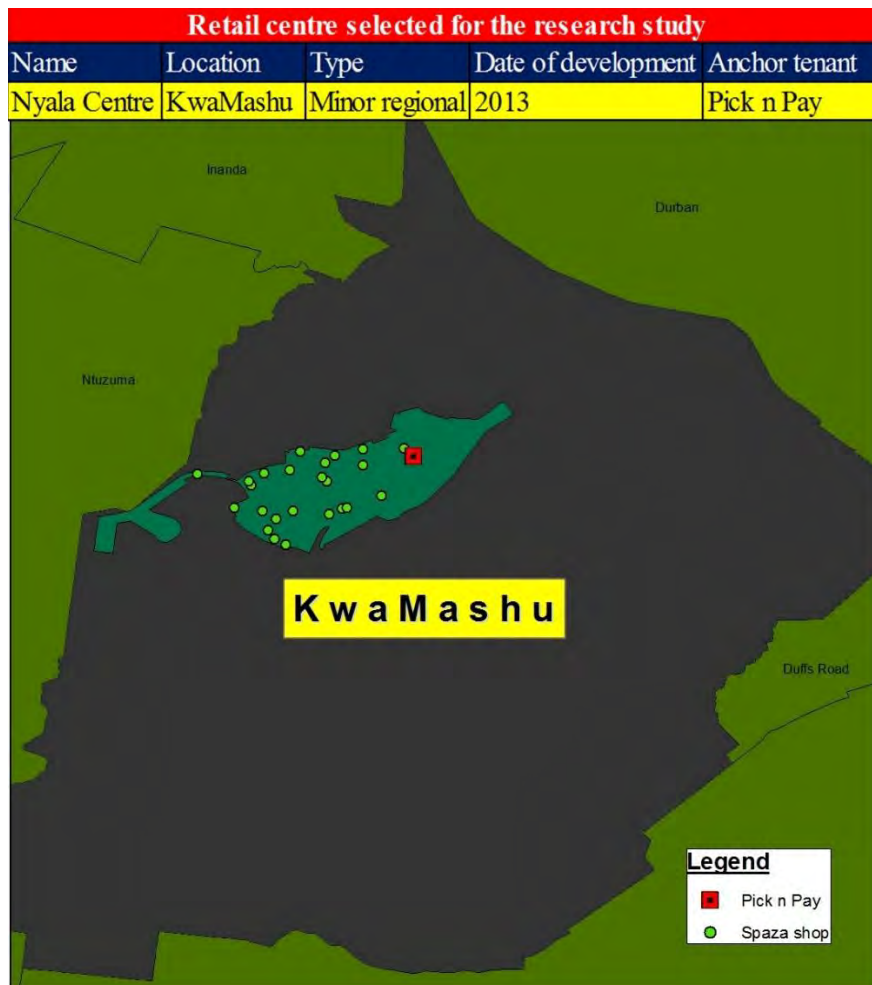


DO LARGE RETAILERS DISPLACE SMALL INFORMAL RETAILERS? THE CASE OF PICK N PAY IN KWAMASHU

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This thesis is submitted in partial fulfilment for the Master's Degree in Development Studies in the School of Built Environment and Development Studies at the University of KwaZulu-Natal (UKZN), Howard College Campus.



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Declaration

The research described in this study was carried out in the township of KwaMashu, Durban, from March to July 2014, under the supervision of Professors Imraan Valodia and Richard Ballard.

This thesis represents the original work of the author and has not been submitted to any other university. Where use has been made of the work of others it has been duly acknowledged and referenced in text.

Student signature

Date

Dedication

This thesis is dedicated to my late father, **Mr G.B Madlala**, who gave me moral support when I was young, and who wished to see me reach this far, academically. May your spirit rest in peace – *ulale kahle Hloko hloko oluhle*.

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Ngiyabonga kakhulu kunina nonke – thank you all

Abstract

Purpose – This thesis presents a study of large retailers and spaza shops in the township of KwaMashu, South Africa. The aim is to explore the effects of the new large retailer of Pick n Pay on spaza shops. The core research questions are:

Are there any links between the spaza shops and Pick n Pay?,

Does Pick n Pay stimulate or displace spaza retailing?,

Have spaza shop owners lost markets for their goods as a result of the entry of Pick n Pay?,

How do spaza shop owners respond to the entry of Pick n Pay?

Methodology and findings – The research documents the experiences of current and former spaza shop owners on which data was collected. The core findings confirm that spaza shops in close proximity to Pick n Pay are more likely to be prone to negative impacts – specifically on consumer volume, stock size, and profits – compared to those in outlying areas. In a competitive market spaza shops are vulnerable on prices. Very few of the spaza shops have adopted business strategies in response to the larger competitor. The findings confirm that Pick n Pay’s presence has provided some benefits to local shops in the form of easy access to supplies and reduced transport costs.

Acronyms and Abbreviations

DIY	do-it-yourself
DPLG	Department of Provincial and Local Government
FIME	formalising informal micro-enterprises
g	gram
GIS	geographical information system
GPS	global positioning system
ILO	International Labour Organisation
INK	Inanda, Ntuzuma, and KwaMashu
kg	kilogram
l	litre
m	metre
ml	millilitre
NGOs	non-government organisations
OECD	Organisation for Economic Co-operation and Development
SACN	South African Cities Network
SACSC	South African Council of Shopping Centres
SLF	Sustainable Livelihoods Foundation

CHAPTER ONE: INTRODUCTION AND RESEARCH FRAMEWORK

A truer image would depict a man and woman who have painstakingly saved to construct a house for themselves and their children and who are creating enterprises where nobody imagined they could be built. I resent the characterization of such heroic entrepreneurs as contributors to the problem of global poverty. They are not the problem. They are the solution (de Soto 2000, 37).

1.1 Introduction: background and problem statement

In May 2013, a large retailer of Pick n Pay was opened in the township of KwaMashu, Durban (*Isolezwe* 2013). Retail centres or malls are in general sites of aspiration and desire, and where they occur in townships they are sometimes presented as symbols and strategies of transformation and development. The South African Cities Network (SACN) describes how a retail centre attracts further development in the area. As noted by the SACN (2010, 12),

...the centre is part of a mixed-use development node it encourages the development of a variety of activities that can attract potential customers to the area. ...also benefits local traders who are not tenants in the centre by creating opportunities for them to draw benefit from this emerging 'energy node', without having to actually be a tenant inside the centre.

Others see transformation in post-apartheid South Africa as a form of de-racialisation of social and economic policies, redressing the disadvantages experienced by non-White South Africans (Seeking 2008). This stance has gained wide acceptance among national governments who work on emerging markets. In support of this, the eThekweni Municipality stresses "the importance of productive and sustainable nodal economies" to stimulate economic growth and development in low-economy areas (Department of Provincial and Local Government or DPLG, and Business Trust n.d. 3). This optimism of development has given policy-makers the courage to confront social change, support it, and attempt to move it in a positive direction. Townships, as a result, have emerged as the new market for national retailers.

A study conducted by Valodia, Davies, Altman, and Thurlow (2007) in KwaMashu identifies the presence of small retailers – street vendors, general dealers, and spaza shops – in the informal sector. Though they provide little evidence, they posit the possibility that formal retail expansion could promote or displace the informal sector. In the light of this possible change in the retail landscape, this thesis investigates the impact of this new Pick n Pay on existing small enterprises, focusing on spaza shops. Spaza shops are described as consumer

goods outlets for small-scale entrepreneurship in South Africa, in contrast to large retailers. Ligthelm (2004, 41) states they are “...businesses operating in a section of an occupied residential home or in any other structure on a stand zoned or used for residential purposes and where people live permanently”. This study attempts to contribute towards a better insight into the economic relationship between formal and informal sectors of the South African economy.

1.2 Motivation

The research is situated in the context of the current climate of widespread unemployment in South Africa, particularly in the working-age population. Empirical evidence on the employment situation shows that 29.8% of the labour force is unemployed (Statistics South Africa 2012). Informal employment, especially in the informal sector, is often considered to constitute a significant proportion of non-agricultural employment. However, the informal sector is noted to be a neglected component of the economy and has not been recognised in the formal system of law. According to Adu-Amankwaah and Iwalewa (cited in Boateng, Akuamoah-Boateng and Karikari 2013, 85), “...it seldom accounts for a pride of place in government planning for the overall economy”. Valodia and Devey (2010) indicate in their study that the South African economy is characterised as a dual economy, a *first* (formal) and *second* (informal) economy. In an address to the National Council of Provinces in 2003 the former South African President, Thabo Mbeki, made the following statement:

The second economy (or the marginalised economy) is characterised by underdevelopment, contributes little to GDP, contains a big percentage of our population, incorporates the poorest of our rural and urban poor, is structurally disconnected from both the first and the global economy and is incapable of self-generated growth and development (Valodia and Devey 2010, 134).

Furthermore, employment in the informal sector in South Africa is relatively small compared to developing countries, particularly Sub-Saharan African countries (Kingdon and Knight 2004; Valodia and Heintz 2012; ILO 2013). Reasons given for this are crime, lack of capital, high foreign labour-force participation, and competitive pressures from the formal sector (Porter 1979; Cichello, Almeleh, Ncube, and Oosthuizen 2011; Charman, Liedeman, Piper, and Petersen 2013). These factors represent serious and fundamental challenges to employment growth and development in the informal sector. The informal sector should, therefore, be recognised as a genuine alternative path to development.

The remainder of this chapter covers the aim of the thesis, the research questions, subsidiary questions, the case study area, brief methodology, and thesis structure.

1.3 Aim of the thesis

The thesis aims to examine the impact that a Pick n Pay development has had on spaza shops by assessing the perceptions of the shop owners.

The main question is:

Does large formal retailing promote or replace the spaza shop sector?

Subsidiary questions:

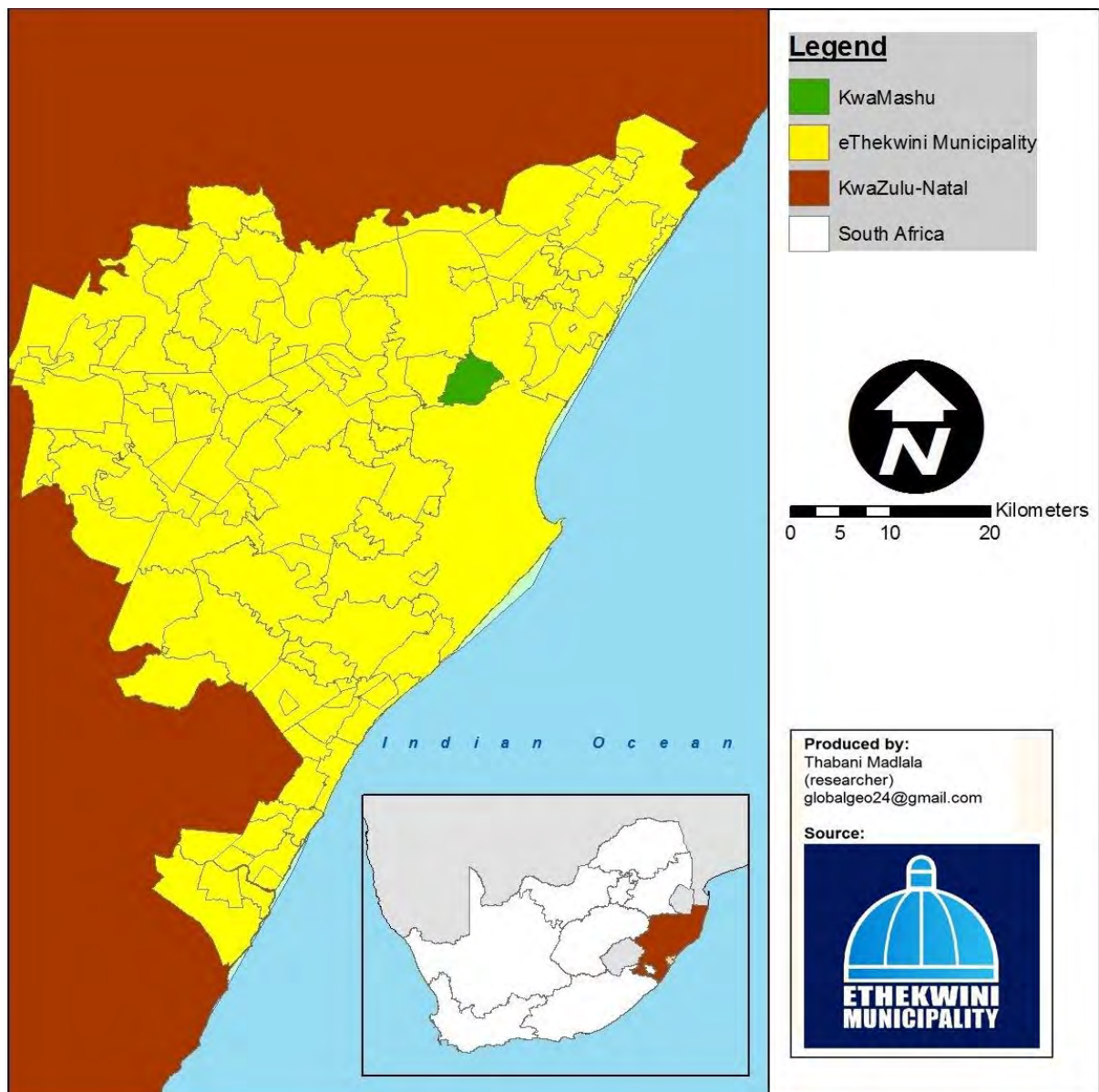
- a) Are there any links between the spaza shops and Pick n Pay? If so, how are these two sectors linked?
- b) Does Pick n Pay stimulate or displace spaza retailing?
- c) Have spaza shop owners lost markets for their goods as a result of the entry of Pick n Pay? If so, what are the dominant reasons for these changes?
- d) How do spaza shop owners respond to the entry of Pick n Pay?
- e) Are there any other short- or long-term impacts?

The objectives are:

1. To investigate the impact on the *business performance* of spaza shops as a result of the entry of Pick n Pay by employing the following measurements of growth:
 - stock movement
 - profit margins
 - consumer volumes
 - business turnover
2. To investigate the impact of Pick n Pay development on the *location* of spaza shops. The following variables are examined:
 - safety and security
 - visibility
 - pedestrian volumes
 - levels of competition
3. To find out the *response* of spaza shop owners to the competition from Pick n Pay.
4. To examine the *price competitiveness* between the spaza shop sector and Pick n Pay.

1.4 Case study area

Figure 1: eThekweni Municipality, township of KwaMashu



Source: eThekweni Municipality (2014)

The study focuses on the township of KwaMashu found in the boundaries of the eThekweni Municipality in the province of KwaZulu-Natal, South Africa (Figure 1). A case study approach is adopted to address the research question. The study is the suburb of KwaMashu-L in KwaMashu, where a Pick n Pay store is located.

1.5 Research methodology

The research employed both quantitative and qualitative methods. First-hand data was collected through surveys and interviews, specifically with current and former spaza shop

owners. In addition, photographs and a geographic information system (GIS) was used to map the spaza shop and Pick n Pay market.

1.6 Outline of chapters

The chapters which follow are:

Chapter two: *Theoretical framework and literature review* – This chapter covers the broader context of the informal economy, the history of the informal economy, concept of the informal economy, and linkages between formal-informal sectors. It also provides a description of the structuralist theoretical framework.

Chapter three: *The labour market in South Africa* – This chapter focuses on the labour market and retail sector in South Africa, paying particular attention to the relationship between small outlets and their bigger counterparts. The chapter concludes by identifying gaps in the literature.

Chapter four: *Research methodology* – This chapter provides details of the methodology employed to obtain the primary data in the study area of KwaMashu. It also describes how the primary data was collected and analysed.

Chapter five: *Linkages between formal and informal sectors – Pick n Pay and the spaza shop sector in KwaMashu* – This chapter states the findings from the study area and gives an analysis and interpretation.

Chapter six: *Discussion and conclusion* – This chapter discusses the themes that have emerged from the findings, together with their links to the reviewed literature. In other words, this chapter addresses the research questions set out in Chapter one.

CHAPTER TWO: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

The expansion of informal economies across the world, particularly in developing countries, highlights the importance of understanding formal-informal economy linkages. It is often argued that the two sectors should not be examined and analysed as separate entities; rather, informal sector activities are often in one way or another linked to formal sector activities (Bose 1974; Weeks 1975; Castells and Portes 1989; Skinner 2005; Chen 2007; Valodia and Devey 2012). This is explained via theories such as structuralism. Though the study has considered other informal economy theories, the structuralist perspective is the most applicable to the context of this thesis. In addition, concepts of informal economy, and the relationship between formal and informal sectors are discussed.

2.2 History of the informal economy

The first studies of the urban labour market can be found in the European literature traced back to the early 19th century. For instance, scholars such as Henry Mayhew in *London labour and the London poor* during the Victorian era wrote “...it will be found that the Shopkeepers are the real intruders, they having succeeded the Hawkers, who were, in truth, the original distributors of the produce of the country” (Mayhew 1968, 4). With this view, it can be argued that informal economic activities existed long before the formal economy. Keith Hart’s terminology, informal economy, refers to the collective form of small-scale unregulated businesses and unregistered economic activities – which he saw it as “... providing a means of livelihood for new entrants to urban labour force who, through lack of opportunities and training, were unable to obtain employment in the formal sector” (cited in Moser 1978, 1052).

The study of informal economy gained greater momentum following Hart’s work and became significantly more important as scholars, development agencies, and policy-makers realised the importance of its contribution to the mainstream economy. Influenced by the writings of Hart, many researchers conceptualised informal economy and wrote about it in different contexts without a great deal of sympathy. The terms of reference include *irregular economy*, *subterranean economy*, *black economy*, and *underground economy* (Ferman and Ferman 1973; Gutmann 1977; Dilnot and Morris 1981; Houston 1987). Some of these expressions are limiting because they seem to associate all unregistered economic activities as illegitimate, hidden, inferior, and low-graded. Hart (1973) as well as the International Labour

Organisation or ILO (1972) added unregistered economic activities into a grey-market category and little is known whether their goals were to recognise or stigmatise this economic sphere. It could be argued that the terms differ according to the purposes of the definer, and hence are based on different criteria. Nevertheless, all the above-mentioned terms, particularly informal economy, have gained wide acceptance among economists who focus on developing countries and have been used to set a boundary that distinguishes unregistered economic activities from registered ones.

2.3 Theoretical framework

Ever since the concept informal economy entered the development discourses, scholars have sought to explain this phenomenon. Its role in economic development, particularly in the developing world, has crystallised into various schools of thought such as legalism and structuralism regarding its nature and composition.

2.3.1 The legalist school

Proponents of the legalist perspective include the ILO, Victor Tokman, Hernando de Soto, and others. Legalists view the informal sector as a separate marginal economy not directly linked to the formal sector (ILO 1972; Tokman 1992; de Soto 2000). de Soto, in particular, argues that entrepreneurs and enterprises in the informal sector choose to operate informally. His notion is drawn from studies on the developing world cities of Lima, Manila, Mexico City, Port-au-Prince, and Cairo. However, he makes it clear that the reason for the existence of an unregulated sector is due to the costs of formalisation. According to de Soto (2000, 20), "...to build a legal dwelling on former agricultural land would require six to eleven years of bureaucratic wrangling, maybe longer. This explains why 4.7 million Egyptians have chosen to build their dwellings illegally". He categorises unregulated activities as *extralegal* or *undercapitalised*. As he puts it, the extralegal sector "is a gray area that has a long frontier with the legal world, a place where individuals take refuge when the cost of obeying the law outweighs the benefit" (de Soto 2000, 87). However, he acknowledges the entrepreneurial ingenuity of operators in this sector which has created wealth and potential capital for development. In addition, comparing the two sectors of the economy, he regards informal sector activities as having benefits since they are not subject to taxes like the formal sector.

There are limitations associated with the legalist perspective. Since the school argues that all activities in the informal sector are illegal, it does not see any relations to the formal sector, just a distinct class perceived as relying on marginal survival mechanisms to provide income

for the poor. The structuralist perspective on the other hand does not separate informal sector activities from formal sector ones. This school sees an inter-relationship between the two sectors, consisting of a dense network of relationships. This view is discussed below.

2.3.2 The structuralist school and debates

In order to achieve a better understanding of formal-informal economy linkages, it is necessary to examine the work of selected scholars usually associated with this school. There are nevertheless differences between them regarding the framework and it is therefore useful to examine their various approaches.

The structuralist school is the body of thought represented by scholars who focus on the behaviours and interactions of formal and informal economies. Among the first and strongest advocates of this school are Uyt Bose, John Weeks, Manuel Castells, Alejandro Portes, and Caroline Moser. The school is opposed to the legalist school in the sense that it treats formal and informal sectors as the same and related. Put simply, it sees the formal sector as the engine that powers activities in the informal sector. The scholars listed above, subscribe to the view that the informal economy is a conduit used by capitalist firms to produce and distribute goods and services, and is an inherent part and by-product of a new emergent mode of production (Bose 1974; Weeks cited in Moser 1978; Moser 1978; Castells and Portes 1989). Weeks, as well as Castells and Portes, in particular, argue that formal and informal modes of production are inextricably connected and interdependent. For instance, Weeks (cited in Moser 1978, 1055) states that "...the linkages between the informal sector and the private formal government sectors is strongly related to the nature and pace of technical change, which in turn relates to the choice of products". He adds that the nature of the relationship between formal and informal sectors is a *benign* one.

It is however important to recognise that behind a theory there are often opposing ideologies. Concerning the nature of the relationship between formal and informal sectors these scholars, particularly Weeks, Castells and Portes, have little to say. They basically assume that there is inter-relation between the two sectors of the economy but do not adequately deal with it in greater depth.

Moser (1978) however is not party to this idea of a benign relationship between formal and informal sectors of the economy. Unlike Weeks, she takes a pessimistic view of the inter-relationship and investigates informality from a dependency perspective. Her well-known article *Informal sector or petty commodity production: Dualism or dependence in urban*

development? has exerted a great amount of influence on understanding petty commodity production. Her position is influenced by Karl Marx, a philosopher of the 19th century. Marx (1952) wrote extensively on petty commodity production which he believed was subject to domination by capitalist forces. In support of this position, Moser (1978, 1056) argues that there are structural imbalances in the labour market, and linkages between formal and informal sectors are “exploitative” rather than benign. In other words, since informal sector enterprises are viewed as closely interlinked with enterprises in the formal sector, they may be exploited by the formal sector – enjoying their cheap, unorganised, and unprotected labour. As she puts it, “...within the informal sector, the enterprises which constitute the petty commodity sector are articulated as part of the capitalist mode of production with its development controlled by, and linked to, the capitalist mode” (Moser 1978, 1057). Moser was influenced by studies in the developing countries of Kenya, Sri Lanka, and Colombia. Today, these ideas have influenced scholars in many fields to study the nature of the relationships of the two sectors further.

2.3.3 Summary

The structuralist school is against the idea of the legalist school which sees the informal sector as a distinct separate sector of the economy, or find little inter-relationship between formal and informal sectors. In general, structuralists agree that the informal sector forms part or is a subset of the economy. In addition, they argue that since the informal sector is in a dependent relationship with the formal sector, it may be vulnerable to exploitation.

2.4 Concept of the informal economy

It is noted that there is considerable disagreement in the literature over the definition of informality (Chen 2007). This may be because in different geographical areas or from developmental perspectives there are different interpretations of what informal economy means. Given the complexity of the phenomenon, the ILO includes the whole of informality, covering employment in the informal sector as well as informal employment in the formal sector. According to the ILO (Heintz and Posel 2008; Valodia and Devey 2010; cited in Meagher 2013), informality consists not only of enterprises and their workers in the informal sector but also of enterprises that are not legally regulated or do not enjoy protected labour in formal sector enterprises. The ILO surpassed its initial effort by offering more clarity and sharpening its explanations, thereby making a major contribution through a careful and responsive rendition of the concept.

2.5 The modern term of the informal economy

There are modern scholars who have given informal work significant attention. The book, *Stealth of nations: The global rise of the informal economy*, by Robert Neuwirth provides a very different stance towards the term and rejects other approaches. He points out that the terms most often used by institutions, scholars, and policy-makers to describe unregistered work or enterprises, such as informal economy, shadow economy, underground economy, hidden economy, and extralegal sector have unfriendly resonances and stigma attached to them (Neuwirth 2011). He argues that there is some sort of linguistic destabilisation, implying that under the umbrella of informal, lie layers of doubtful activities. Once linked to the economic underground, informal labour becomes questionable. To redress this tendency, Neuwirth introduces a less pejorative way of referring to what has traditionally been called the informal economy as *System D*: self-reliance economy, ingenuity economy, or DIY (do-it-yourself) economy. The letter *D* refers to the French word *débrouillardise*, which he borrowed from French-speaking Africa and the Caribbean, used to describe a person who is ingenious, effective, and motivated. The former French colonies, according to Neuwirth (2011, 17), sculpted the word to socio-economic reality to mean “inventive, self-starting, entrepreneurial merchants who are doing business on their own, without registering or being regulated by the bureaucracy and, for most part, without paying taxes”. This new perspective on unregistered work is a significant shift in the way some scholars interpret this sector of the economy.

Neuwirth (2011) however notes that there may be illegal economic activities that fit the characteristics of classical crimes such as prostitution, robbery, and child labour, to name a few and it may be difficult for policy-makers to implement and adopt rules and regulations for these diverse activities. His phrase only includes activities that are under the radar of government. In other words, his term applies to an open economic arena where anything is available. If Neuwirth paints this economy of ingenuity in a positive light and gives it credibility, it may perhaps begin to change the way these activities are viewed, rather than perpetuating the divide between formal and informal economies.

2.6 The power of the informal economy

The informal sector is an economy of aspiration and makes a very significant contribution to the mainstream economy. There is no denying that this sector is growing and contributes to development. Although it is difficult to obtain reliable estimates of how widespread it is, and

the likelihood of over- or under-reporting the extent of its activities exists, it does flourish. In a 2009 survey on the impact of the informal sector on the creation of employment, the Organisation for Economic Co-operation and Development (OECD) stated that approximately 1.8 billion people were working in the informal sector, and projected by 2020 it would employ two-thirds of the world's workers (Klein 2013). In support of this, Neuwirth (2011) makes the point that the total value of the informal global economy is \$10 trillion; and if the informal economy was a sovereign nation, it would represent the world's second-largest economy after the United States of America – with a GDP of \$14 trillion.

The informal sector is often considered the dominant form of employment in the developing world. In a recent international study, it was established that developing economies show higher average rates of entrepreneurial activity. The table below displays the statistical data of the size of the informal employment in some of the countries under discussion.

Table 1: Informal employment in developing countries			
Region or Country	Informal employment	Employment in the informal sector	Informal employment outside the informal sector
	Non-agricultural employment %	Non-agricultural employment %	Non-agricultural employment %
Latin America			
Brazil	42.2	24.3	18
Colombia	59.6	52.2	9.3
Ecuador	60.9	37.3	24
Sub-Saharan Africa			
Liberia	60	49.5	10.8
Mali	81.8	71.4	11.3
Zambia	69.5	64.6	11.7
South and East Asia			
India	83.6	67.5	16.8
Philippines	70.1	72.5	11.5
Thailand	42.3	n.a	n.a

Source: ILO (2013, 10-11)

As can be seen, the informal economy has become a vital source of employment in developing countries. The figures in each of the regions or countries are fairly high and this is considered the result of development. In all countries, non-agricultural employment in the informal sector exceeds informal employment outside the informal sector. This suggests that the informal sector plays a vital role in producing the major share of employment. Moser

(1978) argues that this sector is the most important economic sphere for solutions to the problem of unemployment. Based on the above statistics, there are good reasons to believe that these already high figures will increase even further. In this respect, it makes no sense to talk of economic development and sustainability without reckoning with the informal sector.

2.7 Solution to economic crisis

The growth of the informal economy may present challenges to the norms of economics and governance since it comprises economic activities not regulated or protected by environmental laws, copyright protection, labour laws, product safety regulations, or taxation. Nevertheless, this sector is more than just a liberated version of existing. It is also a significant financial coping mechanism wherever the formal economy cannot be sustained. Researchers have recently shown its significant role in global economic turmoil. According to Neuwirth (2011) and Klein (2013), during the global economic crisis of 2008 and 2009, people in the developed countries of Europe with large portions of their economies not regulated or licenced fared better in the economic meltdown than people living in regulated nations. In a similar fashion, a study in South America has shown that desperate people turned to the informal sector during a financial crisis (Neuwirth, 2011). This also suggests that the informal sector tends to grow during periods of economic crisis while the formal sector cannot give guaranteed job security for all.

However, there have also been cases of downfall in the informal economy as a result of economic crisis, particularly in labour markets integrated into the global market economy. A study by Namatovu and Espinosa (2011, 69), on Zambia's formal mining sector revealed that "...women, who were largely employed in the informal sector around the mines, were severely affected as the crisis deepened and spread beyond the mining sector". This appears to suggest that informal employment that only thrives under the formal sector or that informal workers directly connected to formal sector firms are challenged in times of crises.

Despite the fact that the informal economy can act as a shock absorber in times of financial crisis, it should not be considered a simple solution to overcoming recessions. It is argued that world poverty cannot be eliminated with simple economic panaceas. Lund (2002) and the ILO (2009) state that most workers in the informal sector are without secure income, employment benefits, and social protection, and that some activities may be closely linked with jobs of bad quality and high risks, making the design of development strategies a complex problem in any political economy. International organisation sceptics agree with this

view and suggest that growing employment in the informal sector might substantially increase poverty levels, making it impossible for many countries in the developing world to achieve the millennium development goals (OECD 2009). Against this position, Neuwirth (2011) argues that to make the informal sector more sustainable is to figure out ways to interact and work with it.

2.8 Formal-informal sector linkages

Valodia and Devey (2010) as well as Maharaj, Desai, and Bond (2010) criticise the conceptualisation of the economy as structurally separated, and highlight the importance of understanding formal-informal sector linkages. Inspired by the structuralist perspective, they consider reconceptualisation of the informal sector as a central and dynamic feature of contemporary markets and economic development. They are against studies which view the informal sector as a separate sector associated with activities for the poor and marginalised in society. They see the sector as integrated in the modern economy, forming formal-informal sector linkages. They argue that these linkages are connections through which money, resources, inputs, outputs, labour, and information flow between the two sectors. Valodia and Devey's (2010) analyses in particular, suggest that there is a high level of interaction between formal and informal economic activities at the lower end of the labour market. To understand the linkages between these sectors is vital in considering the nature of the production system through which they are linked. Some scholars have shown that the nature of the linkage varies according to the nature of the production system. Chen (cited in Meagher 2013), for instance, explains that there are three broad structures to mapping formal-informal sector linkages in the economy:

“Open markets” involving direct exchange linkages between formal and informal firms; “subsectors” which focus attention on supply, labour and production linkages across formal-informal boundaries...; and “global value chains”, which examine linkages between lead firms and subcontractors extending across national borders (Chen cited in Meagher 2013, 6).

Types of linkages

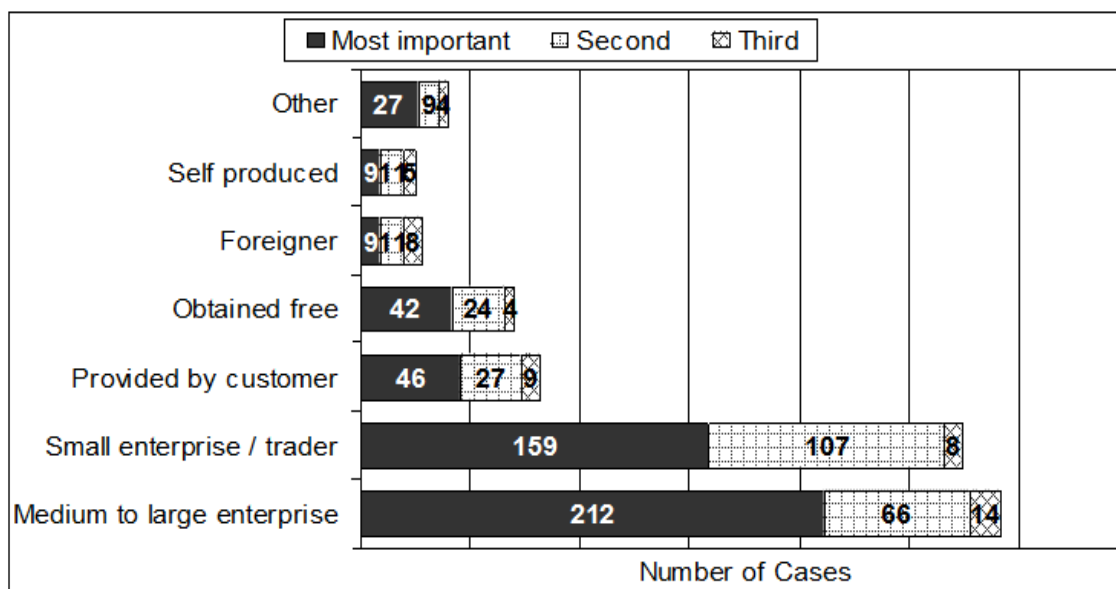
There have been major contributions by scholars to the economic linkages discourse. Production linkages can be further divided into other linkages. Sourcing from the 1950s-60s literature, Hirschman (1958) and Watkins (1963) depict inter-industry relationships in the economy and identify two types of linkages: forward and backward. They distinguish them in the following way: forward production linkages refer to linkages from the industry or sector

producing raw materials for another which may involve a sector in primary production linking with a sector in secondary production. By contrast, backward production linkages exist when the growth of a sector leads to the growth of the sector that supplies it. Furthermore, backward linkages may be direct or indirect, with indirect backward linkages involving an industry that has to depend on another industry not directly related to it for services.

The linkages of formal and informal enterprises

A number of insightful contributions highlight production linkages; studies of inter-firm linkages in developing economies tend to confirm the predominance of backward linkages between formal and informal economic activities. Using quantitative methods based on a survey of over 500 small-scale informal enterprises across Durban in South Africa, Skinner (2005) finds that these enterprises were more strongly linked into the formal sector. That is, the vast majority of these informal enterprises indicated medium and large enterprises as their most important suppliers (Figure 2).

Figure 2: Source of supply for informal sector enterprises



Source: Skinner (2005, 32)

The input-output linkage between formal and informal sectors shows the important role of the informal enterprise sector, which is acknowledged and increasingly regarded as a significant delivery channel to consumers. This indicates that formal sector firms are recorded as the most important suppliers of goods and contribute to the survival of informal sector enterprises. A study by Skinner (2005; cited in Meagher 2013) provides some useful

indicators of forward and backward linkages in the informal enterprise sector. Though she gives credit to the importance of linkages between formal firms and informal enterprises, she also warns that limited forward linkages may lead to weak markets and limited growth in the informal enterprise sector. She argues that backward linkage is part of a formal sector offensive strategy to keep informal enterprises within its orbit.

The research above indicates that market reforms have failed to improve forward linkages with the formal sector, or favour financial, and infrastructural support particularly for the modernising segment of the informal sector. However forward linkages, although limited, do exist at the lower level of the labour market. Unilever counts among the multinational corporations that get their merchandise into the informal sector, providing opportunities for informal enterprises and entrepreneurs. For instance, their largest market segment and emerging market is with high-frequency stores such as outlets and kiosks (Unilever 2014). Neuwirth (2011) casts an interesting new light on forward linkages. He argues that some formal sector firms sell their goods directly through the informal sector because of a result of a competitive market. For instance, UAC Foods in Nigeria sells its *Gala* sausage rolls through informal channels and their products reach consumers through a network of mobile street traders (Neuwirth 2011).

Although formal and informal sectors are likely to be linked, some formal firms may compete with informal enterprises, especially where large firms move into spaces that these enterprises presently occupy. As a result questions have been raised regarding the inbound movement of formal firms. Valodia et al. (2007) who have further analysed the two sectors in the retailing industry raise the following questions: will informal enterprises be stimulated or displaced by a rapidly expanding formal sector? If the formal sector continues to expand, will informal enterprises grow at a faster, similar or slower pace? Will informal enterprises even shrink as the formal sector expands?

2.9 Conclusion

The studies conducted reveal that there are linkages of some sort between formal and informal sectors in the economy. Backward and forward linkages in particular, indicate the extent to which the informal sector is integrated into the economy. Empirical evidence shows that at the lower end of the labour market there is movement between formal and informal economic activities which in essence contributes to employment opportunities. Studies also reveal that informal sector activities can never be classified as being totally informal because

in a complementary market informal enterprises or entrepreneurs sell formal sector merchandise. It is also noted that the relationship between the two sectors can be viewed as dualistic in a competitive market. The next chapter builds on these cases and explores the dynamics of the two sectors based on case studies in South Africa.

CHAPTER THREE: THE LABOUR MARKET IN SOUTH AFRICA

3.1 Introduction

The literature in this chapter focuses on the retail trade between small retailers and their larger counterparts in South Africa. There is abundant evidence of a rise in shopping mall developments in townships and different studies interpret this differently. This chapter therefore raises some important issues for further debate and investigation. The outline of the chapter is as follows: section one presents data on the labour market in South Africa, specifically on the analysis of unemployment and the relatively small informal sector. Section two deals with the expansion of large retailers in the townships, examining the nature of the relationship between large and small retailers.

3.2 Unemployment and nature of the informal sector

There is no intention to deal in detail with the size of the informal sector since this study is primarily concerned with the pattern of formal and informal sector linkages in South Africa. However its general historical importance and the immense influence which it exercises on economic development in the developing world, particularly in Africa, requires that something should be said about it. The generalisability of much published research on this issue is problematic. For these reasons the peculiar features of South African characteristics which distinguishes it from similar processes in the other developing economies, are addressed.

A number of scholars and organisations as indicated earlier, agree that in developing economies the majority of the employed labour force exists in the informal sector. However, as more diverse literature has appeared on this subject, it has become clear that none of this actually fits in South Africa. What is known is largely based on empirical studies conducted in other countries. South Africa's relatively small informal sector is poorly understood. It is however certain that its growth is hindered by various factors that keep an enormous number of people unemployed. Tables 2 and 3 present data on South Africa's demography and labour market, taken from the national Census of 2011.

Table 2: Demography statistics in South Africa

Population size	51 million
Population rate by race	
Black African	79.2%
Coloured	8.9%
White	8.9%
Indian/Asian	2.5%
Other	0.5%
Population rate by age group	
0-14	28.1%
15-64	65.4%
65+	6.5%
Population rate by sex	
Male	48.7%
Female	51.3%

Source: Statistics South Africa (2012, 17-18)

Table 3: Labour market statistics in South Africa

Population size (working age population, 15-64)	33 million
Unemployment rate (official/strict definition)	29.8%
Unemployment rate by sex	
Male	25.6%
Female	34.6%
Unemployment rate by race	
Black African	35.6%
Coloured	22.3%
Indian/Asian	11.7%
White	5.9%
Size of the formal and informal sectors	
Employment in the formal sector (including agriculture)	9.7 million
Employment in the informal sector (including agriculture)	1.6 million
Unemployed labour force (official/strict definition)	5.5 million

Source: Statistics South Africa (2012, 49-51)

As is evident from Table 2, above, the South African labour force (people aged between 15 and 64 years) makes up 65% of the population, with the unemployed, children, and elderly comprising smaller shares. Unemployment is among the most serious and intractable socio-economic challenges in South Africa. Statistics South Africa uses two definitions in the

measurement of unemployment. One is the broad or expanded definition which includes individuals who desire to work irrespective of whether or not they have actively tried to obtain a job, and the other is the strict or official definition which considers only people who take active steps to find employment but fail to do so (Statistics South Africa 2012). The definition that is employed here is the former. Nationally, based on the results of Census 2011, the official unemployment rate of the working population is high, estimated at almost 30% (Table 3). On this basis it was estimated that over five million people in the labour force were unable to find work.

Because Black Africans are over-represented in population size they face higher unemployment rate than other race groups. In the 2011 Census, the unemployment rate of the Black Africans was 35.6% compared with 22.3% for Coloureds, 11.7% for Indian/Asians, and 5.9% for Whites (Table 3). These statistics show that the Black South African community as a whole exhibited poorer labour market outcomes than other population groups. Furthermore, although females are higher in population size than males, they have been under-represented in the labour market and face higher unemployment rate. The female unemployment rate was 34.6% in 2011 compared with 25.6% for males (Table 3). This figure illustrates that gender discrimination is acute and pervasive in the labour market. Due to insufficient employment opportunities created to absorb surplus labour, solutions to the problem of unemployment call for a multi-pronged approach. To redress the challenge, the solution shifts to the power of the informal sector which is often recognised as a major source of employment.

Low informal sector employment and barriers

A common view shared by Moser (1978), the ILO (cited in Palmer 2004), Kingdon and Knight (2004), Valodia and Devey (2010), and Valodia and Heintz (2012) is that the informal sector in the developing world is characterised by ease of entry, is a gateway into larger markets, and has the potential to absorb a large amount of new entrants into the labour market. Put simply, it is considered an open free-entry sector. However drawing on the data in Table 3, it is noted that the informal sector is not performing well; that it is in fact not making the contribution it could to generate more employment. Statistics South Africa however does not distinguish between employment in the informal sector and informal employment in the formal sector. It states that the informal sector accounted for 1.6 million of employees in 2011, while the formal sector accounted for 9.7 million (Table 3). This

suggests that the bulk of employment is concentrated in the formal sector which is indicative that the full potential of the informal sector in creating jobs has not yet been realised.

The informal sector in the country has been the subject of research which focuses on the reason for its relatively small size compared to other developing countries. As South Africa faces high rates of unemployment, the key question is why the unemployed do not enter informal employment as is common in other developing countries. In other words, what are the issues that constrain the expansion of informal sector employment? The fact that the percentage of the unemployed people is high suggests that there are hindrances which prevent many of them from entering self-employment. Valodia and Devey (2012) suggest that the relatively small informal employment is caused by barriers that exist in the labour market.

A few researchers have carried out studies on the barriers in the informal sector. A study by Cichello et al. (2011) based on the township of Khayelitsha, Cape Town, reveals that the dominant hindrance to entering the informal sector is crime. Other hindrances include capital constraints, access to physical infrastructure and basic services, access to skills training, transportation costs, and community jealousy. Some scholars point out that in the business sector the challenge that hinders self-employment in South Africa may be caused by high foreign labour-force participation. For instance, a formalising informal micro-enterprises (FIME) survey conducted in the township of Delft, Cape Town, by Charman et al. (2013) revealed that 50% of informal enterprises (spaza shops) were owned by foreigners. This finding suggests the existence of a competitive market in the informal retail sector. In support of this, Porter (1979) makes the point that failure to deal with competition may result in closure of businesses. Furthermore, he argues that competitors might be barriers to entry and threaten the survival and growth of businesses.

The findings above indicate that not only might barriers be a hindrance to entry, but there may even be hindrances *in* the sector. Although there is yet a study to be done on reducing or addressing the obstacles preventing the unemployed from full engagement in self-employment, these findings are important steps in reaching a better understanding of the issues that prevent engagement in the economy and may help policy-makers understand the underlying causes.

A key aspect that has been revealed is a competitive labour market which has not been covered in details. The following section therefore expands on this point by examining the relationship between formal and informal retailers in South Africa. The reader should bear in

mind that far too little attention has been paid to analysing the research subject and there is consequently a lack of literature on the subject. The aim of this study has therefore been to understand the dynamics that exist between these two sectors as an increasingly important area in applied economic development.

3.3 The retail sector in South Africa

In recent years there has been increasing interest in the field of economic linkages in new emerging markets which have been studied using quantitative methods. The following section has limited the literature domain to that of retail and distribution marketing in South Africa. Scholars and organisations argue that retail plays a vital role in the economy and that retailers are in a distribution channel which links manufacturers to consumers (Ligthelm 2004, 2008; SACN 2010). That being said, this section of the chapter provides an overview of township retail centre development with particular focus on large retailers and their smaller counterparts.

The nature of the spaza shop market

Spaza or tuck shops are essentially micro-convenience stores that form part of a group of small retailers in the informal sector. According to the Sustainable Livelihoods Foundation or SLF (n.d.), and Ligthelm (2004), this type of business is often found in townships and may operate either inside or outside a dwelling in the form of used shipping containers and small buildings, selling small quantities of groceries such as bread, milk, sugar, and soft-drinks. Townships in the context of South Africa are specific areas outside major cities where the apartheid system has forced Black Africans to reside, separate from other race groups (Ligthelm 2008). The bulk of these retailers and other informal retailers can be classified as survivalists who do business to fend for themselves or as a way of exercising entrepreneurial spirit (Skinner 2005; Valodia et al. 2007). Skinner (2005) indicates that they source goods in the formal sector and sell them to customers in the townships especially to buyers cannot afford to buy in large quantities. One could also argue that these businesses sell in quantities that are suitable to low-income consumers. In terms of pricing, Valodia et al. (2007) add that as part of the small-scale retail sector, the businesses sell at fixed prices to their customers and have a diverse consumer base.

The spaza shop sector is generally under-researched. According to Ligthelm (2005, 202), spaza trade "...amounted to approximately 2,7 per cent of retail trade with a total sales volume of just more than R8 billion in 2002". More recently surveys such as that conducted

by FIME in the townships of Delft and Brown's Farm in Cape Town showed that this type of business represents 25% of all informal business activities (SLF n.d). The sector is becoming a key instrument among informal enterprises and plays an important role in economically marginalised communities. This suggests that the spaza market provides home-based employment and is a significant contributor to township livelihoods.

The rise of the large-scale retail sector in the townships

Since the political transition in 1994 to a democracy, the formal retail sector has expanded to non-metropolitan areas, notably townships. Factors found to be influencing large-scale retail development are explored in several studies. Some scholars argue that national retail development in these areas is driven by the economic upliftment of inhabitants moving from a lower- to middle-income class. For instance, based on a study of the major townships of Tembisa, Mamelodi, Khayelitsha, and Umlazi, Tagg, Tustin and Strydom (cited in Ligthelm 2008) indicate that the Black South African middle class has increased from 2.8% to 10.5% between 1998 and 2003. The consequent increase in consumer spending has caused large retailers to increasingly focus on market expansion strategies in emerging markets, forming inbound shopping.

According to the South African Council of Shopping Centres or SACSC (cited in Ligthelm 2008), and SACN (2010), there has been significant growth in formal shopping centres in townships. The SACN (2010) in particular, indicates that 160 shopping malls were established in these areas by 2009. Most often the anchor tenants in these shopping centres are national grocery chains which offer goods that are the same or similar to that offered by small retailers. The SACSC unfortunately does not maintain a list of newly developed shopping centres in the townships. However, the following areas were selected for inclusion in the study: the Gauteng malls Maponya, Jabulani, and Diepkloof Plaza; the Eastern Cape Motherwell Shopping Complex; and in KwaZulu-Natal the Umlazi Mega City and the KwaMashu Town Centre.

Studies point out that formal industry competitiveness may drive large retailers to seek new markets. It is recognised that retailing is one of the toughest and most competitive sectors (Mathenjwa 2007). Terblanche (cited in Mathenjwa 2007, 11) argues that the "...retail business environment is becoming increasingly hostile and unforgiving, with intense competition from domestic and foreign competitions". As a result, large retailers have started to target townships. Furthermore, one should take note that retail development is one of the

focus areas in the municipal documentation. According to the eThekweni Municipality (cited in DPLG and Business Trust n.d.), the development of formal nodes and corridors attempts to bring economic opportunities closer to local people. Additionally, the development of industrial clusters provides the establishment and opportunities for small informal retailers to conduct businesses.

The impact of retail development in emerging markets

In the past ten years, a number of researchers have examined the effects of large retailers on small retailers. Influenced by the writings of Marshall (1898), the economic geographer of the late 19th century, Valodia et al. (2007) explored the benefits of agglomeration in retail development. Based on four sites in the eThekweni Municipality, namely Warwick Junction, Pinetown, KwaMashu, and Isipingo, in the province of KwaZulu-Natal they found clear evidence that the development of shopping centres can bring substantial benefits to small retailers such as street traders and spaza shops. Among the potential benefits is increased visibility to pedestrians, creating vibrancy within commercial and retail areas. Small retailers tend to locate themselves in close proximity to large retailers indicating that there is some advantage in being located near formal shopping nodes. For instance, out of 25 small retailers interviewed in KwaMashu, 20 of them were less than 30 metres (m) from large retailers. This study suggests that formal retail nodes play a key role as catalysts in business clusters – resulting in new trading areas and work zones being created, as well as employment opportunities.

The findings above seem to predict that the same patterns are likely to be found in other areas, especially where small retailers derive benefit from being located close to large retailers. However, this optimism has proved naive. Research undertaken by Ligthelm (2008) based on the Soshanguve Township market in Pretoria – involving 100 small retailers comprising street traders, spaza shops, and general dealers – identifies the problems associated with the inbound movement of large retailers into the township retail landscape. Table 4 below presents the impact on small retailers by the entry of retail centres.

Table 4: Impact of retail development on business performance of the small township retailers

Decline in:	Decrease %	Unchanged %	Increase %	Total %
Number of small retailers	47.0	42.2	10.8	100.0
Activities within shops:				
Turnover	66.0	30.0	4.0	100.0
Profitability	61.0	36.0	3.0	100.0
Stock movement	57.0	42.0	1.0	100.0
Product range	59.0	39.0	2.0	100.0

Source: Ligthelm (2008, 45)

The data in Table 4 gives a more precise sense of the changes in the small, retail trade sector as a result of formal retail nodes. A larger percentage of business respondents reported a decrease of small retailers since the opening of the centres than those who reported an increase. For instance, 47% of the respondents reported that small retailers went out of business compared to 10.8% who reported an increase of small retailers (Table 4). This is similar to the case in the United States of America. Following the opening of a Walmart store in Chicago, the study found that two years after its opening, 82 local stores went out of business (Davis, Merriman, Samayoa, Flanagan, Baiman, and Persky 2009). These observations indicate that if operators of small retailers sell similar goods as those found in large retailers, they may be compelled to shut down their businesses which become no longer economically efficient to run. Although Ligthelm (2008) describes rather than explains the changing patterns, it seems that a strong decline in the economic activities in these businesses are caused by lower levels of passing trade or pedestrian volume, reducing the visibility of the businesses. For instance, more than 50% of the respondents experienced a remarkable decline in their businesses' profitability, turnover, stock movement, and product ranges compared to those who reported better business conditions (Table 4). It is critical to emphasise the negative impact felt by individual small retailers due to the presence of large retailers in their markets. Interestingly, only active small retailers have been studied and little is known of those who went out of business.

Mapping the small retail market, Ligthelm (2008) indicates that there are significant differences between small retailers and their proximity from the centres. He points out that the businesses in greater distances (a 30-minute walk and above, or two kilometres and above) from the centres tended on average towards reporting either no change or an increase in the number of small retailers, whereas those in shorter distances (less than a 30-minute walk, or less than two kilometres) reported a decrease in the number of retail shops in their

immediate vicinity. This seems to indicate that small retailers in close proximity to the centres are initially more exposed to competition from large retailers.

Valodia et al. (2007) concur with the view of formal retail development competitiveness, examining economic and competitive relationships between large and small retailers. They indicate that small retailers compete with their larger counterparts by offering similar products but in smaller volumes, often for low-income consumers. Although the evidence is scanty, on the view that small retailers charge lower prices than large retailers they conclude that it may be because of quality differences, that is, small retailers tend to sell products that are inferior in quality. Although this is likely there has been no reliable evidence and is therefore conjectural.

Competitive response from small retailers to large retailers

There is not sufficient literature that covers the response of small retailers to competition from large retailers entering their territories in South Africa. Mathenjwa (2007) explores actions taken by small retailers of spaza shops and general dealers to competition from large retailers. Based on a study of Soshanguve, he indicates that some small retailers adjust their marketing strategies to reduce competitive pressures created by their larger counterparts. This includes adding new products or diversifying into other lines of business. Unfortunately the full range of these model strategies has not been fully investigated and requires further research.

3.4 Conclusion

A variety of findings has emerged from the literature. The informal sector is suggested by some as a possible solution to unemployment. This is crucial since South Africa's working-age population is significantly challenged by high unemployment, particularly among Black African males and females and is increasingly recognised as a serious countrywide concern. It is argued that the sector is not open-economy or free-entry because there are barriers that hinder establishment. These include crime, limited access to finance, limited markets, and competition in the business environment. Studies on formal-informal sector linkages however show that it is unclear whether the entry of large retailers into townships promotes or displaces the small-scale retail sector.

After examining what the existing limited literature reveals on the current retail trade sector in South Africa it can at least be said that some questions still remain controversial and are

perhaps unanswerable. Most studies have been developed around the variety of small retailers, particularly those in operation and devote relatively little attention to those went out of business as a possible result of the entry of large retailers. This means that little evidence is available on the strategies applied by small retailers to fight competition. In addition, researchers have not treated price-comparison in much detail; little effort has been devoted to investigate competitive prices between similar products offered by small retailers and their bigger counterparts. Further research on how the micro-enterprise sector is or is not surviving the onslaught from large retailers can prove to be interesting.

CHAPTER FOUR: RESEARCH METHODOLOGY

4.1 Introduction

This chapter discusses the methodology used in this research on linkages of formal and informal sectors of the economy, specifically spaza shops and Pick n Pay. In order to understand and present the effects of large on small outlets in the retailing industry in South Africa, a number of research tasks have been undertaken. The methodological approach is both quantitative and qualitative and includes the use of questionnaires, interviews, and site visit as well as the application of GIS. This chapter begins by examining a case study in KwaMashu, the study area. Thereafter, the sources of data adopted for this research are described. This is followed by a description of the sampling technique and how the primary data was analysed. Constraints and limitations are discussed at the conclusion.

4.2 Location of the case study

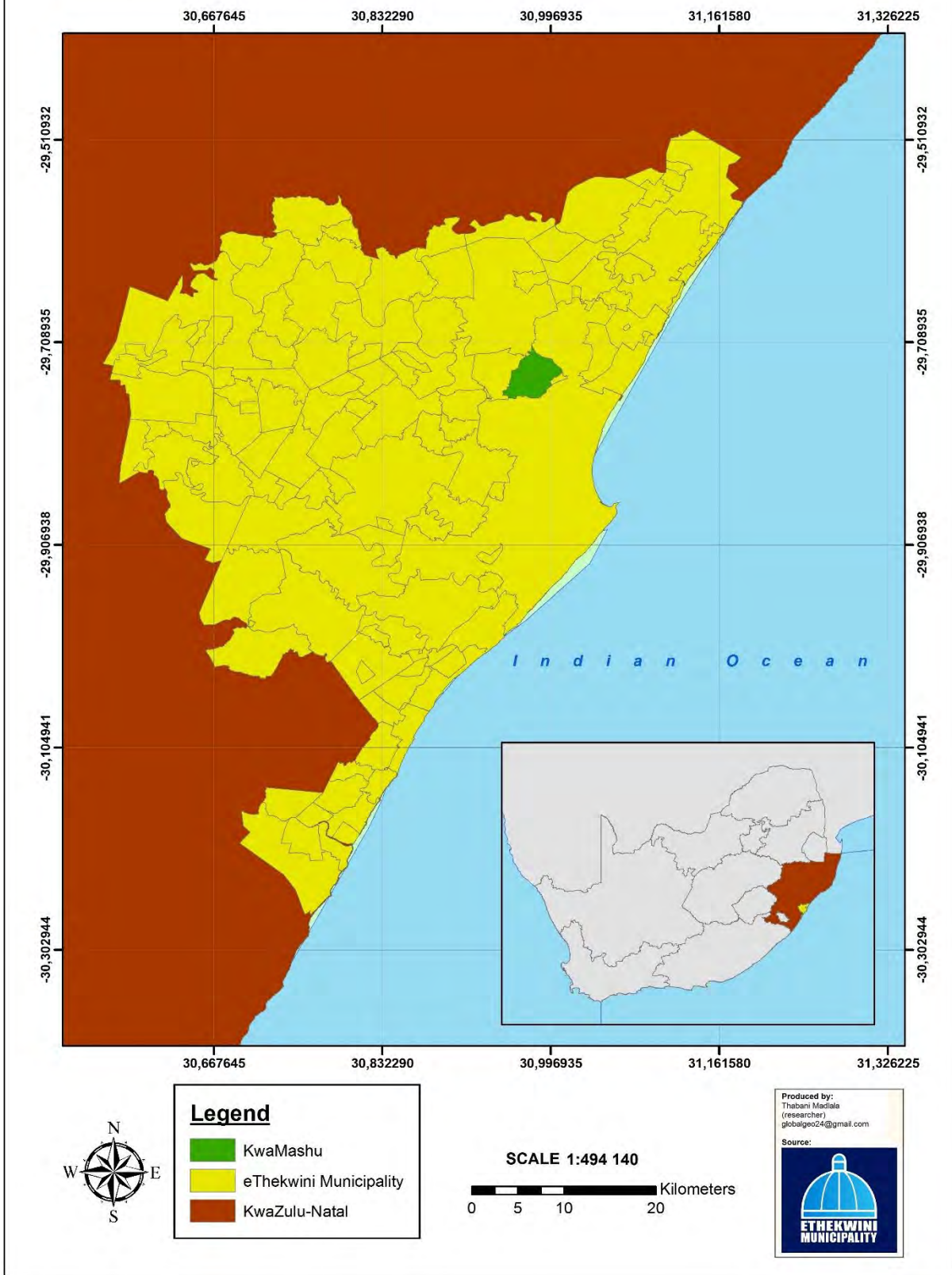
KwaMashu Township

According to the eThekweni Municipality (cited in DPLG and Business Trust n.d.), the township of KwaMashu was established in the 1950s and is among the largest townships within the boundary of the municipality. It is divided into more than 10 suburbs, locally known as 'sections'. These include KwaMashu-A, -B, -C, -D, and -E, to name a few (eThekweni Municipality 2014). In addition, it is part of the area known as INK (Inanda, Ntuzuma, and KwaMashu), which the eThekweni Municipality manages through a single administrative unit known as INK Nodal Economic Development Project (DPLG and Business Trust n.d.).

Although there are few studies based on this township, this site was chosen as the primary research area because of a case study done by Valodia et al. (2007) on linkages in the economy between formal and informal sectors. Influenced by a structuralist perspective, they have focused on the relationship between large and small retailers. As stated in Chapter three there is a presence of both large and small retailers in this township. Valodia et al. (2007) suggested that the presence of new shopping nodes may promote or displace the small-scale retail sector. This study attempts to build on their research, where a large retailer has recently entered the market. Under investigation is Pick n Pay and a spaza shop retailing market in the defined geographic area of KwaMashu-L, used as a sample for the greater KwaMashu area.

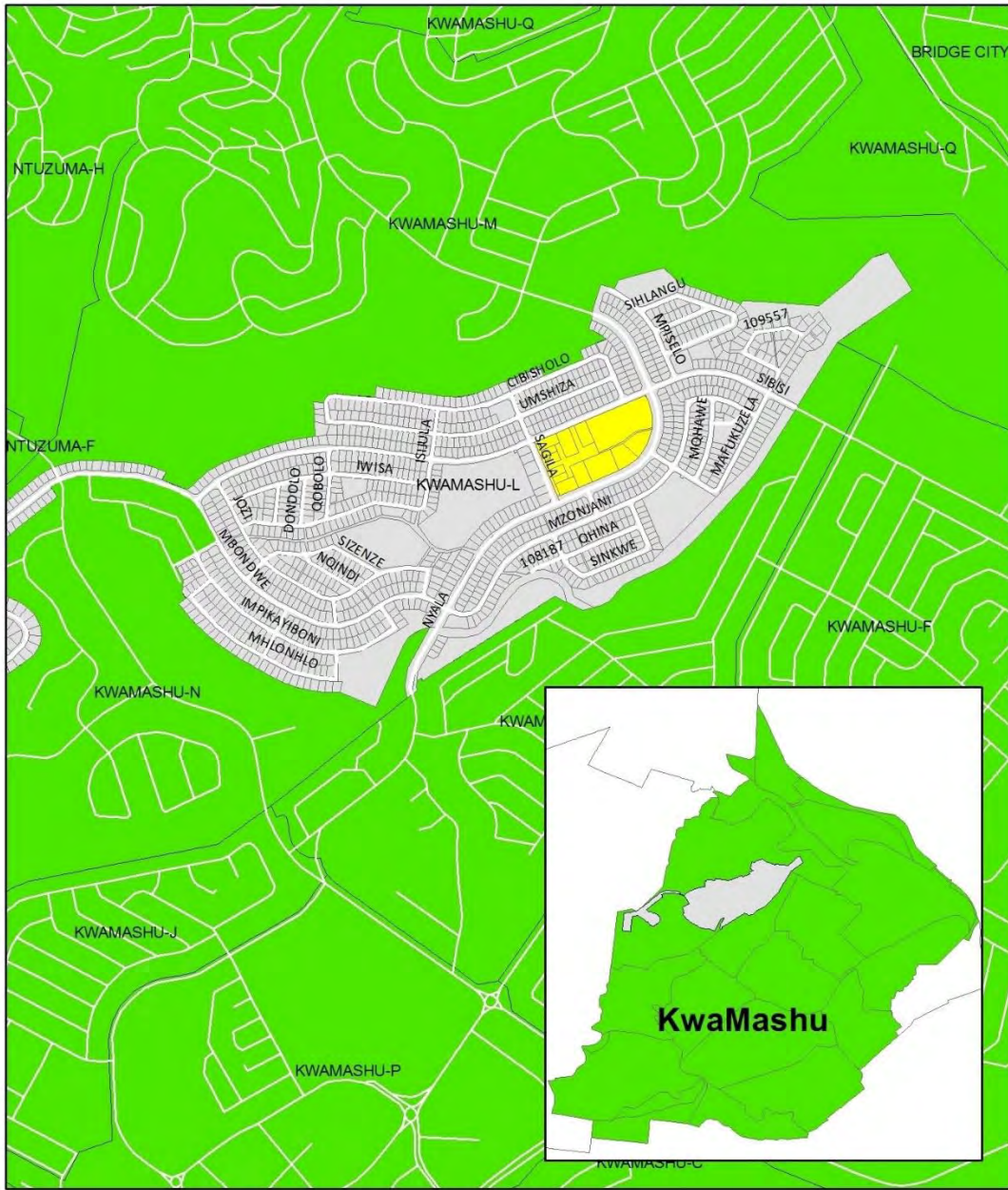
As can be seen in Figure 3 below, in a small-scale map (1: 494 140), KwaMashu is located in the north-central part of the eThekweni Municipality in the province of KwaZulu-Natal, South Africa. A large-scale map (1: 11 983) in Figure 4 displays the study area of KwaMashu-L in considerable detail, where Pick n Pay is situated. Figure 5 shows an aerial photograph of the study site. Figures 6 and 7 are respectively images of Pick n Pay and spaza shops in the study area.

Figure 3: The location of the township of KwaMashu in the eThekweni Municipality



Source: eThekweni Municipality (2014)

Figure 4: The location of KwaMashu-L in the township of KwaMashu



Legend

- KwaMashu-L
- Nyala Shopping Centre (Pick n Pay)
- Road

SCALE 1:11 983

0 0,125 0,25 0,5 Kilometers

Produced by:
Thabani Madala
(researcher)
globalgeo24@gmail.com

Source:

Source: eThekweni Municipality (2014)

Figure 5: Aerial photograph of KwaMashu-L



Source: AfriGIS (2014)

Figure 6: KwaMashu-L: Pick n Pay in the Nyala Centre



Source: Photograph by the researcher (Thabani Madlala)

Figure 7: Spaza shops (shipping container type) in KwaMashu-L



Source: Photographs by the researcher (Thabani Madlala)

4.3 Data sources

According to Jensen and Shumway (2010), a research method is a way of collecting and analysing data. Primary and secondary data were used for this research. The following section divides and explains these two types of data.

Primary data

Primary data refers to the original or raw data generated for a specific goal, and may be collected through surveys, focus groups, interviews, experimentation, and observation (Rhoads and Wilson 2010). A number of sources were used for this market research. These included surveys, interviews, and observations. Other sources included GIS data and photographs used for geographic and visual purposes.

Secondary data

Secondary data refers to all the published material in which the primary data has been analysed (Jensen and Shumway 2010). In other words, it is data already acquired, processed, and analysed in some fashion. A number of secondary sources were used for this research including books, statistics, journals, and documents from municipalities and non-government organisations (NGOs). The origins of some of these sources are Statistics South Africa, the eThekweni Municipality, journals from *World Development*, *Modern African Studies*, the *South African Journal of Economic and Management Sciences*, and NGOs such as the SLF. These sources served as building blocks for theories and data analysis in the field of development economics.

4.4 Data collection and sampling

4.4.1 The target population and sampling method

A month before commencement of fieldwork, individual meetings were held with some of the local participants to introduce the research and acquire their participation. The approach of this research was to first select a population of interest who would enable the researcher to answer the research questions. The target population of the study consisted of spaza shop owners or entrepreneurs. This group of business operators along with other small retailers were also identified in the case studies of Skinner (2005), Valodia et al. (2007), and Ligthelm (2008), as indicated in Chapter three. According to Jensen and Shumway (2010), once the target population has been defined, it is necessary to identify the method by which access can

be gained to it by delimiting a sampling frame. Following the procedures of Skinner (2005), Valodia et al. (2007), and Ligthelm (2008), a purposive or judgemental sampling procedure based on locality size was adopted. The group of spaza shop entrepreneurs had the potential to be clearly identified and unambiguously selected and the data obtained via street-by-street enumeration. In other words, it was collected by walking from street to street, moving between various spaza shops. The main tool used during the sample selection process was a detailed street map of KwaMashu-L obtained from Google Maps. It is most likely that this technique reduced bias and allowed each unit's probability of inclusion.

In the studies of Valodia et al. (2007) and Ligthelm (2008), in particular, bias was introduced through operational actions which means they only selected small retailers who were in business. By contrast the present research identified a group of former spaza shop operators who have shut down their businesses. To identify this group snowball sampling was employed as a recruitment strategy through help from spaza shop entrepreneurs and local informants. This method was adopted due to the lack of a comprehensive list of closed businesses and therefore considered the most appropriate non-probability sampling method. According to Jensen and Shumway (2010, 81), this sampling method is mainly used "when the target population consists of a hard to reach group...when the only way a researcher has of contacting its members is to ask those people who have been located (by whatever means) if they know of anyone else with the same characteristics". Inclusion of this group in the study allowed the researcher to make inferences about the target population as a whole.

It is important to state from the outset that this fieldwork was undertaken with the local participants in two phases. The first phase occurred between March and April 2014. The aim during this phase was to produce rich and detailed information regarding the market in the area. The second phase took place in July 2014, two months after the first phase. During this period, there was no longer a need to obtain and interview new participants. Rather, the purpose was to observe changes in the market that had occurred after the first phase of the research.

4.4.2 Questionnaire design, spaza shop surveys and interviews, and observations

Questionnaire design

In order to design questionnaires as a means of gathering information, this research was strongly influenced by the studies of Valodia et al. (2007) and Ligthelm (2008). The researcher applied their approaches to have an idea about the kind of information to be

collected. The following steps in developing the questionnaires were involved: deciding on the information required from the target respondents, deciding on the question content, developing the question wording, checking the length of the questionnaires, and pre-testing the questionnaires.

Survey: active spaza shops

The spaza shop survey was conducted with participants who are currently in the business and comprised participants who were willing to take part in the research. The survey questions were structured and closed-ended (see Appendix 1), which gave 24 spaza shop entrepreneurs in total the opportunity to express their views on the impact of formal retail development in the area. These respondents were surveyed during the period March and April 2014.

The questionnaire was divided into two sections which are listed and explained below.

a) Section A: *Spaza shop owner demography*

This section comprised three questions and was used to establish the demographic information of the spaza business sector. It dealt with the participants' personal details such as age, gender, and nationality. The collection of this demographic data enabled the researcher to establish the profiles of the entrepreneurs who are concentrated in the spaza shop sector.

b) Section B: *Market questions, effects of retail development*

Section B comprised 22 questions that examined the impacts that Pick n Pay has had on the spaza business.

Interviews: spaza shops that have shut down

The interviews were conducted with participants who have exited the spaza shop sector. This part involved a qualitative approach to get detailed information. The interview type used was structured and open-ended (see Appendix 2), which gave five participants in total the opportunity to express their views on their reasons for exiting the sector. According to Jensen and Shumway (2010), open-ended questions allow respondents to express themselves freely. These respondents were interviewed between March and April 2014.

Both groups of participants (currently in, and exited from the sector) were chosen because they provided insights into the processes that are taking place in their operations. Additionally, they were chosen because they would provide information that would serve as the cornerstone of the research.

Observation and photographic data

Rhoads and Wilson (2010) point out that observation is a research technique involved in the neutral process of reporting or recording activities as they unfold in daily life without interference or intervention. During the second phase of the research, observing new entrants of spaza shops and customers outside the premises was necessary to obtain additional data. The insights gained further contributed to the research findings and were documented in a field note-book.

With the participants' permission, a number of photographs were taken over the course of this research. These photographs serve as visual evidence for the entry of the new retail centre researched in the study. Although many of the photographs are not included in the thesis, they served as an important method for recording valuable information.

4.4.3 GIS data

The three-dimensional real world was reduced to a two-dimensional world of maps which served as a graphic representation. According to Murray and Church (2009), human geographers seek alternatives to using spatial analytic methods to explain, represent, and display physical features of the environment, and understand human actions and landscapes. In this research, thematic maps were designed to illustrate the geographic positions of the spaza shops in relation to Pick n Pay, as well as the spaza shops' demographic characteristics. The researcher obtained resources for making and designing maps from the eThekweni Municipality Corporate GIS, giving an overall picture of the geographical context of the study area. With the participants' permission, the geographic co-ordinates of the spaza shops were also recorded (see Appendix 3 and 4). A global positioning system (GPS) was used to document the location of the businesses examined. The researcher obtained the geographic co-ordinates of the businesses from GPS receivers: *Magellan* Smart-GPS Apps from a smart-phone, and Google Earth. These GPS co-ordinates were imported from Microsoft Excel into an ArcGIS tool and formatted into virtual images. The main reason for documenting the localities of these businesses was to illustrate their spatial distribution and characteristics.

4.5 Interpretation of data

The data was interpreted, classified into themes, and discussed according to the objectives of the thesis. This process involves undertaking an interpretive analysis (Dixon 2010). In order to do this, the data was broken up into constituent parts and placed into similar categories.

Microsoft Excel was the main format in which data was captured and prepared for analysis. In the area where quantitative data had been collected, statistical analysis was used to measure the degree of change that had taken place, and allowed for an assessment to be made about the consistency of data. The qualitative data responses on the other hand was grouped into similar categories and common patterns were identified. When all this was done, key findings and conclusions were drawn from the collected data.

4.6 Constraints and limitations of the research

The researcher experienced some methodological challenges. Although informed consent was obtained from the participants, there were challenges in the data gathering process. Some participants were willing to disclose personal information and offer their valuable time, others were unwilling to engage or being audio-recorded in the research. Reasons for this included “do not want to be studied”, “do not see the benefit from engaging in the research” or “do not have the time to participate”.

Furthermore, since there is no map of spaza shops at geographical scale, the information of their locations strongly relied on local informants. There is a possibility that the researcher failed to notice some of the spaza shops, especially those which were no longer operational and those without displayed signs or billboards. In addition, since the surveys and interviews were undertaken during the day and during business hours, most participants were busy serving customers and completing the questionnaires was delayed.

Due to the fact that the research dealt with large retail development, it was necessary for the relevant stakeholders from Pick n Pay to be taken into account. Despite numerous attempts made to contact them, arranging in-depth interviews was not an easy task. They were not available for interviewing and some claimed that they were prohibited from revealing any confidential information to researchers. This meant that the researcher was unable to get information from the large retailer perspective.

The research also has some limitations in itself insofar as it does not cover the retail industry in all the townships in South Africa. It is a locally-based study, conducted in the township of KwaMashu. In other words, it does not cover the problems encountered by spaza shop operators outside the study area or throughout the KwaZulu-Natal Province. The interpretations and generalisations consequently only represent the study area.

4.7 Conclusion

This chapter covered the research undertaken in two phases in the study area. During phase one of the data collection between March and April 2014, surveys and interviews were undertaken for spaza shops. This endeavour was unique as it represented one of the first attempts in the spaza shop sector to estimate the number of entrepreneurs and their characteristics. Purposive and snowball sampling procedures were devised to obtain an estimate of both active and closed spaza shops for the case study. Other technologies used during the field research period included photographs and GPS receivers. Phase two data, on the other hand, was collected during July 2014. The purpose of this phase was to generate more detailed data and to ascertain changes that had taken place in the market over time by means of observations.

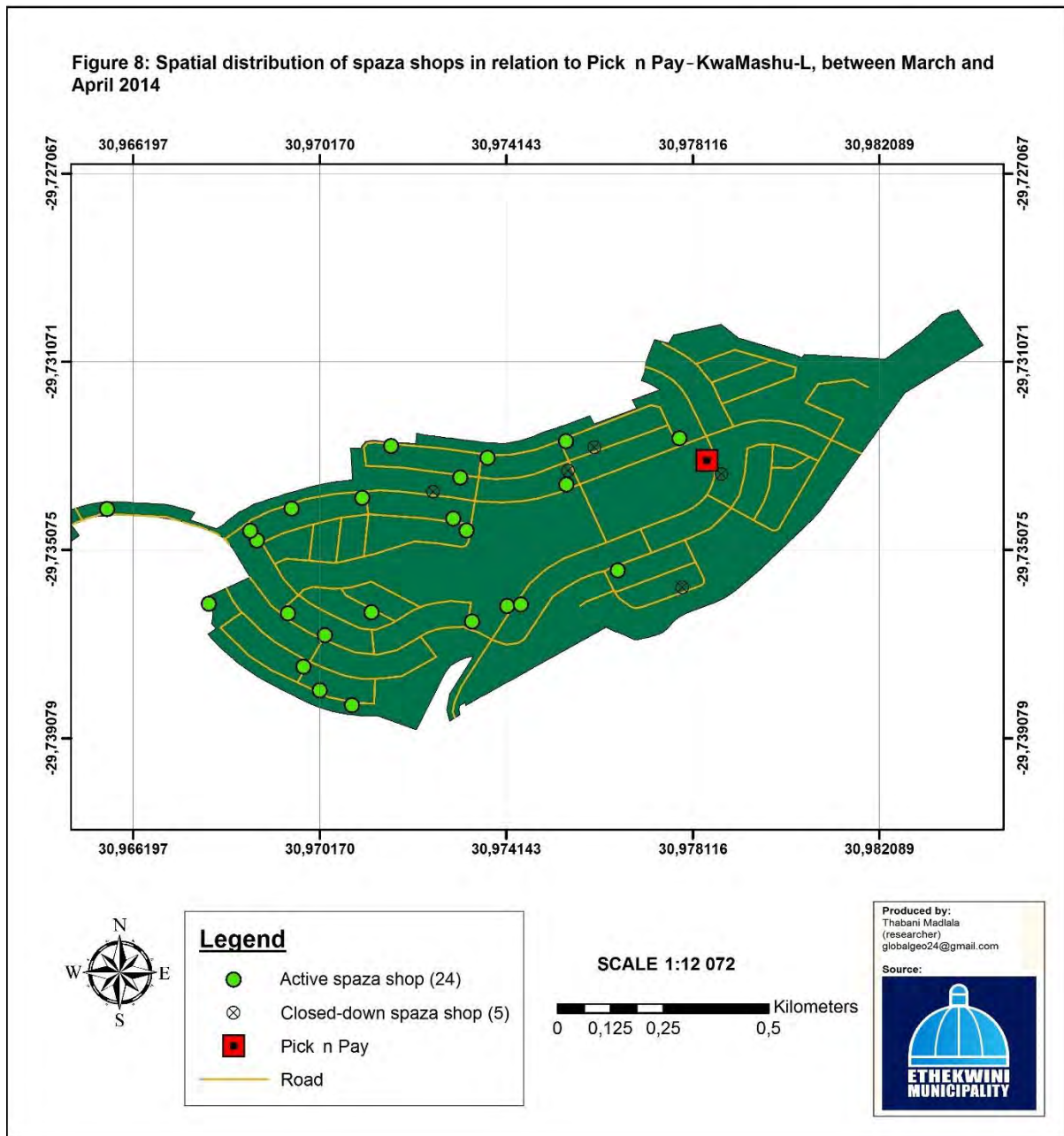
CHAPTER FIVE: LINKAGES BETWEEN FORMAL AND INFORMAL SECTORS – PICK N PAY AND THE SPAZA SHOP SECTOR IN KWAMASHU

5.1 Introduction

The purpose of this chapter is to present the results obtained from the fieldwork conducted in KwaMashu for the thesis. Given the limited prior research, the study does not attempt to present a definitive or fully conclusive position on the effects of Pick n Pay on the spaza shop sector. However, the study sought to explore and has provided a foundation for further research on the topic. This chapter serves as a precursor to Chapter six which thematically analyses and discusses the results presented in this chapter. As explained in Chapter four, the primary research tools employed in this research were surveys, interviews, and observations.

This chapter is structured in accordance with the objectives listed in Chapter one. Using GIS, all spatial data is layered and digitally represented on maps to explore often complex spatial relationships. A specified buffer distance is drawn around Pick n Pay to test whether proximity has an impact on spaza shops. Section 5.3.1 presents the results relating to business performance of spaza shops after the arrival of Pick n Pay. Section 5.3.2 investigates the perceived impact on the location of spaza shops since the entry of Pick n Pay. Section 5.3.3 examines the strategic responses of spaza shops to the presence of Pick n Pay. Section 5.3.4 presents detailed results relating to price competitiveness between the spaza shop sector and Pick n Pay. Much of the data for this section was obtained through comparing commonly stocked products for competitive market analysis between these two sectors. Maps, tables, and figures are used to present the results. Before presenting the findings of the thesis, this chapter also provides a detailed description of the spaza shop sector on the local scale in KwaMashu-L. The purpose of characterising the spaza shops is to better understand their nature in the context of the specified area. This is presented in the section that follows.

5.2 Descriptive profile of the spaza shop sector in KwaMashu-L, KwaMashu Township



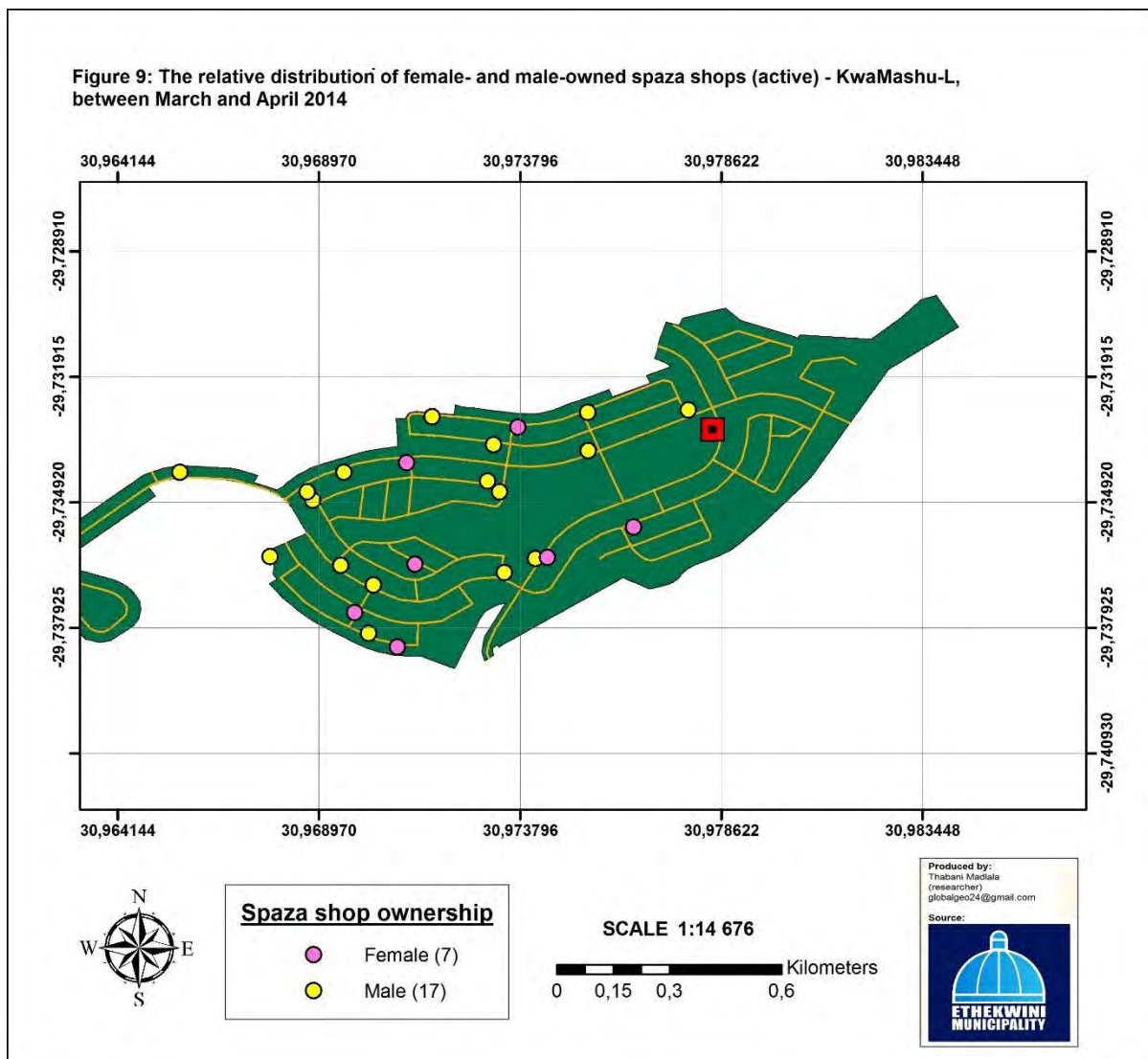
Source: Survey, GPS, and eThekweni Municipality (2014)

In the KwaMashu phase of the research between March and April 2014, a total of 24 active and five closed spaza shops were documented. In other words, 24 current spaza shop owners and five former spaza shop owners were interviewed. As illustrated on the map in Figure 8, these enterprises were located in a scattered pattern and scattered proximity to public transport routes. There is no indication of spatial clustering. Each spaza shop operates within a localised area, serving neighbourhood market niches. Pick n Pay on the other hand has been set up in direct competition to these enterprises and its presence indicates inbound shopping.

The underlying reasons for the choice of current spaza shop locations were: safety and security, low or no rentals (mainly trading from home), high visibility, low levels of competition, access to business premises, and high volume of customers.

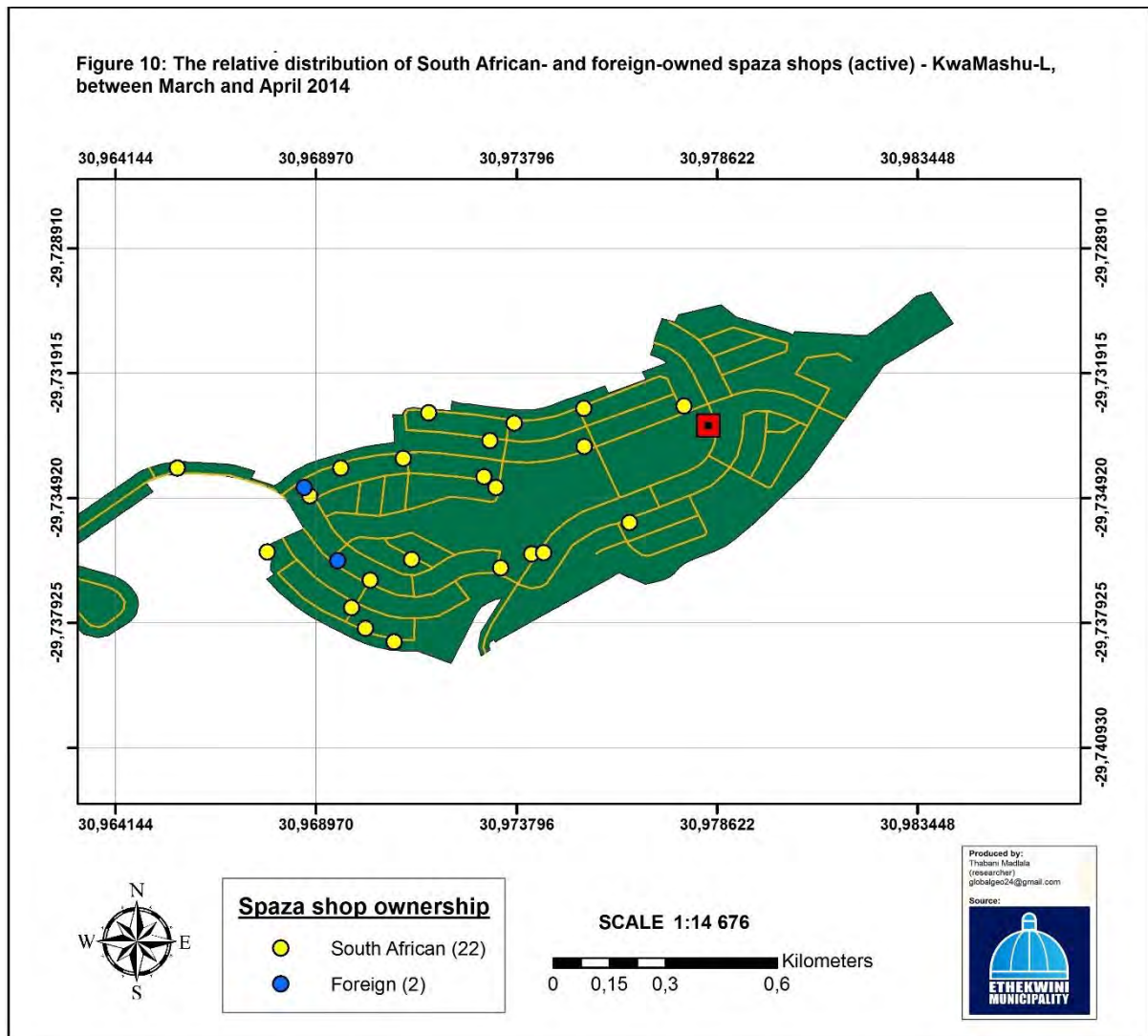
The spaza shop sector is generally operated by individuals who belong to the older age group. Among the 24 active spaza shops, ten were run by individuals who were over the age of 50, one between the ages 46-50, four between the ages 41-45, three between the ages 36-40, two between the ages 31-35, and four between the ages 26-30. The majority of shopkeepers indicated that they were trading in the same location before Pick n Pay's entry. Most of these active spaza shops had been in operation for over a decade. Ten of the shops indicated that they had surpassed a 10-year period in existence. The remaining spaza shops had been in existence for ten years and less. For instance, seven had been operating for between 1-5 years, five between 6-10 years, and two less than a year.

5.2.1 Spaza shop ownership



Source: Survey, GPS, and eThekweni Municipality (2014)

Another differentiating factor is that a significant numbers of males own spaza shops. 17 of the shops were owned by males, and seven by females (Figure 9). It is worth noting that there is a major gender difference in labour market participation in this sector. An examination of the gender-based ownership has however been too brief and tentative, and there is no question of claiming definitiveness in the findings. Further research to examine gender-based labour force participation in this sector could prove to be interesting.



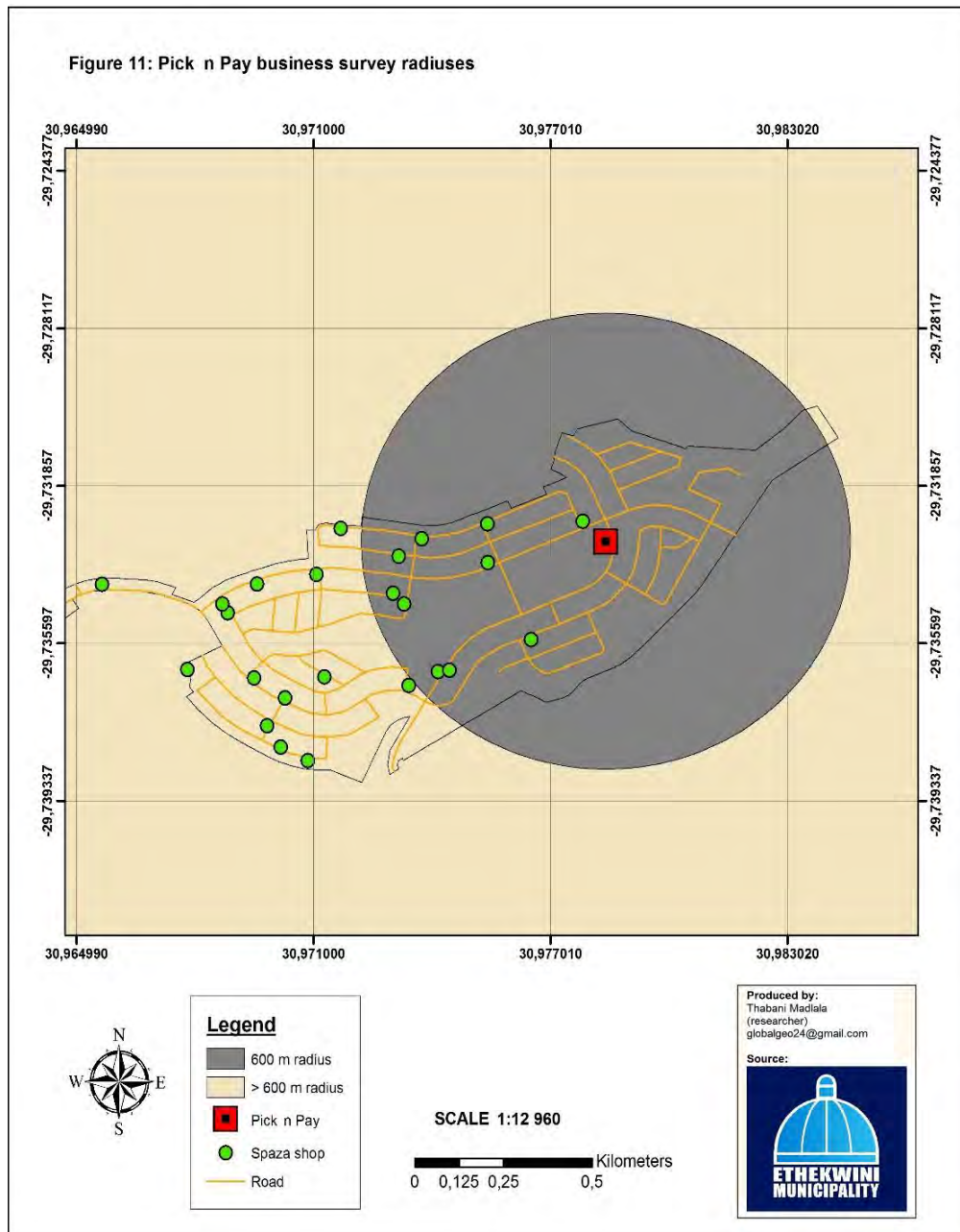
Source: Survey, GPS, and eThekweni Municipality (2014)

An emerging trend in the business sector has been the appearance of foreign shopkeepers. The foreign-owned spaza shops can be seen in spatial terms (Figure 10). Two of the shops were operated by foreigners, specifically Ethiopians, whilst 22 were operated by South Africans. Foreign entrepreneurship in the spaza shop sector is a relatively new trend in KwaMashu. For instance, among these foreign entrepreneurs, one stated that he has been in the sector for over a year, that is, “since January 2013”; whilst the other has been active “since June 2013”. Since Pick n Pay opened in May 2013, it is noted that one entered before Pick n Pay’s entry and the other after. In terms of ownership, both the foreign shopkeepers rent their business premises whereas the majority of South Africans own theirs.

5.3 Impact of Pick n Pay on spaza business environment

The purpose of this part of the chapter is to examine the impact that the development of Pick n Pay has had on the spaza business environment. The information obtained is largely from existing, individual spaza businesses. Distance categories were selected by using the distance measure on a thematic, large-scale map (1: 12 960) from data created by the eThekweni Municipality Corporate GIS (2014). This approach allows for a measurement of the impact of Pick n Pay development on spaza shops by distance from the centre. The concentric circles were grouped into two distance categories for the purposes of analysis. One category is inside a 600 m radius and the other is over 600 m; see Figure 11 and Table 5 below. It should be considered that these are not definite boundaries. For the purposes of this study, the separation distances represent spaza shops which claimed to be within and outside 10 minutes' walk from Pick n Pay in the Nyala Centre (see Appendix 1).

The results in each section are divided into the results obtained from the spaza shops shown in the concentric circles above. It should be noted that a large number of the findings pertain to perceptions and therefore do not necessarily correlate with actual facts and values. Ten spaza shops were located within the 600 m radius and 14 located further than 600 m. The objective of this section is to ascertain how spaza shops in different radiuses are impacted by Pick n Pay. The findings are structured in terms of the following: the impact of Pick n Pay on the spaza businesses, the impact of Pick n Pay on the spatial location of spaza businesses, the competitive responses of the spaza shops to Pick n Pay, and the price competitiveness between the spaza shop sector and Pick n Pay.



Source: Survey, GPS, and eThekweni Municipality (2014)

Table 5: Selection of business units	
Radiuses/buffers	Number of spaza shops
Within 600 m (= 600 m)	10
Above/outside 600 m (> 600 m)	14
Total	24

Source: Survey (2014)

5.3.1 Impact of Pick n Pay on the nature of the spaza business

The objective of this section is to examine the spaza shop business environment since the entry of their larger competitor. In the interest of achieving the aforementioned objective, the business environment of the spaza shop sector is described and analysed based on the evidence obtained from the owners of the shops.

Impact on business environment

Table 6: Perceived impact on business performance after the development of Pick n Pay (within 600 m) – March to April 2014

	Stock size		Profits		Customers	
	Number of shopkeepers	%	Number of shopkeepers	%	Number of shopkeepers	%
Increased in large amount	0	0	0	0	0	0
Increased in small amount	0	0	0	0	0	0
The same	1	10	1	10	1	10
Decreased in small amount	2	20	2	20	2	20
Decreased in large amount	7	70	7	70	7	70
Total	10	100	10	100	10	100

Source: Survey (2014)

The segment of spaza shops within the 600 m radius report that they have experienced a change in the nature of their businesses since the opening of Pick n Pay. Table 6 above gives a more precise sense of the perceived changes in the spaza shop retail trade sector. Only one of the shops reflected no changes after the development of Pick n Pay. This is because he recently entered the sector – after the opening of Pick n Pay in May 2013. He stated that he is still developing, started his business in October 2013 and “stocks few goods at the moment”. The larger segment however reflected changes due to negative factors: loss of customers, stock size, and profit decline. It is interesting to note that none of the businesses reported positive changes. Seven of the spaza shops indicated to have experienced a dramatic decline in customer volumes and two shops experienced a slight decline. This in turn has affected

profits as well as stock movement. It is important to note that these are major determinants of business success and crucial for development. The indicators of performance in these businesses show a clear decrease which limits their manoeuvrability; the owners are painfully aware that the introduction of a single retail customer often constitutes a severe blow to the health of their business making it hard to show a profit in their trade. However, it is not known how these businesses performed prior to the entry of Pick n Pay. It could be said their performance might have been poor then too, which means that one cannot be too definitive in the findings.

Furthermore, the shopkeepers were asked to list a number of factors affecting their business performance excluding the development of Pick n Pay. The results showed that the dominant factors were expensive stock from wholesalers and an inability to achieve profits. The underlying reasons included “sometimes suppliers [wholesalers] increase price of stocks” and “we do not get more customers to make more money”. Other factors included a lack of business planning, competition from other spaza shops, as well as crime and stock-theft. Regarding the latter factor, one of the shopkeepers stated because he has had employee-theft in the past he no longer employs anyone other than family members. Others mentioned stock-theft by criminals.

Table 7: Perceived impact on business performance after the development of Pick n Pay (above 600 m) – March to April 2014

	Stock size		Profits		Customers	
	Number of shopkeepers	%	Number of shopkeepers	%	Number of shopkeepers	%
Increased in large amount	0	0	0	0	0	0
Increased in small amount	0	0	0	0	0	0
The same	3	21.43	3	21.43	3	21.43
Decreased in small amount	8	57.14	8	57.14	8	57.14
Decreased in large amount	3	21.43	3	21.43	3	21.43
Total	14	100	14	100	14	100

Source: Survey (2014)

Spaza shops located outside the buffer 600 m have also experienced a change in their businesses since the opening of Pick n Pay. However, the results appear to be somewhat different from those within 600 m. Of the shops that have been negatively affected, eight experienced a slight decline in customer volumes, profits, and stock movement compared to three that experienced a dramatic decline (see Table 7). This indicates that where most shopkeepers within the 600 m radius have experienced major decreases, most beyond this radius have experienced slight decreases.

The shopkeepers listed a number of factors which affect their business performance excluding the development of Pick n Pay. The most common factors, similar to the previous group, were expensive stock and an inability to achieve profits. The third most common factor was competition from other spaza shops. A small number of the shopkeepers stated that they experience high competition from foreign-owned spaza shops. Some indicated that they collect data on competitors' prices and reported that "foreign owners are selling basic commodities such as a loaf of bread at a much lower price" and "They [the foreigners] allow customers to buy their products even if they are short of money". Others reported that

foreign-run spaza shops are closer to them (see Figure 10) and that some of the South African businesses feel threatened by this competitive market.

The preceding paragraphs suggest that although there have been changes in the spaza shop market, the negative effect of Pick n Pay is more severe in the case of spaza shops in close proximity to the retail node.

Table 8: Perception regarding the number of spaza shops in the area with the development of Pick n Pay – March to April 2014

	Within and above 600 m	
	Number of shopkeepers	%
Increased in large amount	0	0
Increased in small amount	0	0
The same	16	67
Decreased in small amount	5	21
Decreased in large amount	3	13
Total	24	100

Source: Survey (2014)

The purpose of this section is to investigate the survival of spaza shops since the opening of Pick n Pay. It should be noted that as there was no significant difference between spaza shops within and outside the 600 m radius, the data is merged for both groups in Table 8. The majority of the shopkeepers reported no change in the number of spaza shops in their immediate vicinity. However, those who reported a decline stated that “two to three spaza shops” had been shut down since the opening of Pick n Pay. Although none of the shopkeepers reported an increase in the number of spaza shops in their immediate vicinity, the perceptions of the respondents are incorrect. As pointed out earlier, two of the shopkeepers only opened their businesses after the arrival of Pick n Pay; an Ethiopian (June 2013) and a South African (October 2013). It should therefore be noted that the respondents’ knowledge pertaining business history and records impacts on the quality of answers received.

Spaza shops that have shut down

The purpose of this section is to obtain the views of participants whose businesses have closed. Five former shopkeepers (see Figure 8) were interviewed to gain insight into their reasons for exiting the sector.

Table 9: Profile of former shopkeepers – March to April 2014

Respondent	Male/Female	Exited the sector before/after the opening Pick n Pay	Reasons for exit
1	Male	Before	"Employee-theft"
2	Female	Before	"Not enough customers and poor management"
3	Male	Before	"Did not have business planning"
4	Male	After	"Got a job. Started working for a hardware company [<i>Built it</i>] and part-time I work as a plumber"
5	Male	After	"Lost customers after the opening of Pick n Pay and my business did not grow"

Source: Interview (2014)

Out of the five former shopkeepers interviewed, it was established that three closed down their businesses before the opening of Pick n Pay – as illustrated in Table 9. This indicates that the opening of the store had no direct or indirect role in the closure of these businesses. The respondents' reasons were lack of business planning, employee-theft, and finding new employment. However it is also noted that one of the respondents went out of business due to loss of customers after the store opened.

The respondents were requested to make suggestions of what the government could do to improve the small retail sector in the area. Some have reported that the government should make efforts to reduce crime since crime is listed among the primary hindrances to establishing a business. Others reported that the government should assist small businesses in financial and business planning through appropriate development plans, and establishing special institutions and programmes to assist informal enterprises as they do formal ones.

Benefit of Pick n Pay

Table 10: In general, would you say that the development of Pick n Pay had benefited your business? – March to April 2014

	Within 600 m		Above 600 m	
	Number of shopkeepers	%	Number of shopkeepers	%
No benefit	5	50	8	57
Slight benefit	5	50	6	43
Major benefit	0	0	0	0
Total	10	100	14	100

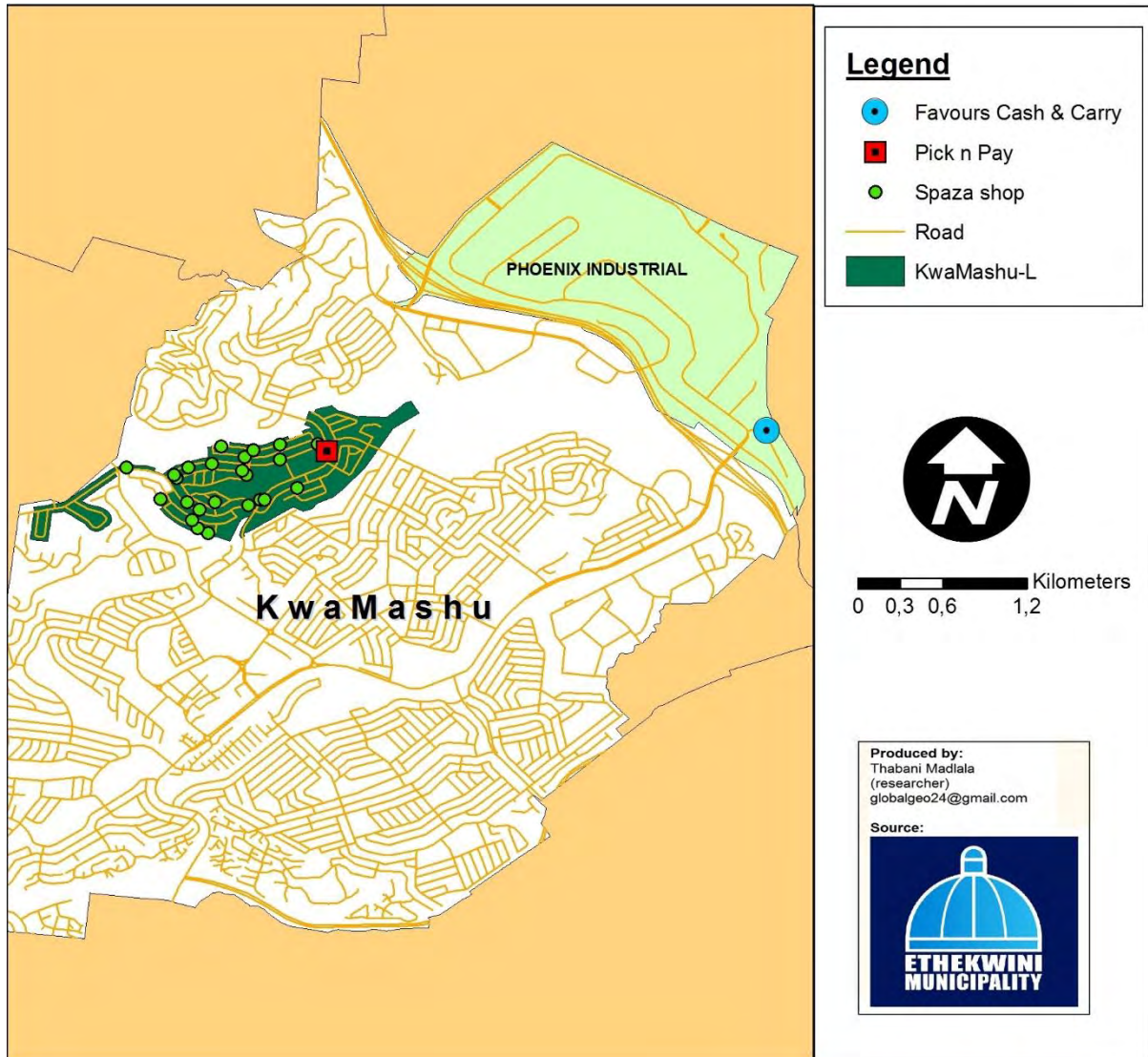
Source: Survey (2014)

Within the 600 m radius, five of the shopkeepers indicated that the opening of Pick n Pay had no benefit for their businesses, whilst the other five indicated slight benefits. One of the shopkeepers, who indicated that there were positives effects, stated “when people find that Pick n Pay is closed [after trading-hours], they tend to buy small products from me”. This suggests that Pick n Pay draws in consumers from surrounding communities and that the shops may benefit from the exposure and to foot traffic. This shows that there is recognition of the positives that can be gained by being around large retailers which are already drawing the desired customers. Other responses from shopkeepers included “I used to source goods such as loaves of bread from large wholesalers but now I purchase them at Pick n Pay because they are cheaper”. This indicates business linkages through the availability of merchandise at low prices, and that Pick n Pay plays a role as a product distributor.

Outside the 600 m radius, eight of the shopkeepers indicated no benefits whilst six indicated slight benefits. Of the shopkeepers that indicated there were positive effects, one reported that “Pick n Pay benefits my business as I do not have to hire a vehicle to get some goods at wholesalers. Instead, I purchase some products at Pick n Pay as it is closer to my business”. Given the longer distance between the industrial sector and the spaza shops in Figure 12 below, it could be argued that sourcing goods from wholesalers is time-consuming. In other words, the opening of Pick n Pay nearby may save spaza shop operators time and money. In spite of these benefits, the majority of shopkeepers indicated that their dominant suppliers are regional large wholesalers such as “Favours Cash & Carry (Pty) Ltd” in Phoenix, an industrial site – see Figure 12. There are still close links between spaza shops and

wholesalers. In terms of delivery channels, this suggests that the spaza shop sector is increasingly being acknowledged by wholesalers.

Figure 12: Map showing the dominant supplier (Favours Cash & Carry) of spaza shops

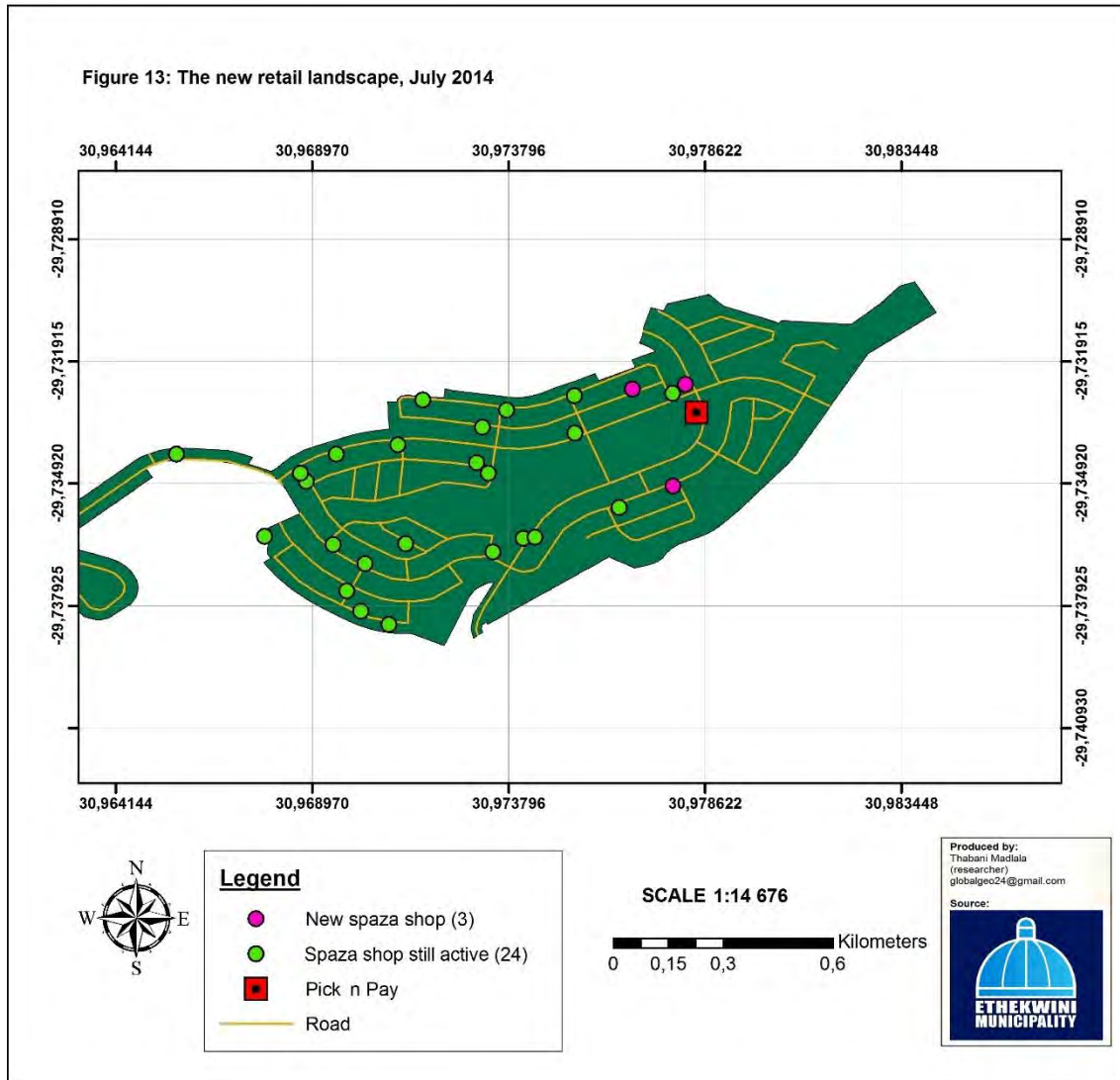


Source: GPS, and eThekwini Municipality (2014)

The changing face of the retail landscape – July 2014

During phase two of the field research in July 2014, and following the procedures of street-by-street enumeration in phase one, some changes were observed in the spaza shop sector. One of the most important findings was the discovery of the new spaza shops. Figure 13 below presents the spatial distribution of shops in close proximity to Pick n Pay which indicate an increase in the sector. It was also observed that none of the businesses documented in phase one had shut down. Two of the three newly emerged spaza shops were operated by male foreigners (Ethiopian and Somali) and the other by a female South African.

This also means that the number of foreign-run spaza shops had increased to four, including the two Ethiopian-owned shops documented in phase one. The new shopkeepers, especially the foreigners, operated their businesses from used shipping containers which enabled them to locate in a favourable position in close proximity to Pick n Pay to take advantage of passing traffic. These results reflect the importance of nodal integration.



Source: Observations, GPS, and eThekweni Municipality (2014)

5.3.2 Perceived impact on business location

The preceding section outlined the changes that occurred in the nature and performance of spaza shops after Pick n Pay's entry. Given that its presence results in passing traffic (foot and automobile traffic), subsequent paragraphs provide insight into the current location of the spaza businesses and the manner in which the development of the retail centre has affected their current locations.

Table 11: How has the development of Pick n Pay impacted on your current location (within and above 600 m)? – March to April 2014

	Pedestrian volume		Safety and security		Visibility		Levels of competition	
	Number of shopkeepers	%	Number of shopkeepers	%	Number of shopkeepers	%	Number of shopkeepers	%
Remained the same	4	16.67	22	92	9	37.5	4	17
Declined	5	20.83	1	4	15	62.5	0	0
Increased	15	62.5	1	4	0	0	20	83
Total	24	100	24	100	24	100	24	100

Source: Survey (2014)

Since there was no significant observed difference between the spaza shops within and outside the 600 m radius, the results for both groups are merged. Among the shopkeepers, 20 indicated that levels of competition had increased, and 15 experienced declining visibility. It can thus be concluded that all the spaza shops within and outside the 600 m from Pick n Pay perceived more or less the same type of negative impacts on their business levels of competition and visibility.

Despite these major impacts, it is worth noting that safety and security have remained the same since Pick n Pay's entry. The results thus indicate that although pedestrian volumes have increased, they have not influenced crimes such as robberies and theft in the vicinity of the businesses.

5.3.3 Responses from spaza shops to competitive pressures from large retailers

The purpose of this section is to determine what actions have been taken by spaza shops to respond to competition from Pick n Pay.

Table 12: Due to the development of Pick n Pay, I have lost market sale of some products – March to April 2014

	Within and outside 600 m	
	Number of shopkeepers	%
Yes	13	54
No	11	46
Total	24	100

Source: Survey (2014)

The 24 shopkeepers were asked if they have lost market sales of products in their businesses and which products had experienced declines or increases in sales since the opening of Pick n Pay. Most of the shopkeepers indicated that they had lost market sales (see Table 12). It must be noted that the shopkeepers who indicated a decline in sales of certain products are the ones who perceive Pick n Pay as having negatively affected their businesses. These shopkeepers were asked to determine which type of products were mostly affected and most indicated that they had lost sales in bread. One of the shopkeepers within the 600 m and closest to Pick n Pay, stated that “sales of loaves of bread declined significantly and most end up expiring as very few customers purchase from me, resulting in financial loss. As a result, I no longer order many cases [trays] of bread from a wholesale bakery. Sometimes I buy few loaves of bread here at Pick n Pay”. This finding indicates that the impact of Pick n Pay on some spaza shops has resulted in significant losses of sales of perishable foods and has led to some businesses limiting or severing linkages with their dominant suppliers. Other shopkeepers indicated that they have lost market sales of fresh/refrigerated products. For instance, one reported “I do not stock fresh-milk anymore. Instead, I stock long-life milk as it requires no refrigeration”. The shopkeepers further indicated that the dominant reasons for the changes resulted from a duplication of products in the area, price differences, increased levels of competition, and decreased consumer volumes.

Table 13: Due to the development of Pick n Pay, I have included new products/services in my business – March to April 2014

	Within and outside 600 m	
	Number of shopkeepers	%
Yes	5	21
No	19	79
Total	24	100

Source: Survey (2014)

The shopkeepers were also asked if they had included new products or services in their business since the opening of Pick n Pay. Only five of the shopkeepers indicated that they had done so (see Table 13). Given that there are few incentives to improve business performance; one can conclude that the majority of these entrepreneurs made few dramatic adjustments to their competitive strategies and were either unwilling or unable to enact a competitive response. The businesses that adopted a competitive strategy to fight Pick n Pay tended to focus on other commodities or extend their markets to sustain competitive advantage. These businesses have thus decisively shifted away from being general shops, as illustrated below.

Merchandise mix

Although spaza shops cannot compete with large retailers, some have assessed their strengths and weaknesses, and committed to a competitive strategy by providing merchandise mix or by concentrating on cloth-manufactured items where there is little direct competition. One of the shopkeepers reported, “I have now introduced towel sales in my business, offering something different from Pick n Pay”. This finding seems to indicate that there is a belief that Pick n Pay does not offer cloth-manufactured items. Another shopkeeper reported, “I have become a part-time tailor, producing such products as common shirts and dresses as well as sewing embroidery designs on fabric”.

Take-away food business is another industry which has emerged in the spaza shop sector. For instance, one of the shopkeepers opened a small take-away business in addition to her spaza business – selling “Russian sausages” and “potato fries”. She added that her intention is to “build strong relationships with many of my key customers over time, which will further protect me from competitive threats”.

Niche marketing, long-trading hours, and selling on credit

Some spaza shops have competed in a narrowly defined market segment with specialised offerings or in niche marketing, focusing on specific groups of people and the specific needs and wants of these groups. For instance, two shopkeepers reported that they focus on children as a niche market and have become reliant on a relatively small market. They offer products such as sweets, chips, and biscuits for this group. Responses to market demand included “easy to sell”, “sells fast” and “goods always in demand”.

The 24 shopkeepers, in addition, reported to have slight advantages because they have longer trading hours compared to Pick n Pay. Most spaza shops trade between “7 am and 8 pm”, whilst Pick n Pay is open from “8 am to 6 pm”. Furthermore, the majority of the shopkeepers allow customers to purchase goods on credit as a strategy to keep them loyal. For example, 15 of the shopkeepers allow customers to buy on credit.

5.3.4 Price competitiveness between the spaza shop sector and Pick n Pay

The purpose of this section is to present information based on the differences in price of commodities in the spaza shop sector and Pick n Pay. In order to examine this, the researcher undertook a price survey of the spaza shops (average) and Pick n Pay, as well as one of the neighbouring large retailers, Shoprite, located in the Bridge City Mall in KwaMashu. This was done by selecting the exact same products in each outlet to limit bias. The results are shown in Table 14 and Figure 14 below.

Table 14: Price comparison between spaza shops and Pick n Pay in KwaMashu-L – March to April 2014

Food product			Spaza shops (average)	Pick n Pay	Other large retailers (Shoprite)
Item	Weight/Mass	Brand	Price	Price	Price
1. Rice	500 g	<i>Aunt Caroline (AC)</i>	R8	N/A or DNS	N/A or DNS
2. Rice	1 kg	<i>Aunt Caroline (AC)</i>	R12	N/A or DNS	R10.79
3. Maize meal	1 kg	<i>Ace</i>	R8.50	R6.79	R6.99
4. Maize meal	5 kg	<i>Ace</i>	DNS	R28.99	R31.99
5. Milk	500 ml	<i>Clover</i>	R6	R8.29	R7.99
6. Milk	1 l	<i>Clover</i>	R12	R11.99	R11.99
7. Half-dozen eggs	-	No brand	R9	R8.99	R9.99
8. Half-white loaf	-	<i>BB Bakeries</i>	R5	DNS	DNS
9. Full white loaf	700 g	<i>BB Bakeries</i>	R10	R5.99	R9.19
10. Half-brown loaf	-	<i>BB Bakeries</i>	R4.50	DNS	DNS
11. Full brown loaf	700 g	<i>BB Bakeries</i>	R9.50	R5.49	R7.99
12. White sugar	250 g	<i>Huletts</i>	R4	N/A or DNS	N/A or DNS
13. White sugar	500 g	<i>Huletts</i>	R7	R6.49	R6.99
14. Soft-drink	330 ml	<i>Coca-Cola (CC) coke</i>	R7	R7.49	R6.99
15. Soft-drink	2 l	<i>Coca-Cola (CC) coke</i>	R17	R13.99	R14.89

Source: Survey (2014)

* Note: N/A – not available at the time of data collection

DNS – does not stock

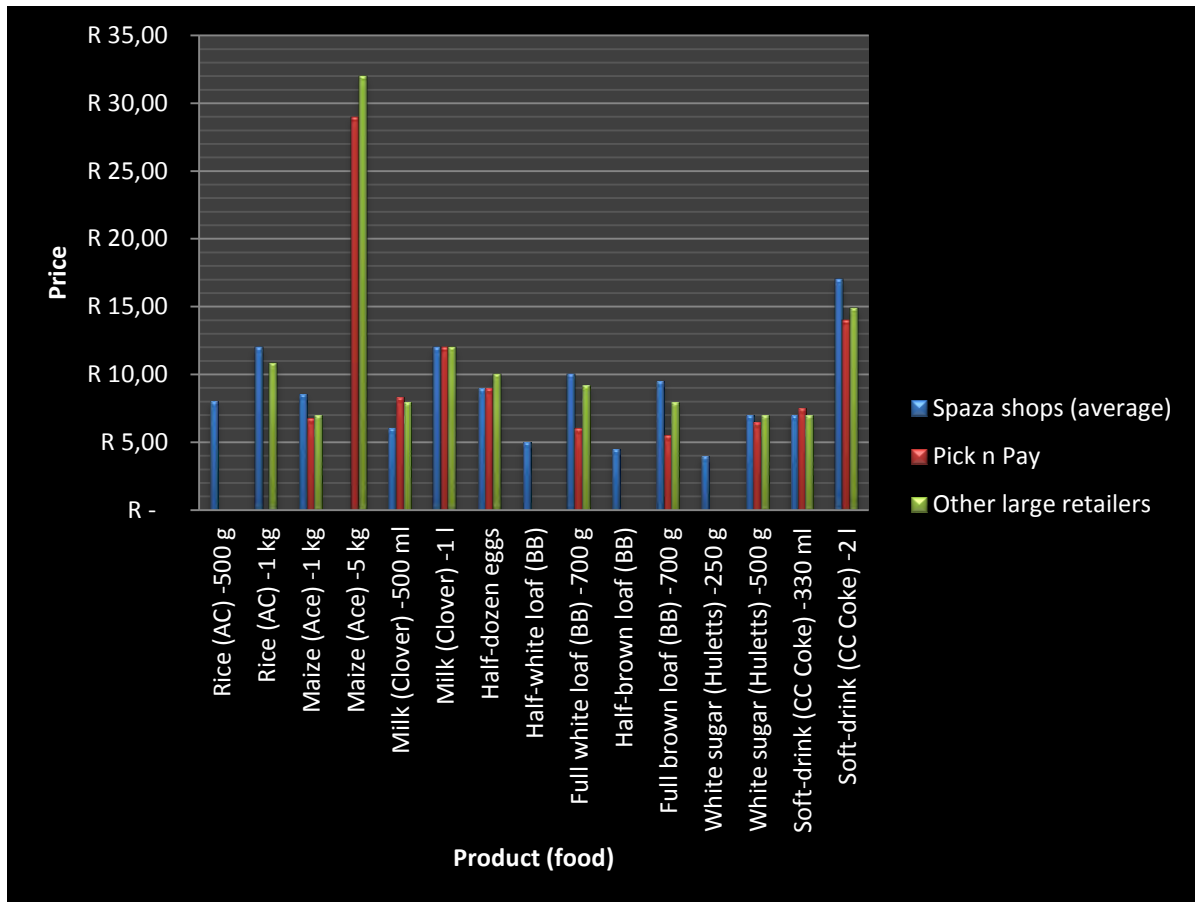
g – gram

l – litre

kg – kilogram

ml – millilitre

Figure 14: Price comparison between spaza shops and Pick n Pay in KwaMashu-L – March to April 2014



Source: Survey (2014)

The data above shows that spaza shop products appear to be somewhat different from that of large retailers. Even when spaza shops and large retailers produce the exact same products, they are not always in direct competition. Smaller quantities are almost exclusively offered in the spaza shop sector, while large quantities are offered by large retailers. Given this, the spaza shops have a slight advantage selling in smaller quantities. For instance, one can buy a half-loaf of bread, 500 g of rice, and 250 g of sugar in a spaza shop; all products which have proven to have competitive advantage. This could also explain why spaza shops provide much of the consumer goods demanded by the lower-income population, whereas Pick n Pay and other large retailer products are disproportionately directed toward the middle- and upper-income population.

This is not to say that large retailers and spaza shops do not compete. The spaza shop sector is vulnerable on price. The evidence shows that most of the commodities from large retailers, specifically Pick n Pay, are generally cheaper compared to the commodities found in the

spaza shop sector. These include beverages and dry-goods such as maize meal (1 kg), a full-loaf of bread (700 g), sugar (500 g), and soft-drinks (2 l). Spaza shops however sell certain products cheaper than Pick n Pay, for instance, milk (500 g) and soft-drinks (330 ml).

One of the striking results is an indication of a cut-pricing strategies implemented by Pick n Pay. For example, during March and April 2014, the price of a white loaf of bread from Pick n Pay was R 5.99 compared to R 10 from spaza shops; a price difference of R 4.01. The researcher came across numerous businesses, particularly those located within a 600 m radius from Pick n Pay unable to survive in this highly competitive market. Customers are likely to buy more than just the cheaper products that are on sale. As pointed out earlier, this explains why some spaza shops experienced difficulties in competing with Pick n Pay and lost sales in bread. The fact that spaza shops had reduced linkages with their dominant suppliers, forced them to adapt quickly.

However, during phase two of the research, a loaf of bread (white), for instance, had increased to R 10.40 from Pick n Pay compared to R 11 from spaza shops. In the preceding period (during March and April 2014) the price of a loaf of bread fell from more than R 4 difference to under R 1 in July 2014, and has ranged between R 10 and R 11 in both sectors since then. It appears that the differences in the price of bread have narrowed considerably over the past several months.

5.4 Conclusion

The purpose of this chapter was to present the results of the research conducted in KwaMashu on the relations of the spaza shop sector and Pick n Pay, using a quantitative and qualitative research. The chapter provided a profile and the nature of spaza shop industry in the study site. The radius was set to identify patterns of specific businesses that could be affected by large retail development and to predict where those impacts are likely to occur in the future. The findings were reflected in terms of business located within and outside the 600 m radius from Pick n Pay. In section 5.3.1, the impacts of Pick n Pay on business performance of spaza shops were presented. The findings have shown that shops in close proximity to Pick n Pay are more prone to negative impacts – specifically on consumer volume, stock size, and profits – compared to those in outlying areas. In addition, the results have revealed information based on shops that have shut down. It was found that most of these shops exited the sector before the opening of Pick n Pay mainly as a result of lack of business planning.

Section 5.3.2 presented the impacts of Pick n Pay on the current location of spaza shops. The results obtained revealed that pedestrian volume increased and had no influence on crime as safety and security remained the same in the area of these businesses.

Section 5.3.3 explored the reactions of spaza shops to the entry of Pick n Pay into their markets. It was found that very few shops have adopted any form of strategy to fight competition. Among those that have adopted a business strategy, some have become niche marketers. Others have extended their businesses and included new products which are not often offered by their larger competitor, whilst others operate in longer-trading hours and allow goods purchased on credit.

Section 5.3.4 presented the information on price comparison between the spaza shop sector and Pick n Pay. This was designed to explore pricing behaviour. The evidence confirms that there exist a competitive product market between spaza shops and Pick n Pay. Most products sold at Pick n Pay are cheaper than those found in spaza shops. Of particular interest is the finding of major differential price to some products. However, this occurred in a short period since it opened to increase sales' volumes and profits, which had made spaza shops less competitive and threatened their survival.

CHAPTER SIX: DISCUSSION AND CONCLUSION

The link between formal and informal sectors of the South African economy has attracted growing interest from researchers over the past decade. Researchers who draw inspiration from the structuralism perspective have sought to understand the formal and informal sector linkages in the retail industry. Prior research has argued that the two sectors are not to be examined and analysed as separate entities; rather informal sector activities are often in one way or another linked to formal sector ones (Skinner 2005; Chen 2007; Valodia and Devey 2012).

The current literature does not only further our understanding about the potential role of the informal sector in addressing unemployment in the country, but also about the increasing movement of national formal retailers into previously non-industrial areas in townships. There is however a limited amount of research on the impacts of large retailers on local labour markets. To date there has also been little agreement on whether their development promotes or retards growth in the small retail sector (Valodia et al. 2007; Ligthelm 2008). Past research has examined the effects of large retailers on various types of small retailers yet very little or no research has attempted to explore the finer details such as the reactions of small retailers to the entry of large retailers into their markets, whether small retailers have been negatively affected or benefited from the market changes, the retail price differences between large and small retailers, and the insights of small retailers who have exited the sector. The study presented in this thesis sought to address these deficits through focusing intensively on a particular sector of small retailers in a particular locality.

As an exploratory study, this research aimed to detect the effects of Pick n Pay on the spaza shop sector in KwaMashu. Given the limited prior research in this township, the study does not intend to present a definitive position. The findings should therefore be considered as merely indicative. The study required an understanding of the current state of the spaza shop business performance since the opening of the large retailer and the research questions were answered by using a variety of techniques. A longitudinal study over several months investigated the spatial relationship and trade market of the shops since the entry of the large retailer. This enabled the researcher to understand the dynamics in the market. Other techniques were used during the fieldwork to document the experiences of 29 current and former spaza shop entrepreneurs; a sampling which allowed for a selection of businesses in concentric circles around the large retailer. A mixed-methods approach was used; the main

research technique being quantitative research, specifically aimed at individuals currently in the spaza shop sector. A qualitative research comprised in-depth interviews with individuals who have exited the sector. The empirical evidence presented in Chapter five helped to answer the following key research questions:

1. Are there any links between the spaza shops and Pick n Pay? If so, how are these two sectors linked? Though the findings confirm that there are minimal linkages between the spaza shops and Pick n Pay, there is ample evidence that there is predominance of indirect backward linkages between these sectors. To some extent, Pick n Pay has become a product distributor to some of the spaza shops. In other words, the output of Pick n Pay can be an input for a spaza shop. As a result, these shops have become re-sellers of Pick n Pay's products to the end-user which suggests a complementary market. Small consumable goods such as loaves of bread are typically sold through this model. However, little is known about whether or not Pick n Pay has developed indirect channels to expand its market coverage and formed any mutual relationship with the spaza shops. One can therefore not conclusively state that Pick n Pay intentionally sells goods to consumers through spaza shops.

2. Does Pick n Pay stimulate or displace spaza retailing? There is insufficient evidence that suggests the spaza shops have exited the sector as the result of the opening of Pick n Pay. In other words, there is little evidence that Pick n Pay's development has negative effects on spaza retail employment. However, this does not necessary imply that the shops are not at risk from exiting the sector. The results show that there is indeed a difference between *growth* and *development* – which has been clarified in this research. There is strong evidence that the development of Pick n Pay retards the *growth* of spaza shops, particularly those very close to the centre. These businesses clearly showed a decline in their market shares compared to businesses on the outskirts. This was discovered from significant differences of impact on profitability, consumer volume, and stock size; the critical factors which determine the growth of a business. Of course one can also not be too definitive about this. The evidence shows establishment of new spaza shops after the opening of Pick n Pay, which suggests *development* of this sector in size. One could also argue that it may have been a coincidence that new spaza shops started at the same time as Pick n Pay. The core appears to attract new businesses into the market which implies that there is potential to be more productive in larger markets. However, it is not yet known whether or not a deeper integration may lead to a reversal of this tendency over the long term, considering that some spaza shops experience adverse effects and changing markets resulting from the opening of Pick n Pay. This makes it

difficult to draw firm conclusions regarding the impact of Pick n Pay's development on spaza shops.

3. Have spaza shops lost markets for goods as a result of the entry of Pick n Pay? And what are the dominant reasons for these changes? The results show that spaza shops in and outside the core have lost markets for some products. The findings confirmed that the most vulnerable consumable item is a loaf of bread. The dominant reasons for market losses are duplication of products, price differences, increased levels of competition, and decreased consumer volume.

4. How do spaza shop owners respond to the entry of Pick n Pay? Since spaza shops have experienced changes in their market, some have adopted competitive strategies to stay in the sector and continue as convenience shops for their immediate and regular customers. Some of these shops have resorted to product mix or assortment, whilst others have become niche marketers. Others list the following principal factors to ensure customer support: long trading hours and allow customers to buy on credit. There is also evidence from the former shop owners that to improve the sector the following elements are necessary: improved managerial skills, government support, and business planning, to enhance the economic viability and self-sustained growth.

5. Are there any other short- or long-term impacts? In addition to deepening our understanding of the relationship between large retailers and spaza shops, this research provides new insights into the trade sector. Typically, a chain store will enter a new market offering discounts on various products to attract customers. This is evident in the case of Pick n Pay, where it sells at deep discounts. A price of a loaf of bread for instance sold for 40% less than in a spaza shop. Once it had shifted consumer purchasing patterns, prices of course increased. Even so, Pick n Pay charges lower prices. It is clear that the spaza shops cannot compete with discount stores and are vulnerable on price. It is more likely that these changes in retailing have increased the options available to consumers at the expense of spaza shops. Thus, these shops may never return to the days before Pick n Pay established. It can be concluded that the entry of large retailers with superior managerial and financial resources is bound to affect the future of local small retailers as well as the retail landscape.

6.1 Debates and concluding responses

This section discusses the main elements in key debates raised by scholars who place the findings in a broader academic discourse and contributes towards the existing literature in the

field of large and small retailers in South Africa. The key debates are categorised in the following way: 1) changes in the spaza shop sector, and 2) space-time environment relations. This is followed by a brief conclusion how the thesis findings relate to structuralist theory.

Debate 1 – Changes in the spaza shop sector

This thesis confirms the argument made by Ligthelm (2008) about the adverse effects of large retailers on the local labour markets of small retailers in the Pretoria area. He argues that small retailers surrounding large retailers suffer a larger loss in market share compared to those further away. In contrast, this thesis confirms the argument made by Valodia et al. (2007), who assess the importance of the geographic concentration of industries as a source of agglomeration economies, to which Marshall (1898) devoted particular attention. Studying the effects of large retail development in the Durban area, they predict positive impacts of large retailers on retail employment and the number of small retailers. Investigating the results of these studies is useful for assessing and understanding the results of the current thesis.

Response to debate 1

Business change – One of the major findings of this research aligns itself with the decline in small retailers' market shares raised by Ligthelm (2008). The research conducted between March and April 2014 documented the existence of 24 spaza shops in KwaMashu of which 10 were in close proximity to Pick n Pay while the remaining 14 were further away. It was documented that Pick n Pay's impact differs significantly between businesses in shorter and greater distance from the shopping centre. That is, spaza shops in larger markets within a 600 m radius are initially more exposed to competition and feel more threatened than those beyond a 600 m radius. The threat of the large retailer competition coupled with changing demographics and shifting consumer purchasing patterns, forcing spaza shops to re-evaluate and alter their business strategies. The developments of large businesses simply shift economic activity from one part of town to another. It is very likely that the end result is not economic development, but rather economic displacement. The actions of policy-makers are therefore critical to reviving local economies and ensuring that local businesses continue to be a vital part of communities.

Spatial concentration – Another major finding of the research aligns itself with the benefits of agglomeration raised by Valodia et al. (2007). The research conducted during the second phase of the fieldwork observed new entrants in the spaza shop sector.

During the first phase of the fieldwork, as pointed out earlier, the research documented the existence of 24 spaza shops in the case study area of which 17 (71%) belonged to males and seven (29%) to females. At nationality-level, 22 (92%) belonged to South Africans while the remaining two (8%) belonged to foreigners. Two months later, the researcher observed an increase in the number of spaza shops in the same area from 24 to 27. The three new spaza shops, two of which belonged to male foreigners and one to a female South African – are all in relatively close proximity to the large retailer. This finding implies a 12.5% increase in retail employment attributable to the opening of Pick n Pay. Legalists would refer to this employment growth as illegal or *extralegal* since it is not formalised. Nevertheless, the concentration of these new businesses is evidence for the existence of agglomeration economies. One could argue that the core experiences a process of nodal integration. Simultaneously, the core might start losing businesses, thus becoming less-agglomerated. Although it is hard to predict, there is likely a possibility that new spaza shops might follow the same patterns, as pointed out earlier, being harmed over the long-term if lack business strategies. However, this anecdotal evidence requires better understanding and is something that will have to be addressed in future studies.

Debate 2 – Space-time environment relations

Following agglomeration economies, Valodia et al. (2007) came up with the time-geographic framework to illustrate how small retailers tend to navigate their way through the spatial-temporal environment. They identified being in close proximity to larger markets is a spatial-temporal advantage in terms of easy access to market and reduced transport costs.

Response to debate 2

Time-geography – The space-time model by Valodia et al.'s (2007) continues to provide new ways of understanding labour markets in space. The research has confirmed that the arrival of Pick n Pay impacted on spatial and temporal scale in the labour market – involving interactions of businesses in a decreased spatial-temporal scale. As Pick n Pay located closer to local businesses, some were able to overcome the barrier of the time and space separation, which formerly separated and isolated individual businesses. There was a growing preference for goods sourced closer from Pick n Pay over far away from wholesalers, which has reduced dependence on long supply chains and cost of moving goods. As noted earlier, indirect channel distribution appears to be a cheaper model to some spaza shops. It could also be argued that the presence of the large retailer has significant impacts on time savings. As far as

some spaza shops concerned, products procured far away are less valuable than comparable products sourced close to home at the same price. Distance, therefore, plays a critical role in determining the distribution of ideas and interaction. As distance decreases, interactions between large and small businesses are increased.

Conclusion

The structuralist perspective, which formed about four decades ago, was applicable to this research, which seems to be talking about today's case of the relationship between supermarket chains and small retailers as spaza shops. This thesis has provided some evidence to support two important predictions of this perspective. The first is that there are linkages between these sectors in the labour market. As detailed above, although there may be minimal linkages, Pick n Pay provides support and opportunities for the development of spaza shops. This is in terms of easy access to market, product distribution, and retail employment. The development of this sector can be seen as providing solutions to South Africa's employment problem. The second contribution is that small retailers may be exploited by the capitalist structure of large retailers as direct competitors in a competitive environment. As is evident in the research, Pick n Pay and spaza shops compete within the same product market. Spaza shops, in particular, struggle to compete on price with larger chains and as a result, may have negative effects on consumer volumes and forced to adjust their marketing strategies.

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Appendices

Appendix 1: Current shop owner

A. Demographic questions: Business owner information *Note: PnP = Pick n Pay*

1. Age:	<input type="checkbox"/> <18	<input type="checkbox"/> 18-25	<input type="checkbox"/> 26-30	<input type="checkbox"/> 31-35	<input type="checkbox"/> 36-40	<input type="checkbox"/> 41-45	<input type="checkbox"/> 46-50	<input type="checkbox"/> 51-55	<input type="checkbox"/> 56-60	<input type="checkbox"/> 61-65	<input type="checkbox"/> >65	
2. Gender:										<input type="checkbox"/> Male	<input type="checkbox"/> Female	
3. Nationality:							<input type="checkbox"/> South African	<input type="checkbox"/> Non-South African (specify):				

B. Market questions

1. Ownership of the business premises:	<input type="checkbox"/> Own		<input type="checkbox"/> Rent		<input type="checkbox"/> Use without rent						
2. Reasons for your current location:	<input type="checkbox"/> Lower levels of competition		<input type="checkbox"/> Safe and secure		<input type="checkbox"/> More visible		<input type="checkbox"/> Low rentals		<input type="checkbox"/> High volume of customers		<input type="checkbox"/> Other: specify
3. Time in business:	<input type="checkbox"/> Less than a year		<input type="checkbox"/> 1-5 years		<input type="checkbox"/> 6-10 years			<input type="checkbox"/> >10 years			
4. Do you allow customers to buy on credit:										<input type="checkbox"/> Yes	<input type="checkbox"/> No
5. I always sell to the same/regular customers:										<input type="checkbox"/> Yes	<input type="checkbox"/> No
6. I charge my customers the same price:										<input type="checkbox"/> Yes	<input type="checkbox"/> No
7. Distance from PnP (minutes walking):	<input type="checkbox"/> 0-10		<input type="checkbox"/> Between 11-20		<input type="checkbox"/> Between 21-30			<input type="checkbox"/> >30			
8.	Impact of the PnP development on your spaza business performance:										
	a) Stock size	<input type="checkbox"/> Increased in large amount		<input type="checkbox"/> Increased in small amount		<input type="checkbox"/> The same		<input type="checkbox"/> Decreased in small amount		<input type="checkbox"/> Decreased in large amount	
	b) Profit	<input type="checkbox"/> Increased in large amount		<input type="checkbox"/> Increased in small amount		<input type="checkbox"/> The same		<input type="checkbox"/> Decreased in small amount		<input type="checkbox"/> Decreased in large amount	
	c) Customers	<input type="checkbox"/> Increased in large amount		<input type="checkbox"/> Increased in small amount		<input type="checkbox"/> The same		<input type="checkbox"/> Decreased in small amount		<input type="checkbox"/> Decreased in large amount	
9.	How has the development of PnP impacted on your current location:										
	a) Pedestrian volume	<input type="checkbox"/> Remained the same			<input type="checkbox"/> Declined			<input type="checkbox"/> Increased			
	b) Safety and security	<input type="checkbox"/> Remained the same			<input type="checkbox"/> Declined			<input type="checkbox"/> Increased			
	c) Visibility	<input type="checkbox"/> Remained the same			<input type="checkbox"/> Declined			<input type="checkbox"/> Increased			
	d) Levels of competition	<input type="checkbox"/> Remained the same			<input type="checkbox"/> Declined			<input type="checkbox"/> Increased			

10. Performance of your spaza business after the development of PnP:					Very poor	Poor	Average	Good	Very good						
11. The good time to get more customers:							Day	Night	Both						
12. I know the prices at PnP and I charge below their price:							Yes	No							
13. Signage (billboard) outside							Yes (active)	No (passive)							
14. When PnP begins to sell the goods that I sell at lower price, I have to decrease my selling price to keep my customers:							Yes	No							
15.	i)	Nature of the main products change of the business:			Yes		No								
		With the development of PnP, have you included new products/services to your spaza shop:													
		or			Yes		No								
		With the development of PnP, have you lost market sale of products:													
	ii)	If Yes, dominant reasons for these changes:	Duplication of the products in the area	Increased levels of competition	Increased consumer volumes	A loss of customers	General development and improvement trends								
16. Competition from other spaza shops is much higher than from PnP:							Yes	No							
17. Other factors affecting your business performance:	Crime and stock theft	high levels of competition from other spaza shops	Inability to gain profit	Expensiveness of stock	Lack of proper business planning	None									
18. What have you perceived with regard to local spaza shops in the area with the development of PnP:				Increased in large amount	Increased in small amount	The same	Decreased in small amount	Decreased in large amount							
19. Dominant suppliers:			Wholesalers in the region	PnP (Nyala Centre)	Shops in the Bridge City Mall										
20. In general would you say that the development of PnP had benefited your business:				No benefit	Slight benefit		Major benefit								
21. From a business point of view where do you want to be located, location:	Anywhere	Safe and secured areas	Away from any other businesses	Close to smaller businesses	Close to larger businesses	Close to public facilities/public transport route	Nowhere, happy with current location								
22. Price data of a spaza shop															
Product	Rice (<i>Aunt Caroline</i>)		Maize meal (<i>Ace</i>)		Fresh milk (<i>Clover</i>)		6-eggs (half-dozen)	White bread loaf (<i>BB Bakeries</i>)		Brown bread Loaf (<i>BB Bakeries</i>)		White sugar (<i>Hulett's</i>)		Soft-drinks (<i>coke</i>)	
Unit	500g	1kg	1kg	5kg	500ml	1L	-	Half	700g	Half	700g	250g	500g	330ml	2L
Rand															

Appendix 2: Former shop owner

Name:

Age:

Gender:

1. When exactly did your business close down?
2. What were reasons for your business to close down?
3. What did you like or dislike about your business?
4. What economic activity (ies) are you currently doing?
5. Given an opportunity, what would you like the government to do to improve the small retail sector?

Appendix 3: Geographic co-ordinate of the shop – March to April 2014 (phase one)

Spaza shop (active) #	Latitude degrees	Latitude minutes	Latitude seconds	Longitude degrees	Longitude minutes	Longitude seconds	Latitude decimal degrees	Longitude decimal degrees
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
Spaza shop (shut down) #								
1								
2								
3								
4								
5								
Pick n Pay								

