



The state of the SMME

in South Africa

A report offering insights into how corporate South Africa can better support small businesses in overcoming barriers, scaling effectively, and accessing new markets.

Published by

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Cornerstone of South Africa's economy

by **Arthur Goldstuck** | Editor and journalist, **World Wide Worx**



South Africa's Small, Medium, and Micro Enterprises (SMMEs) are a cornerstone of the nation's economy, driving innovation, job creation, and inclusive growth.

Despite their pivotal role, SMMEs operate within a landscape defined by both opportunities and deep-rooted challenges. This report explores the key factors shaping the SMME sector, focusing on the demographics of business owners, the evolution of businesses over time, and the role of technology-driven marketing in enabling growth.

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 disparities persist, with women disproportionately represented in smaller enterprises and facing significant challenges in scaling their businesses. Geographic mapping highlights the concentration of entrepreneurial activity in economic hubs, leaving underrepresented regions grappling with limited infrastructure and market access. Age and educational attainment further underscore 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 report also examines the growth trajectory of SMMEs, highlighting the unique challenges faced at different stages of development. Start-ups bring dynamism and fresh ideas but struggle with limited resources and market access. Mid-sized businesses contribute significantly to profitability and job creation, yet their scalability is often constrained by workforce management and regulatory complexities. Mature businesses, while more stable, contend with macroeconomic pressures and the need for sustained innovation to remain competitive.

Finally, the report 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 shifts in marketing approaches reflect changing priorities, from building visibility and credibility to sustaining customer loyalty and exploring new markets.

This report provides actionable recommendations to address the systemic challenges faced by SMMEs. From gender-focused initiatives and regional infrastructure investment to tailored marketing strategies and scalable growth solutions, it offers a roadmap for stakeholders to empower SMMEs across all stages of their development. By addressing these barriers, South Africa can unlock the full potential of its SMME sector, creating a more inclusive and resilient economy.

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Enabling SMMEs to succeed

by **Maude Modise** | Enterprise and Government Relations Executive
The Shoprite Group



The success of Small, Medium, and Micro Enterprises (SMMEs) is integral to South Africa’s economic recovery and growth. As crucial drivers of job creation and innovation, these businesses play a pivotal role in building a more resilient economic landscape.

At the Shoprite Group, we recognise that enabling SMMEs to succeed is not only a moral responsibility but also a strategic imperative that supports inclusive economic growth, which is why we commissioned this report.

Developed in collaboration with **World Wide Worx**, the report seeks to offer an in-depth analysis of the challenges and opportunities facing SMMEs in our country.

Through this exploration, we aim to provide valuable insights into how corporate South Africa can effectively support small businesses in overcoming barriers, scaling effectively and accessing new markets.

While the SMME sector holds immense potential, it is undeniable that these businesses often encounter a complex

array of challenges – ranging from limited access to capital and infrastructure to gender and geographic disparities.

The Group’s continued commitment to nurturing the growth of SMMEs is reflected in the purpose of **Shoprite Next Capital**, a business division created specifically to equip and assist small businesses with the tools and resources they need to succeed and flourish alongside larger players in the retail industry.

It forms part of our broader enterprise and supplier development strategy, which has long focused on giving small suppliers access to our vast consumer market.

During the 2024 financial year, our Enterprise and Supplier Development programme included 64 SMME vendors, with 17 new suppliers, bringing a total of 301 products to market.

We have the privilege of working with incredible entrepreneurs, each with a unique and inspiring story of hard work, resilience, and determination, like Western Cape couple Nigel and Christynn Jacobs’

of **Jacobs Jam**, and **Pasta & Me**, a 100% female-owned business founded by mom of two, Aziza Parker.

For SMMEs to contribute meaningfully to South Africa’s economy, they need more than just recognition – they need real opportunities. Small businesses require access to markets, the right skills, and tailored solutions that enable their growth at various stages.

Our aim with this report is to highlight the demographics, geographics and growth trajectories of SMMEs while also providing actionable recommendations for overcoming systemic barriers.

Through a sustained collaborative approach, we can equip more SMMEs to unlock their full potential and create a more inclusive economy.

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Understanding SMME business owner demographics in South Africa

Mabel Akinlabi | Browns Food

SMMEs in South Africa reflect the nation’s multifaceted demographics, offering an intricate portrait of how diversity drives entrepreneurial growth. **This chapter focuses on four critical dimensions: gender, age, geographic distribution, and education.** These aspects are key to shaping business strategies and operational decisions, highlighting the need for nuanced/bespoke support tailored to diverse entrepreneurial profiles.

In this chapter, we’ll look at:



Gender



Age of business owners



Geographic representation



Education and work experience



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Gender

This report reveals a striking gender imbalance, with 51.2% of SMMEs owned by males, 37.7% by females, and 11.1% under joint male and female ownership. This pattern shifts notably when business size is considered. Female ownership is most prevalent in smaller businesses, comprising 51.3% of enterprises with 1-5 employees. However, as businesses grow, this representation diminishes sharply, with women owning only 12.6% of enterprises employing 51-200 individuals. These statistics underscore the systemic barriers women face in scaling their businesses, which include limited access to growth capital, mentorship opportunities, and professional networks.

Moreover, industries with higher capital intensity often see lower female



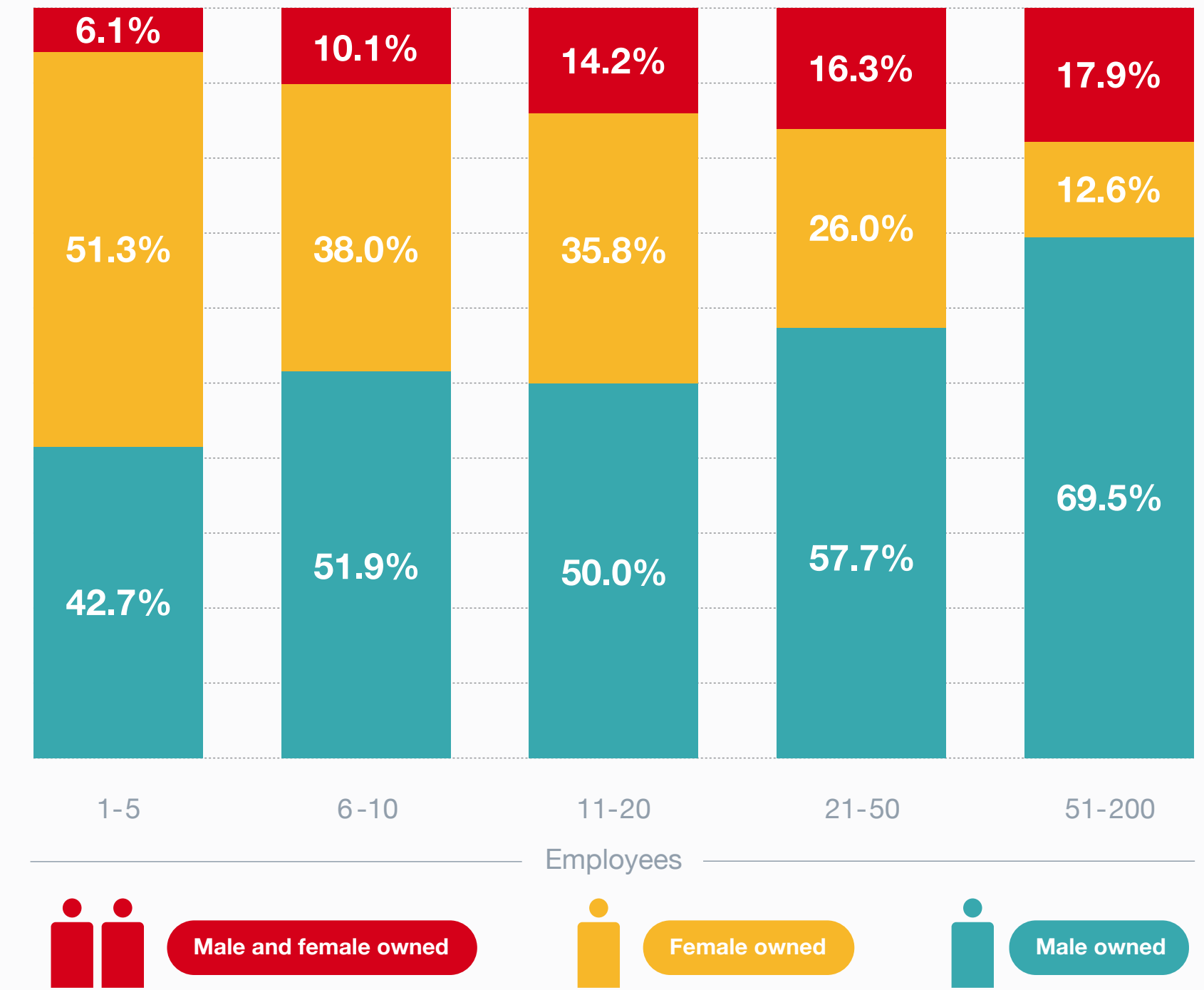
Women own 51.3% of small SMMEs but just 12.6% of larger ones, highlighting systemic barriers like limited capital, mentorship, and industry access.

ownership, reflecting entrenched gender disparities in access to resources and markets. This uneven 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 enhance 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 mid-sized enterprises.

Figure 1.1

Gender of owner, by number of employees



Targeted interventions to address systemic challenges faced by female entrepreneurs are critical for ensuring equitable participation in economic growth.

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Age of business owners

SMME ownership is dominated by individuals aged 45-54, who account for 36.7% of owners, followed by those aged 35-44 (26.7%) and 55-64 (23%). Business owners under 34 constitute a smaller portion (6.8%), suggesting that younger entrepreneurs face greater barriers to entry. These obstacles include limited access to startup capital, lack of mentorship, and difficulties in penetrating competitive markets.

Interestingly, younger business owners demonstrate high levels of competitiveness, with a strong drive to innovate and leverage digital tools. They 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 can hinder long-term sustainability.

Conversely, older entrepreneurs dominate larger businesses, particularly those with 51-200 employees, where individuals aged 55-64 make up 41.1% of owners. This suggests that experience and established industry knowledge are critical for managing complex operations and sustaining growth in larger enterprises.

Initiatives aimed at supporting younger entrepreneurs, such as incubators, funding schemes, and networking opportunities, could enhance their market entry and scalability. Meanwhile, efforts to harness the expertise of older entrepreneurs through advisory roles and mentorship programmes could benefit the broader SMME ecosystem.

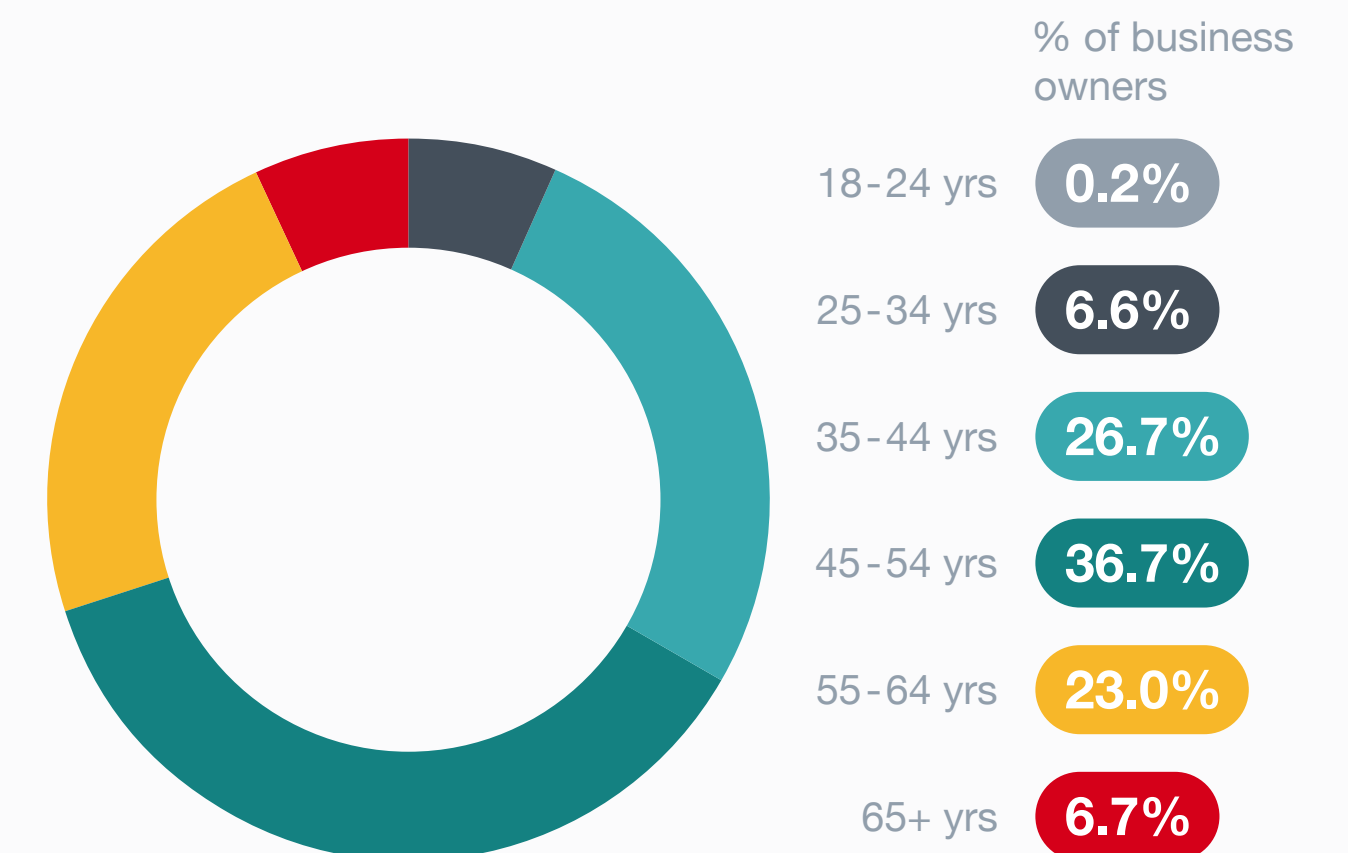


Older entrepreneurs dominate SMMEs, while under-34s (6.8%) face entry barriers despite strong innovation.



Zamokuhle Thwala and Palesa Motaung
Agrikool

Figure 1.2
Age of business owner



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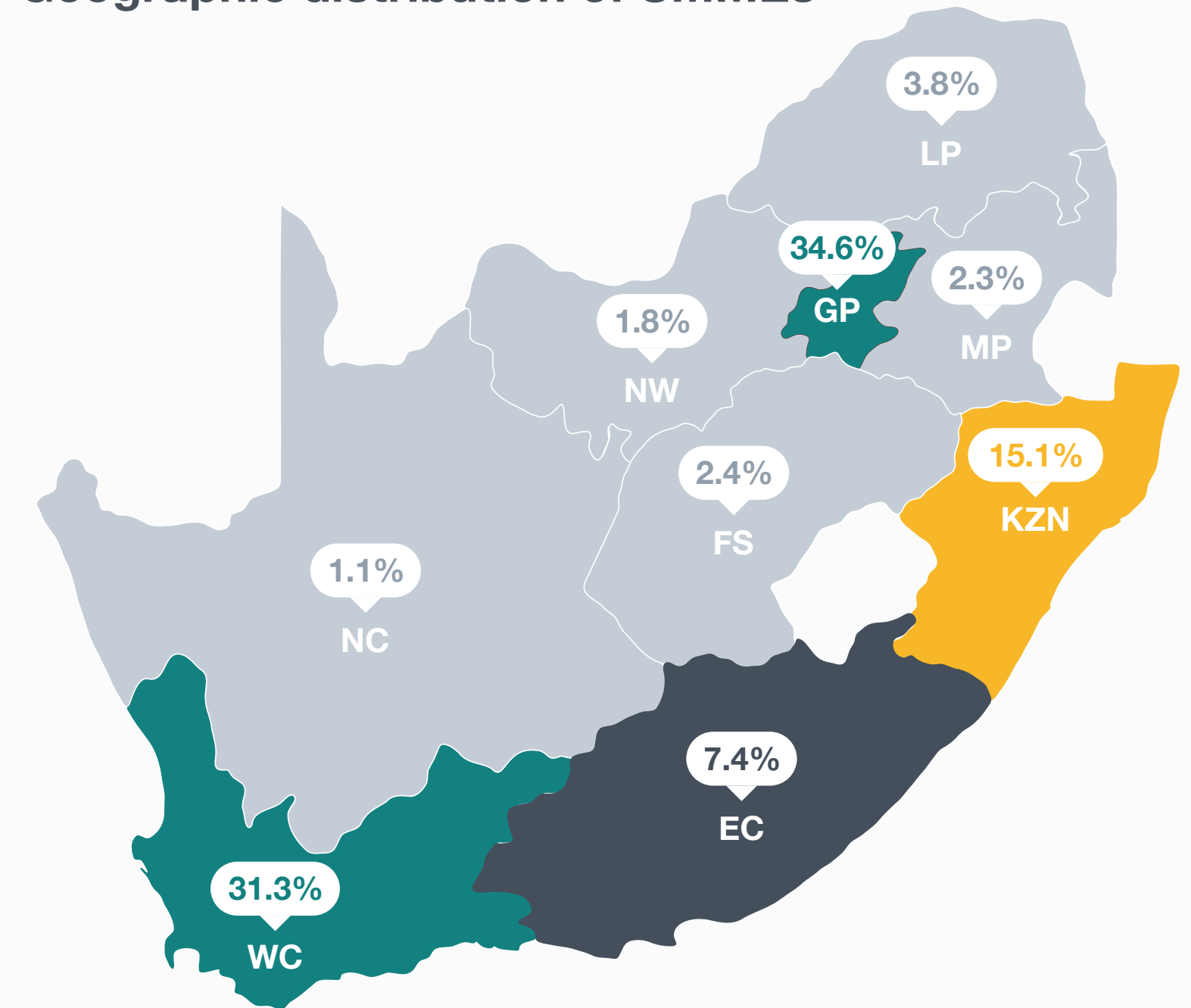
The geographic distribution of SMMEs highlights significant disparities in access to resources and markets. Gauteng leads with 34.6% of SMMEs, followed by the Western Cape (31.3%) and KwaZulu-Natal (15.1%). Provinces such as the Northern Cape (1.1%) and North West (1.8%) are starkly underrepresented, reflecting a concentration of entrepreneurial activity in major economic hubs.

This uneven distribution reflects disparities in infrastructure, market access, and institutional support. Urban areas, particularly 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 disparities 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 1.3

Geographic distribution of SMMEs



SMMEs are heavily concentrated in Gauteng and the Western Cape, while the Northern Cape and North West remain vastly underrepresented, highlighting deep regional disparities in resources and market access.

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29.8% of SMME owners hold a bachelor's degree, while advanced education is more common in larger businesses.

Education and work experience

Education and experience play crucial roles in shaping the leadership capabilities of SMME owners. The survey indicates that 29.8% of business owners have a bachelor's degree, followed by 23.7% with a Grade 12 qualification and 18.1% holding a diploma. 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.

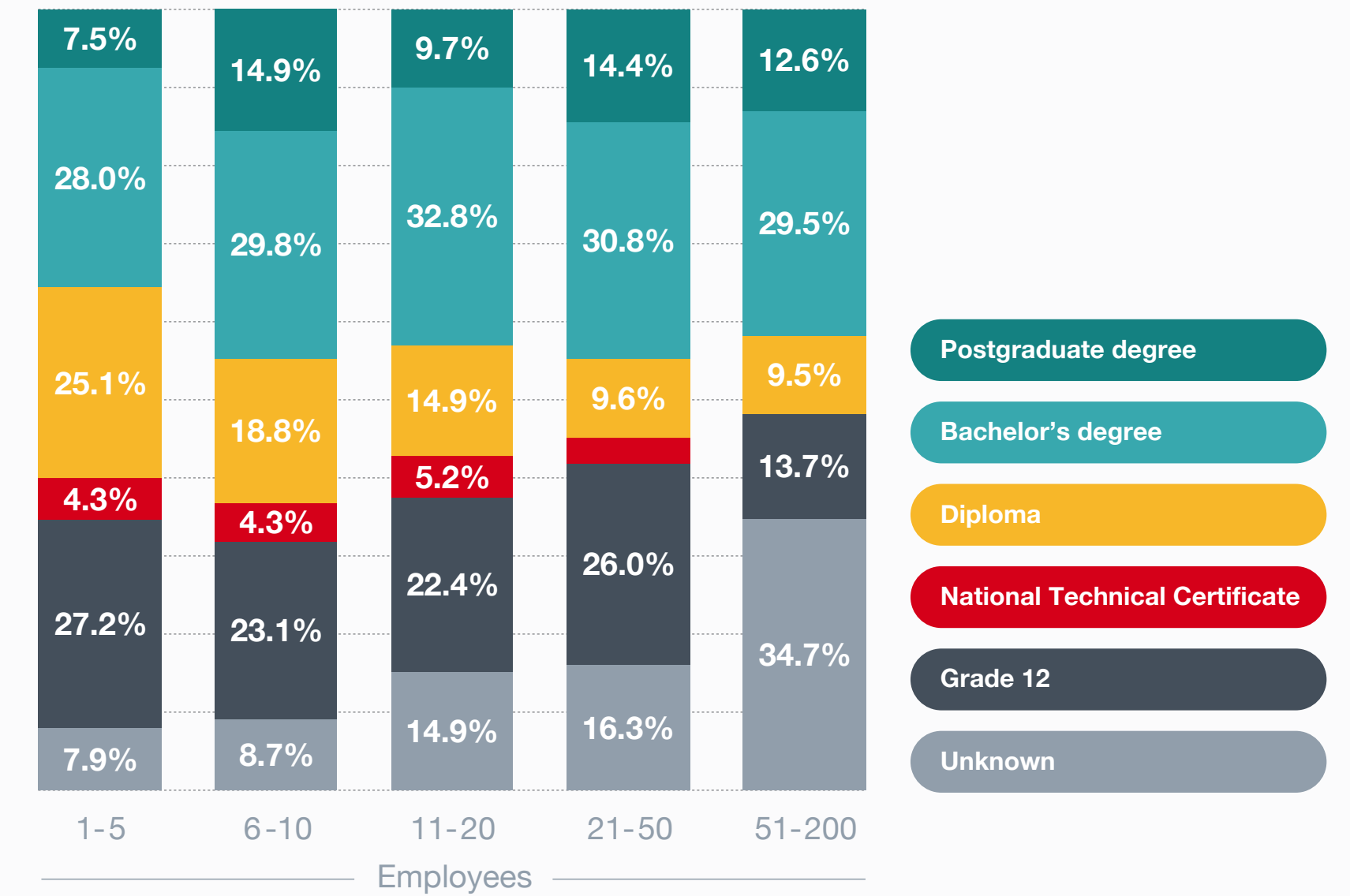
Work experience further underscores the importance of accumulated knowledge, with 45.4% of owners possessing

over 20 years of experience. This wealth of expertise enables seasoned entrepreneurs to make informed decisions, anticipate market trends, and build resilience against economic challenges.

For younger and less experienced entrepreneurs, access to training programmes focusing on leadership, financial management, and operational planning is essential. Bridging education gaps through vocational training and upskilling initiatives can also help entrepreneurs in underrepresented demographics build the capabilities needed for sustained growth.

Figure 1.4

Education level of owner, by company size



The demographic diversity of SMME owners reflects both the sector's potential and its challenges. Gender disparities, age-related barriers, geographic imbalances, and differences in educational attainment all shape the SMME landscape in unique ways. Policymakers and stakeholders must prioritise initiatives that foster inclusivity, promote equitable access to resources, and enable business owners to overcome systemic challenges. By addressing these factors, South Africa can unlock the full potential of its SMME sector, driving innovation, economic growth, and job creation across the nation.

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PART 2

Evolution of SMMEs over time – stability and growth for economic impact

Aziza Parker and employees | Pasta & Me

SMMEs are critical 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 examining company size, operational longevity, competitiveness, and economic contributions, this chapter provides a comprehensive overview of how SMMEs transform from start-ups to established businesses, as well as the factors influencing their stability and scalability.

In this chapter, we'll look at:



Company size



Longevity of businesses



Competitiveness and stability



Economic contributions



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Smaller businesses often struggle with resource limitations, while mid-sized and larger businesses face complexities in sustaining growth.

Company size

The majority of South African SMMEs are small enterprises, with 34% employing 1-5 individuals and 25.4% employing 6-10. Together, these micro and small enterprises constitute nearly 60% of the sector, reflecting their vital role as entry points for entrepreneurship. Mid-sized businesses (11-50 employees) account for 29% of SMMEs, demonstrating their importance in creating more stable jobs and generating higher revenues. Larger businesses employing 51-200 individuals make up 11.5%, underscoring their critical role in anchoring industries and contributing to economic stability.

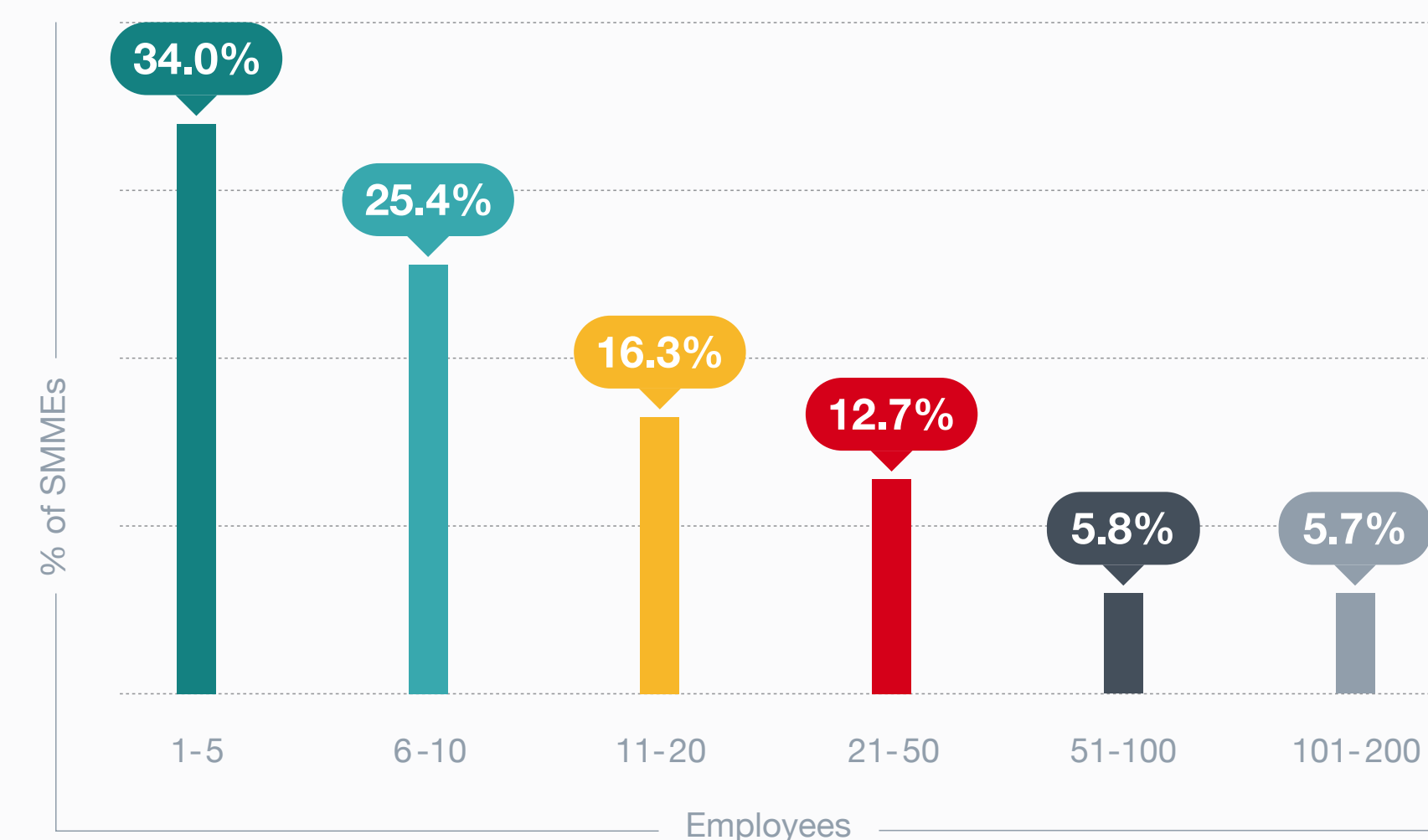
Smaller businesses often face unique challenges, such as limited access to funding, difficulties in scaling operations,

and vulnerabilities to economic shocks. These constraints hinder their ability to transition into larger entities. In contrast, mid-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 crucial role in helping smaller businesses scale effectively. By addressing these needs, the sector can achieve a more balanced distribution across business sizes, fostering greater economic impact.

Figure 2.1

Company size in relation to employees



Nigel and Christynn Jacobs with employees
Jacobs Jam

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Longevity of businesses

The longevity of businesses provides valuable insights into their resilience and adaptability. Nearly 30% of SMMEs have been in operation for over 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 five years, account for 20.5%.

Start-ups often encounter significant hurdles, including establishing a customer base, navigating regulatory environments, and accessing seed funding. However, they also bring dynamism to the economy, with many

introducing innovative products and services. In contrast, businesses with over 20 years of operation benefit from established networks, repeat customers, and refined operational frameworks, which contribute to their longevity and success.

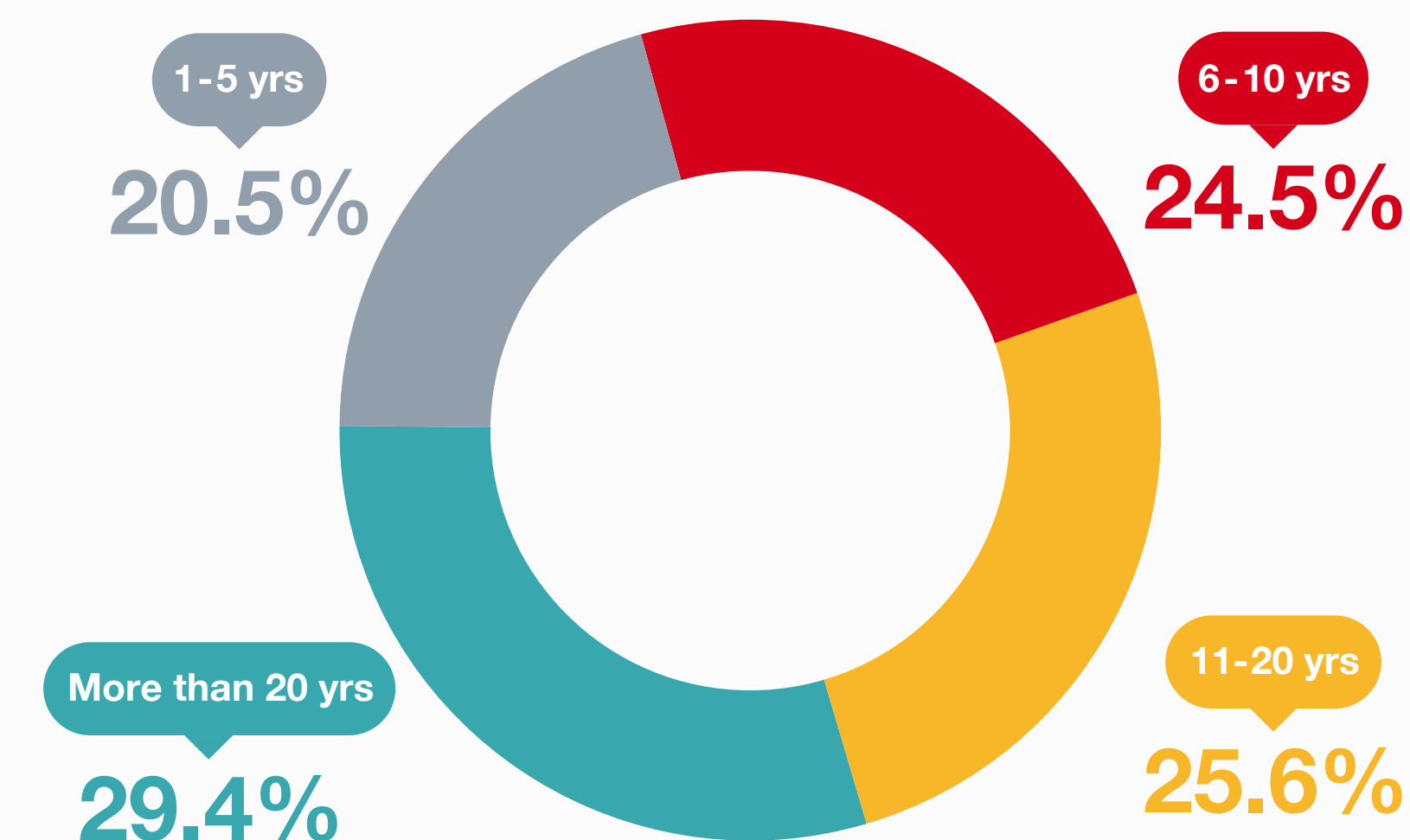
To support start-ups and younger businesses, it is essential to create ecosystems that provide mentorship, market access, and tailored financial solutions. Simultaneously, encouraging established businesses to share knowledge and resources can strengthen the overall SMME sector.



Start-ups bring innovation but face challenges in achieving stability, while older businesses benefit from established networks and operational resilience.

Figure 2.2

Years of operation by SMMEs



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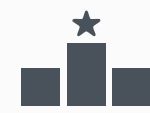
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Competitiveness and stability

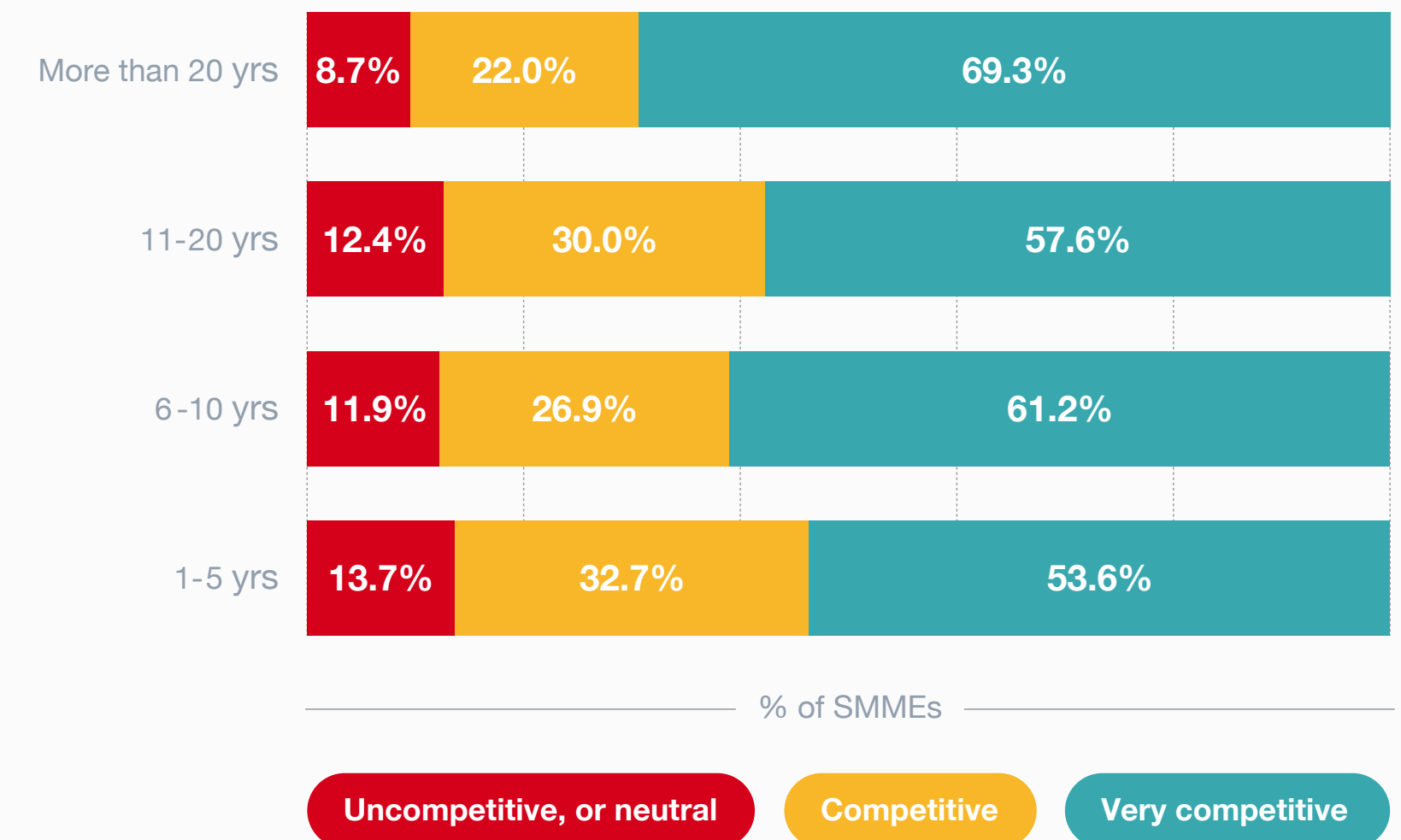
Competitiveness varies significantly by business age and size, with older and larger businesses demonstrating greater confidence in their market position. According to the survey, 69.3% of businesses operating for over 20 years rate themselves as “Very Competitive,” reflecting their deep market integration and ability to leverage economies of scale. In comparison, younger businesses (1-5 years) report a lower competitiveness rating of 53.6%, often due to limited resources and market exposure.

Mid-sized businesses exhibit strong competitiveness due to their ability to combine operational flexibility with a broader market reach. However, they also face challenges related to workforce management, supply chain complexities, and competition from larger corporations. These findings highlight 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 mid-sized and established enterprises can create synergies that benefit the entire sector.

Figure 2.3

Competitiveness of SMMEs, by years in operation



Competitiveness improves with age and size, but younger businesses require targeted support to strengthen their market position.

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Smaller businesses often struggle with resource limitations, while mid-sized and larger businesses face complexities in sustaining growth.

Economic contributions

The economic impact of SMMEs varies with size and maturity, with mid-sized businesses emerging as significant contributors to profitability and job creation. Among businesses with 21-50 employees, 43.3% report net profit margins exceeding 20%, reflecting their scalability and operational efficiency. 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 anchors, creating supply chain linkages and generating stable employment. However, their growth can be constrained 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.

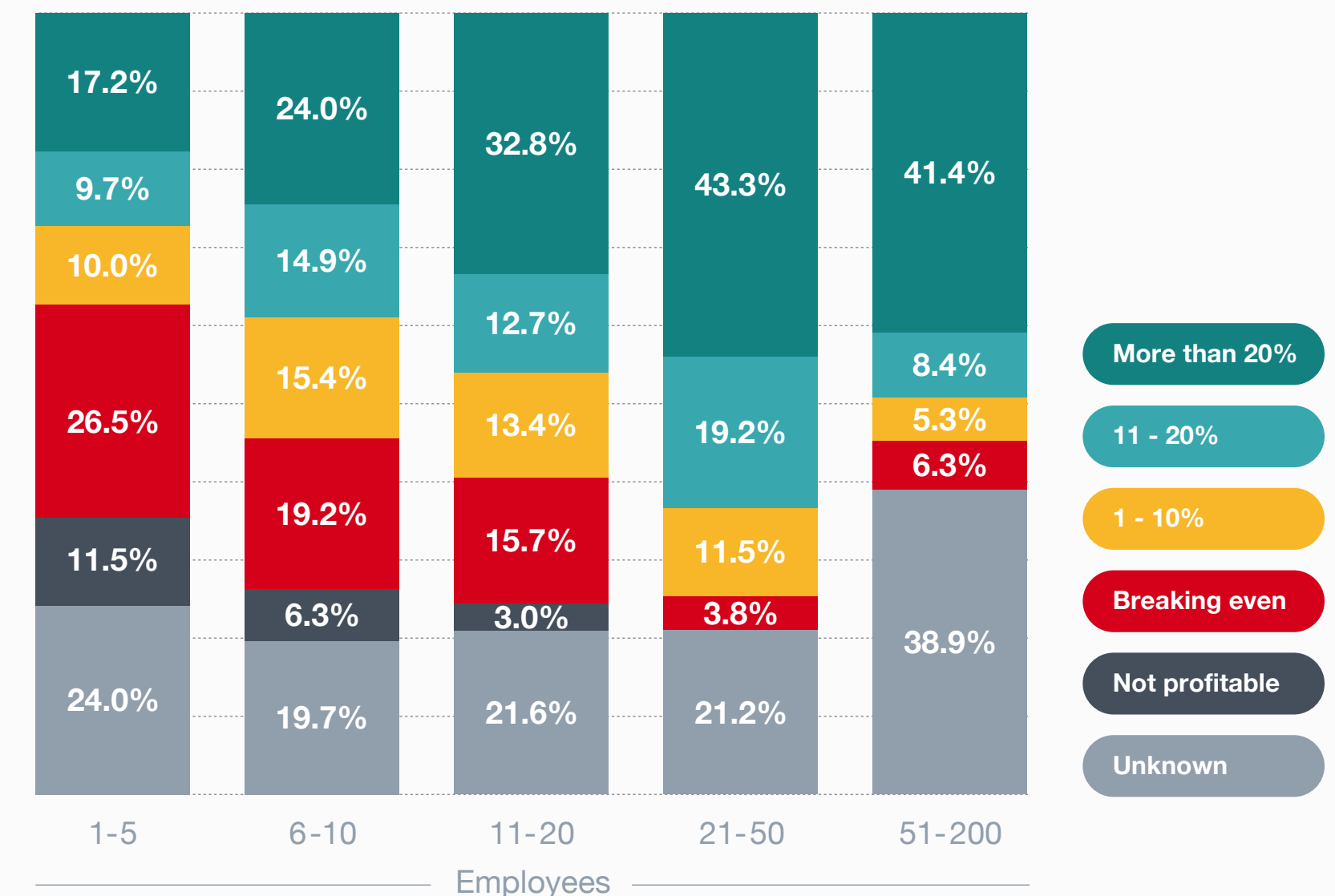
Mid-sized businesses contribute significantly to profitability, while smaller businesses require support to overcome financial vulnerabilities.



Annamaria, Alex and Dino Constantinou
TMK Foods

Figure 2.1

Average % net profit after tax, by company size



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Support start-ups

Establish incubators and accelerators that provide mentorship, funding, and market access for early-stage businesses. Simplifying regulatory processes and offering tax incentives can further ease entry barriers.



Strengthen mid-sized enterprises

Focus on scaling strategies, including technology adoption, workforce development, and supply chain optimisation. Encouraging mid-sized businesses to explore regional and international markets can drive additional growth.



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.



Strati Zitianellis and Viownessa Nero
Hope Sonic

These recommendations are vital for ensuring that SMMEs not only survive but thrive as engines of economic growth. By addressing challenges at each stage of the business lifecycle, stakeholders can unlock the full potential of South Africa's SMME sector.

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PART 3

Technology-driven marketing for SMMEs – from start-up to maturity

Zano Mnguni
Zee Afro Hair

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

In this chapter, we'll look at:



Marketing strategies by business stage



Social media usage by business stage



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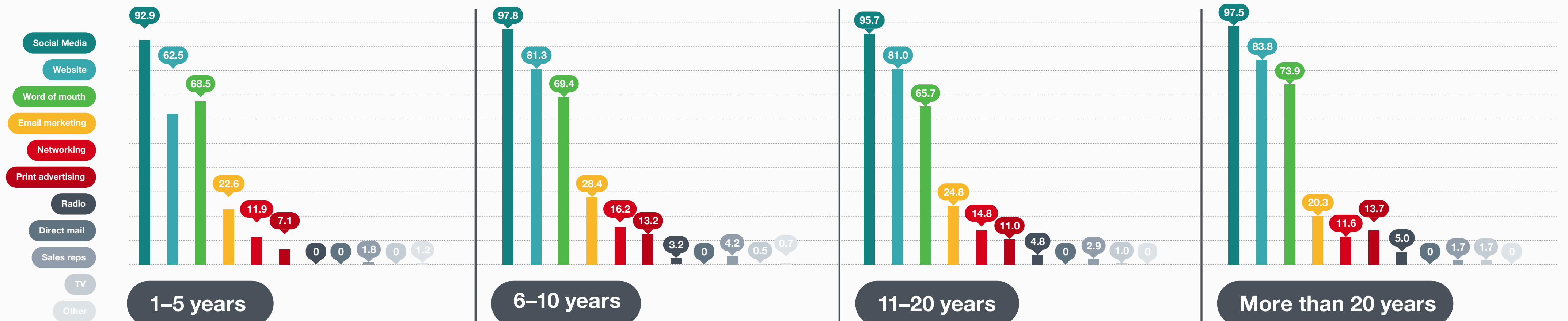
Marketing strategies by business stage

The data reveals how SMMEs' marketing approaches shift as they grow:

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 older than 5 years.

Figure 3.1

Marketing strategies used by business, by years in operation (in %)



1-5 years

Start-ups

Start-ups rely heavily on social media (92.9%) and word of mouth (68.5%) as cost-effective means of reaching customers. Websites (62.5%) and email marketing (22.6%) are also used to establish an online presence and connect directly with audiences. Traditional channels are minimal at this stage, with print advertising (7.1%) and sales representatives (1.8%) showing limited use.

6-10 years

Growing businesses

Social media usage rises to 97.8%, and reliance on websites grows to 81.3%, reflecting an increased focus on digital presence. Word of mouth remains steady at 69.4%, while email marketing (28.4%) and print advertising (13.2%) see higher adoption, indicating diversification. Radio (3.2%) and TV (0.5%) are used sparingly.

11-20 years

Established businesses

Social media (95.7%) and websites (81.0%) continue to be prominent. Word of mouth remains important at 65.7%, while print advertising (11.0%) and radio (4.8%) show increased presence. Networking (14.8%) and email marketing (24.8%) play supporting roles, reflecting a broadening strategy.

More than 20 years

Mature businesses

Mature businesses maintain strong use of social media (97.5%) and websites (83.8%). Word of mouth peaks at 73.9%, indicating established brand loyalty. Print advertising (13.7%) and radio (5.0%) see the highest usage, alongside email marketing (20.3%), showing a balanced approach between digital and traditional channels.

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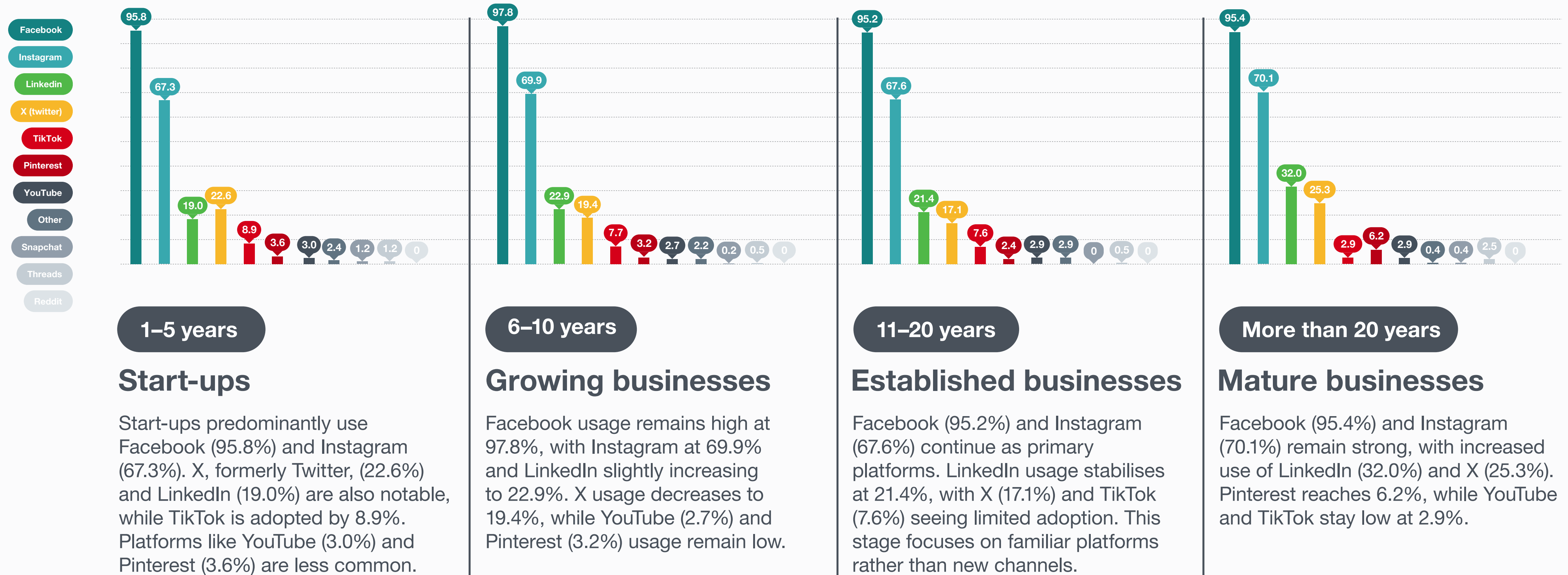
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Social media platform usage by business stage

Social media platform preferences evolve with business growth, reflecting shifts in audience engagement strategies:

Figure 3.2
Social media used to advertise, by years in operation (in %)



1-5 years Start-ups

Start-ups predominantly 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.

6-10 years 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.

11-20 years 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.

More than 20 years Mature businesses

Facebook (95.4%) and Instagram (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%.

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Beverly Farmer
Women in Wine



Strengthen digital foundations for start-ups

Since early-stage businesses rely 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.



Encourage multi-channel diversification for growing businesses

As businesses between 6–10 years expand their digital presence, introducing them to advanced social media marketing tactics on platforms like LinkedIn could help them engage broader audiences. Additionally, they could benefit from guidance on using email marketing and building professional networks through LinkedIn to strengthen brand credibility.



Expand traditional media access for established businesses

Businesses in the 11–20 year range start using 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 (incl. social media) in a more affordable way that traditional advertising. This support would allow businesses to reach offline audiences and diversify their customer experience.

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Technology-driven marketing for SMMEs – from start-up to maturity

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Marketing strategies

Social media platform usage

Recommendations



Ree Geldenhuis
Ree Collective



Promote professional networks and niche platforms for mature businesses

Mature businesses increasingly use LinkedIn and niche platforms like Pinterest. Providing training in LinkedIn advertising and Pinterest’s visual marketing strategies could help them tap into new customer segments, especially for businesses looking to enhance their brand image or connect with professional audiences.



Develop cross-channel marketing strategies for all stages

Help SMMEs at every stage understand the benefits of integrating digital and traditional channels to create unified marketing campaigns. Workshops on cross-channel marketing strategies could enable businesses to seamlessly connect with their audience through various touchpoints, enhancing their reach and engagement.



Offer customised social media packages based on business age

Different platforms resonate with each stage. Providing tailored social media packages (e.g., Facebook and Instagram for start-ups, LinkedIn for mature businesses) can help SMMEs focus on the platforms most effective for their growth stage, ensuring efficient resource allocation.

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About the authors



About the authors

The study was led by Arthur Goldstuck, managing director of World Wide Worx. He is the author of 20 books, including his current work, *The Hitchhiker's Guide to AI*. As principal analyst, he leads World Wide Worx's groundbreaking research. Jason Bannier assisted him in data analysis.



World Wide Worx

World Wide Worx is Africa's leading independent technology research organisation, providing actionable insights into the digital landscape's impact on businesses and society.



Shoprite Group

The Shoprite Group is Africa's largest food retailer, with a strong presence across multiple African countries. Driven by a commitment to create economic opportunity and sustainable development, the Group actively supports small businesses and local suppliers, recognising their vital role in creating employment and promoting economic resilience. Through initiatives like this survey, the retailer continues to foster an inclusive and supportive business environment for SMMEs.



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