities matter as well: in many categories, minibus taxis are the dominant mode of transport, and walking remains important for routine local purchases. The Report argues that practical catchment areas in rural settings are often wider than standard competition analysis would assume, and that any assessment must be sensitive to the specific product category and the real-world constraints that consumers face.

What Comes Next

The Report is explicitly forward-looking.

- First, the Commission intends to address the regulatory and administrative red tape by considering structured engagements with municipalities, South African Local Government Association (SALGA), the DTIC and Department of Small Business Development (DSBD) and other governmental organisations, with a view to identifying the regulatory burdens which can be simplified, standardised or better supported.
- The Commission further signals its intention to pursue follow-on work in several directions engaging with stakeholders across the retail, supply, distribution, and e-commerce value chains; and cooperating with other government bodies, municipalities, provincial departments, the DTIC, and the DSBD among them to widen access to formal retail and digital channels for smaller firms.
- The Report does not shy away from the possibility of enforcement action. It identifies specific categories of conduct, exclusionary access to retail channels, discriminatory procurement conditions, and supply arrangements that disadvantage smaller or HDP-owned firms, that may form the basis for market conduct investigations.
- Moreover, the Commission has now signaled that it would be looking into prioritising procurement and upstream access and even making provision for competition conditions aimed at addressing service delivery and infrastructure,

For any organisation with a presence in or connection to township and rural markets, the Report warrants careful attention. In essence, the Report provides the Commission with a rich empirical foundation, a clear analytical framework, and an evident appetite for follow-through. Whether the practical impact will be felt primarily through enforcement, through policy reform, or through a combination of both, the direction of travel is unmistakable: the Commission intends to bring a sharper, more evidence-based focus to competition in some of South Africa's most economically significant, and historically neglected communities.

Ahmore Burger-Smidt

Head of Regulatory

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