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**INYUVESI  
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**UNIVERSITY OF KWAZULU-NATAL**

**DEVELOPING A BUSINESS INTERVENTION MODEL FOR  
SOUTH AFRICAN SMALL BUSINESS RETAILERS IN CAPE  
TOWN'S TOWNSHIP RETAILING ENVIRONMENTS**

**By**

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**Faculty of Management Studies**

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## DECLARATION

I, Maphelo Malgas declare that

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## ABSTRACT

South African townships have a vibrant small business retailing sector which at some point was dominated by South African local traders. However, in recent times, the country has attracted foreign nationals who now trade in the South African townships. Some foreign nationals have done well in the small business retailing market to the detriment of the South African local traders. The focus of this research is to identify what is causing foreign traders to outperform local traders. This study identified the challenges facing local small business retailers in the township retailing environments.

Primary research was conducted in two of Cape Town's (South Africa) townships, Delft and Eindhoven. The population of the study comprised two groups, namely, South African and foreign national small business retailers operating grocery retailer stores. The first group consisted of 55 South African small business retailers while the second group consisted of 75 migrant small business retailers. A random sample was targeted from each group and the mixed research methodology was used in this study using a structured questionnaire with close-ended questions and focus group interviews as the research instruments. The results showed growth of foreign national retailers and decline in the number of the local retailers in the two townships. The study showed that migrant retailers have a competitive edge over local retailers. The study also revealed that most local traders have a lower level of education compared to their migrant trader counterparts. Furthermore, the study revealed that the problem facing local traders is their lack of understanding the impact of financial decisions on their businesses. It is recommended that the South African government, through its wholesale and retail training sector agency establish a targeted retail finance training and development programme to train local retailers on various aspects of small business retailing. There is also a need for a targeted funding model for potential and current local small business retailers which must be developed by the small business finance agencies in South Africa. The study proposes a three-stage business intervention model to assist South African small business retailers to become more competitive in township retailing environments.

**Keywords:** small business retailers; township retailing; migrant small business; migrant entrepreneurship; South African townships, small business challenges, small business entrepreneurs, South African national traders

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### **LIST OF ACRONYMS**

DTI	-	Department of Trade and Industry
GEM	-	Global Entrepreneurship Monitor
SEDA	-	Small Enterprise Development Agency
SEFA	-	Small Enterprise Finance Agency
SME	-	Small and Medium Enterprise
SMME	-	Small, Medium and Micro Enterprises
WEF	-	World Economic Forum
W&R SETA	-	Wholesale and Retail Sector Training Authority

# **CHAPTER 1**

## **INTRODUCTION TO AND BACKGROUND OF THE STUDY**

### **1.1 INTRODUCTION**

This chapter furnishes background to the study and articulates its problem statement, objectives and research questions. The chapter indicates the significance of the study, describes its location, the methodology employed, and the research instruments used to collect the data. The chapter concludes by suggesting the limitations of the study and providing a general outline of it.

### **1.2 THE BACKGROUND OF THE STUDY**

Since the dawn of democracy in 1994, South Africa has attracted foreign nationals from various countries in Africa as well as other parts of the globe. Some foreign nationals have found residence in the South African township environment. The dawn of democracy also meant that people from the rural provinces of South Africa migrated to the big cities such as Johannesburg, Pretoria, Durban and Cape Town. This resulted in the development of informal settlements and informal stores (here in South Africa known as “spaza shops”) for trading.

Informal settlements consist mainly of shacks (built of corrugated iron), and spaza shops are typically also shack-like structures. Spaza shops have sprung up in formal townships as well, as “convenience stores” saving people the long walk to general dealer stores in the town or city. Currently in South African townships, there is a perceived decline in the number of South African owners of spaza shops and a growing predominance of foreign national traders.

According to Liedeman (2013), since 2005 there has been a major competition between the local spaza shop owners and the foreign national spaza shops owners operating in South Africa. Foreign national small business retailers use their social systems and have access to cheap labour of a contractual nature through their social connections, with their leaders administering their strategic investments and business deals in different locations to establish a competitive edge over local small business retailers (Liedeman, 2013). The author further observed that foreign national small business retailers purchase as a collective in order to secure discounts, and use economies of scale to assist each other micro-finance by organising investments and business connections. Liedeman’s (2013) observations and arguments will be investigated in this study.

Charman, Peterson, and Piper (2012:66) noted that “in financial terms, the majority of spazas owned by foreign nationals equate to small size enterprises rather than micro-enterprises, as the scale of their operation and turnover is significantly greater than that of the average South African spaza”. These authors argue that local small business retailers can be classified as survivalist entrepreneurs as they run

their small businesses in their individual capacity without collaborating with each other. The Global Entrepreneurship Monitor (GEM, 2014) notes that “South Africa’s rate of entrepreneurial activity is very low for a developing nation, a mere quarter of that seen in other sub-Saharan African countries”. This assertion suggests that any business initiative aimed at entrepreneurial activity ought to be appreciated and encouraged, yet in the spaza shop sector this seems not to be the case.

In South Africa the rate of unemployment is reported to be around 40% of the adult population; despite this, the number of people starting businesses due to having no other option for work (necessity entrepreneurship) is low, yet when foreign nationals enter this space South Africans tend to have a problem (GEM, 2014). Over the past few years woman entrepreneurship has been visibly on the rise and government support for this has been evident. Yet despite the success they have had in recent years, woman entrepreneurs still have to contend with the perception that they are unable to start, manage and run a sustainable business (GEM, 2014). South Africa still has a high rate of small business failure compared to those that succeed, and this always results in a loss of jobs. A lack of funding and poor business performance are among the main reasons that small business fail in South Africa (GEM, 2014).

The 2015 Global Entrepreneurship Monitor (GEM) survey conducted in various regions around the world concluded that there are divergent views about entrepreneurship as a career goal. In some regions, such as the Caribbean and Latin America, the survey revealed that only about 17% of young adults view entrepreneurship as career goal, while in regions such as Guatemala, as much as 96% of young adults view entrepreneurship as a career goal (GEM, 2015). In Europe, in some regions such as Finland about 33% of people view entrepreneurship as career goal, rising to 79% in the Netherlands (GEM, 2015). The survey also revealed that 40% of young adults in Asia view entrepreneurship as a career goal, and in some regions of Asia such Malaysia, Republic of Korea and India, people are reported to be very positive about entrepreneurship (GEM, 2014).

This research is largely driven by the identified knowledge gap in the literature review of this study and the outcome of this study proposed a model that seeks to close that gap. The propose model in this study can improve the trading conditions of South African small business retailers in township environments. The study is also motivated by the view that any decline in South African ownership of small businesses in the township environment is a missed opportunity for the South African government to grow its economy and reduce unemployment.

The study gathered data and insights from both South African and foreign national small business retailers and through descriptive statistics a comparison was drawn. Then a follow-up qualitative data collection was done through a focus group. Once the two data sets were analysed, the business intervention model was developed to help South African small business retailers to improve.

### **1.3 THE RESEARCH PROBLEM**

In South African township environments there is a perceived decline in the numbers of South African owners of spaza shops and a rising dominance of foreign national owned small business retailers. In sum, South African small business retailers have found themselves losing competitive advantage to foreign national small business retailers in the township retailing sector. Some South Africans have found it better to rent out their stores to foreign national traders than to operate the stores. This is a challenge for South African government as this increases unemployment and loss of tax revenue as foreign national traders are likely to export their profits to their countries of origin. Local South African traders are facing various challenges in the small business retailing sector. It is important to identify these challenges and the foreign national trader's core competitive factors. In that way the core competitive factors that differentiate foreign national small business retailers from South African small business retailers and the way they run their small retailing businesses can be used to assist local South African traders to formulate their own competitive strategy. Furthermore, there is sense that foreign national small business retailers operating in South Africa do not comply with the minimum legislation for operating a business as a foreigner in South Africa. Therefore the study recommends a business intervention model in order to improve the competitiveness of South African traders in the townships.

### **1.4 AIM OF THE STUDY**

The aim of this study is to identify the challenges facing South African small business retailers in township retailing environments, then develop a business intervention model for South African traders to improve their practice and become more competitive in the township small business retailing sector.

### **1.5 RESEARCH OBJECTIVES**

The objectives of this study are as follows:

- To understand the challenges and constraints faced by South African small business traders in township retailing environments.
- To identify the core competitive factors that differentiate foreign national small business retailers from South African small business retailers in the way they run their small retailing businesses, and use these to fashion some guidelines to assist local retailers.
- To determine whether or not retailers of foreign origin operating in South Africa comply with the minimum legislation for operating a business as a foreigner in South Africa.
- To develop a business intervention model for South African small business retailers in township retailing environments to improve their trading capabilities.
- To create recommendations for South African small business retailers in township retailing environments to overcome their challenges and constraints.

## **1.6 RESEARCH QUESTIONS**

- What are the challenges and constraints faced by South African small business retailers in township small business retailing environments?
- What are the core competitive factors that differentiate foreign national small business retailers from South African small business retailers in the way they run their businesses?
- Do retailers of foreign origin operating in South Africa comply with the minimum legislation for operating a business as a foreigner in South Africa?
- What business intervention model can be used by South African small business retailers in township retailing environments to improve their trading capabilities?
- What recommendations can be made for South African small business retailers in the township retailing environment to help them overcome their challenges and constraints?

## **1.7 SIGNIFICANCE OF THE STUDY**

While research has been conducted to establish the success factors of foreign national traders in South African township environments, there is no significant study on how South African small business retailers can become more competitive in the small business retail sector.

First, if the small business retail sector is to be beneficial for South African economy, it has to be sustained by South African owners who will surely spend their profits within the South African economy and hopefully employ other South Africans to reduce unemployment in South Africa.

Secondly, if South Africa is to deal with the issue of xenophobia, a competitive business model for South African small business retail traders is required to regain competitiveness in township retailing. Among other things, trading capabilities that need to be addressed are South African traders' basic business skills, basic retail financial literacy, lack of collaboration with each other, and lack of funding from South African development finance agencies (Iwu, Gwija & Tengeh, 2016)

Thirdly, the business intervention model envisaged as the outcome of this study will make a modest contribution to knowledge in the South African context, helping (it is hoped) to change the face of small business retailing for a South African small business retailer in the township environment. The small business retailing sector contributes billions of rands to the GDP of the South African economy which means a competitive local South African trader will contribute positively to the economy.

Finally, the study's contribution to society will inhere in part in inhibiting the xenophobic attacks on foreign national traders in townships. Currently the prevalent view is that xenophobia in South African townships is fuelled by the dominance of foreign national traders in the township small business retailing sector.

## **1.8 LOCATION OF THE STUDY**

The study was conducted South Africa, in two townships (Delft and Eindhoven) that fall under the Cape Town municipality and have both South African and foreign national traders.

## **1.9. RESEARCH METHODOLOGY**

The methodology employed in this study was a mixed approach and is discussed in detail in Chapter 3. The study made use of an interview schedule and a questionnaire as research instruments. The questionnaire was piloted using 5 participants and the interview schedule was piloted using 3 participants. The population of the study comprised two groups, namely, South African and foreign national small business retailers operating grocery retailer stores. The first group consisted of 55 South African small business retailers while the second group consisted of 75 migrant small business retailers. A random sample was targeted from each group and the mixed research methodology was used in this study using a structured questionnaire with close-ended questions and focus groups interviews as a research instruments.

## **1.10. LIMITATIONS OF THE STUDY**

In this study the researcher had limited access to the areas where the traders are located. Crime is a problem in the area, as is the density of habitation, and these factors at times limited the free movement of the researcher. The other limitation for the researcher was the language barrier, as some traders struggle with the English language. In order to mitigate these limitations, research assistants who are familiar with the area and the language were recruited through the Cape Peninsula University of Technology.

## **1.11 CHAPTER OUTLINE**

**Chapter One** outlines the background and context of the study, stating its aim and objectives. It also formulates the research problem and questions, and describes the likely impact of the study.

**Chapter Two** offers a review of literature covering different small business models and entrepreneurial culture. The chapter also looks at business models in relation to small business development and promotion.

**Chapter Three** describes the research design and methodology of the study.

**Chapter Four** presents and analyses the research findings.

**Chapter Five** provides a discussion of the research findings.

**Chapter Six** provides answers to the research questions and recommendations, and furnishes a conclusion to the thesis as a whole.

## **1.12 CONCLUSION**

The increasing competition among local South African and foreign national small business retailers requires the further exploration and detailed analysis in order to develop a business intervention model for local small retailers so that they improve their competitiveness.

Chapter 2 consolidates the insights gained from the literature on small business retailing landscape in the townships, global perspective on small business retailing, entrepreneurial culture of small business retailers and business models for small businesses. Chapter 3 provides a conceptual approach to the research strategy and methodology, proposing the research design models used in this study. The detailed quantitative and qualitative data presentation follows in Chapter 4. Chapter 5 sets out the findings arrived at from the research that was conducted. Conclusions and recommendations supported by the research findings are then presented as research outcomes in Chapter 6.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

The objective of this literature review is to identify gaps in our current knowledge of small business trading in the township environment. The chapter discusses the role of theories in small business research, global retailing environments, the South African retailing environment, entrepreneurial culture, business intervention models and the conceptual framework of the study. Also canvassed are business theories of competition, competitiveness, small business success factors, woman entrepreneurship and retailing in the South African context.

According to Gastrow and Amit (2013), economic analysis of the small retailing business sector in South Africa, including trading by foreign nationals, reveals that a number of stakeholders benefit from the sector:

- The wholesale sector, which gets its business from the small business retailers through the promotion of bulk sales.
- The suppliers such as Coca-Cola that usually deliver to small business retailers in the township areas.
- The South African locals who collect rental from the foreign national traders for the premises provided for business purposes.
- The staff members employed by local and foreign national traders in the small business retail stores.
- The consumers benefit from the convenience of the shopping experience they get from small business retailers in township environments. These consumers are able to access the stores concerned before they go to work and also late into the night.
- The South African economy, as the small business retailing sector contributes to the gross domestic product of South through the tax collection system.

#### **2.2 SMALL BUSINESS CHALLENGES**

Small businesses face various challenges in the retail sector, both global and specifically in South Africa, including marketing and distribution-related challenges. Such challenges lead to various growth constraints for small businesses, and in this section these challenges are discussed.

##### **2.2.1 Global challenges of small business retailing**

According to Erskine and Yong (2020), 80% of small businesses established between 2005 and 2017 in the United States survived past their first anniversary and only about half of these businesses will see



their fifth anniversary while one in three small businesses typically get to the 10-year mark. The authors further noted that SMEs represent over 90% of the business population, 60-70% of the employment base, and 55% of Gross Domestic Product (GDP) in developed economies. Additionally, the authors stated that SME's can contribute as much as 45% of total employment and 33% of GDP in emerging economies.

Karadag (2015) noted that in Turkey, the significance of SMEs is relatively higher, and this is caused by their resilience to the shocks in turbulent Turkish macro economy. Furthermore, the authors noted that Turkish SMEs, which were faced with serious challenges during and after the severe economic crises that hit the Turkish economy within the last three decades, increased their share in the economy significantly, while Turkish government took radical steps towards attaining a more stable macro economy and sustainable growth. The authors also stated that during that restructuring period, SMEs became one of the key elements of the macroeconomic improvements in Turkey, due to their significant role in the growth of overall GDP, new job creation and exports. Aurick, Munalula, Mundia, Mwale and Vincent (2017) also stated that although SMEs are key to the livelihood of people in the urban areas of Zambia. However, the authors further stated that SME owners in Zambia are faced with various challenges that constrain them to grow their businesses, to contribute towards the reduction of poverty as well as overall economic development. Malgas, Khatle and Mason (2018) also observed that economic growth is key to increasing the possibilities of employment for the youth in any country. The authors further stated that students at universities are hopeful that on completion they will be absorbed into the economy through job opportunities and that way they will be able to contribute meaningfully to the economy. Malgas et al. (2018) also noted that in order to grow the economy there is a need for skilled labour, and many unemployed South Africans lack the skills that are required by the economy.

Adisa, Abdulraheem and Mordi (2014) said that small businesses are critical to the development of any countries economy as they are an excellent source of employment generation, help in development of local technology, and develop indigenous entrepreneurs. Small businesses provide necessary jobs for developing and developed nations and fuel economic growth in a major way (Abor and Quartey, 2010). Van Scheers (2016: 352) further stated that "economic growth, development, managerial skills and SME success are complementary and related processes". Furthermore, Donga, Ngirande and Shumba (2016) also suggested that the small business sector plays an important role in the economy and, therefore, needs to be supported in order to increase the chances of success. The authors further stated that SMMEs have a vital role of creating an economic private sector and significantly contribute to employment creation, innovation, in addition to the development of the economy in general. Countries have different models of promoting small businesses within their borders (Abor and Quartey, 2010). Abor and Quartey (2010) further claimed that SME are a counterbalancing force against the economic power of larger enterprise.

In developing countries the lack of institutional capital is a major challenge for small businesses and most such enterprises are started with personal funds (Adisa et al., 2014). The authors also noted that institutional finance requires collateral security, which small business owners do not have in developing countries. The authors further noted that in developing countries institutional finance is available for small business development, provided such countries have a mature small business funding sector. Erskine and Yong (2020) suggested that while there are a variety of reasons why SMEs ultimately fail, financial management skills and performance are two of the most often-cited explanations. Small- and medium-sized practices (SMPs) can play a critical role in helping these SMEs to navigate an increasingly volatile operating environment (Erskine and Yong, 2020). In addition, the authors also noted some of the factors affecting small enterprise businesses such as:

- Factors driving SMEs' demand for business advice from SMPs, among others, include company-related factors (i.e., size, debt, age, growth, and available resources) and environment-related factors (i.e., economic conditions, including regulations, and competition).
- Market segmentation (e.g. start-ups, growth ambitions etc.) will impact the demand and type of advice provided.
- SMEs seeking business advice tend to be larger and younger and carry higher levels of debt or have greater aspirations to obtain new funding.

Abor and Quartey (2010) stated that small businesses tend to lack management talent that is competent to develop and grow the business. The authors also stated that small businesses also find it difficult to afford training costs or advisory services while some of them do not see the need to upgrade their skills due to complacency. Harilal and Nyikana (2019: 7) also stated that “the major concern with black owned small businesses is the personal capacity, the knowledge and business acumen of small black enterprise owner”. However, Bowen, Morara and Mureithi (2009) argued that SME's require distinctive combination of critical success factors, but some are important for all businesses. Furthermore, the authors emphasised that small businesses should have a ‘global outlook’. The authors further stated that businesses of all sizes across the globe can interact and share information, technology and products. Bowen *et al* (2009) also stated that small businesses should consider what global trends are affecting availability of resources, increasing or decreasing demand for products or service and where there is an unfilled need one might be able to meet. Qamruzzaman and Jianguo (2019) stated that in Bangladesh the government should play a bigger by creating conducive conditions for financing innovation for SME's in the financial system with integration of both formal and informal financial institutions. Moving a further step ahead, Nandonde and Kuada (2016) argued that the internationalisation process of firms is usually driven by both internal and external motives. The authors further argued that factors such as regulatory constraints, stiff competition, and saturation in domestic markets that result in declining sales, shrinking market shares, and limited growth opportunities, tend to push international retailers to seek market opportunities in developing countries. Changes within the business environments in developing countries can also facilitate the internationalisation process.

### 2.2.2 Small business retail challenges in South Africa

In South Africa small business retailers fall into the category of small to medium enterprises. Most of the South African literature refers to these businesses as SMEs. In the South African business context all forms of businesses are classified under the act of parliament known as the National Small Business Act, no. 102 of 1996. This act defines various categories of businesses in terms of the number of employees (the most common mode of definition) per enterprise size category combined with the annual turnover categories, the gross assets excluding fixed property. In this study the focus is on micro enterprises with a turnover of less than R150K per annum and which are VAT registration exempted. These are the enterprises known as *spaza* shops in South Africa, mainly operating in townships and rural settlements.

The major challenge facing informal businesses in South Africa is that they are operated by people who lack business management skills, such as expert knowledge in critical areas like human resource and marketing, and poor financial knowledge (Cant and Wiid, 2013). The African Development Bank (ADF) (2016) stated that “informality” is a blanket term that describes the characteristics and/or conditions of enterprises, workers and activities that fall outside the purview of a country’s formal legal and regulatory framework. ADF further stated that business informality is present in every country but is more prevalent in developing countries, where states and statistics tend to be weaker. Aurick, Munalula, Mundia, Mwale and Vincent (2017) also argued that informalisation is influenced by socio-economic factors of a society and the social networks within that society. The authors further stated that informality should be viewed in the context of the existing global reorganisation of productive relations in reaction to recession, increased competition as well as mounting indebtedness. Williams, Shahid and Marti’nez (2016) also stated that in dealing with informality of small business, emphasis must be put on initiatives so far seldom considered, such as: the promotion of women’s entrepreneurship; improving educational attainment; the introduction of schemes to make greater use of older entrepreneurs as local role models for younger entrepreneurs; the encouragement of business start-ups with other partners rather than alone; schemes to facilitate credit to be given by suppliers; and initiatives to provide easier access to bank accounts.

In South Africa there is a Ministry of Small Business Development, part of whose role is to develop policies that are geared towards the development of small business entrepreneurs in South Africa in order to enhance their risk appetite and encourage them to do more business in the sector and diversify their businesses (Ishengoma, 2018). Furthermore, the author asserted that the South African government needs to develop and implement policies specifically targeted at female small business owners in order to reduce their reproductive responsibilities such as caring for children and the elderly, and other general responsibilities that are peculiar to them as women.

Small businesses in South Africa fail despite some support from South African government agencies such as the Small Enterprise Finance Agency (SEFA) or Small Enterprise Development Agency (SEDA) (Cant and Wiid, 2013). It must be noted though that these development agencies offer support to SMEs as a category, they do not have support specifically targeted for SMEs in the retail sector. There is however a need for this targeted support, because SMEs are not a homogeneous group and do not face the same challenges. It is important for governments to create better trading conditions for small business retailers, and therefore all the small business development agencies and support structures need to address this (Ishengoma, 2018). The author also noted that among other things, these development agencies can begin by levelling the playing field for female entrepreneurs, urging them to formalise their business and take leadership roles in the sector. Furthermore, the author further stated that formalisation of informal businesses by small business retailers should be a priority for the development agencies, so that the businesses can identify the business opportunities that are available.

In many countries around the world there is a movement of people from formal employment to becoming small business owners, often through companies' downsizing and retrenching employees who then become entrepreneurs (Spring, 2009). The author further observed that in African countries the formal and informal sectors have become dual economies, even though they interact with each as small businesses are customers to big businesses, and even sometimes suppliers to the big businesses. However, the author further noted that some national governments only pay attention to big business and ignore the plight of small businesses, although both contribute to the economic growth of any nation. Spring (2009) also observed that for the economy to grow in many nations an industrial programme needs to be implemented (such as the one in South Africa called the Black Industrialist Programme). Such programmes need to integrate the small business sector so that it may also grow, its growth being key for economic development. Spring (2009) further stated that it is through growth that economies are able to create job opportunities, and small business are vital in creating new employment opportunities. The author also argued that gender plays a key role in the economic development of any nation, and that there is a need to promote the representation of women in entrepreneurship. Possibly, that can happen through training and development of small business entrepreneurs. Tasked with the promotion of various sectors of the South African economy, the Department of Trade and Industry has observed that informal retailing sector is of a heterogeneous nature and that the support offered must take note of that fact and target small businesses in the sector appropriately (Department of Trade and Industry [DTI] SME policy review, 2004).

Smith and Barrett (2014) noted that "many small business owners prefer informal learning where the learning process is mutual and ongoing". These authors further noted that in the small business context, for informal learning to be successful, small business owners need to construct knowledge based on their own personal interactions, interpretation and experiences. In a similar vein, Smith and Barrett (2014) also pointed out that small business owners need to knowledge partners in their pursuit for

business knowledge. According to Sharafizad (2018), small business owners rely on informal learning because of resource constraints, time limitations, learning preferences, inconvenience in terms of the location, and the format of formal training programs. The authors further noted that small business owners have within their networks contacts who have the necessary expertise and knowledge to help them with their businesses. Smith and Barrett (2014) further observed that in engaging with business coaches and mentors small business owners can gain valuable knowledge through informal learning. Furthermore, the authors suggested that coaching and mentoring also come with new networks that can help small business owners with exposure and access to new markets. However, Głodek (2018) cautioned that there are complexity factors that need to be examined in the cooperation between the mentors and the small business manager such as trust between the parties. The business relationship between the advisor and the small business owner also needs to accommodate opportunistic factors which are determined by growth factors outside the business, such as access to finance, government regulations for businesses and labour market conditions (Döckel and Ligthelm, 2005).

Entrepreneurial training and development is very important to mitigate the challenges facing entrepreneurs in small business retailing, and South African universities need to consider developing curricula and pedagogical methods that are relevant to small business retailers with little education. Crespo (2018) noted that even though there are universities that have incorporated entrepreneurship into their curriculum, the subject does not address the problems faced by those who are already functioning as small business owners. Those already in the sector need to be trained at their own level and in ways that are accessible as they cannot leave their businesses to acquire university qualifications in entrepreneurship and small business development. Crespo (2018) further argued that universities thus need to develop policies (through their community engagement programmes) that are relevant for training small business traders, who need training in multidisciplinary areas. Such policies need to be very clear on the best approach to training entrepreneurs. However, Rambe and Mosweunyane (2018) stated that the business knowledge gap among entrepreneurs is prevalent in emerging economies, the development of entrepreneurial capabilities, competencies and abilities is fundamental to the successful entrepreneurial development of emerging firms in South Africa. South African society requires universities themselves to think and behave in an entrepreneurial manner in regard to how they process and distribute knowledge in society, as the traditional methods will not work, especially in training small business owners (Crespo, 2018). Furthermore, the author noted that universities need to partner with industry practitioners in order to make sure that what they teach is relevant and useful. The author further noted that universities need to make sure that they embrace e-learning methodologies to benefit those who require training but do not have the time available to attend classes on university campuses.

The DTI's 2004 SME annual review noted that the common thread across all forms of retailing was the absence of formal business training, with less than 10% of the sample of entrepreneurs having secured any formal business training. The review also found that retail start-up businesses showed both

opportunistic and survivalist entrepreneurship. Prior to starting up the retail business, most (about 83%) of the small business retailers were unemployed. Having been unemployed (therefore having no finance reserves or access to funding), they secured start-up capital for business from loans provided by friends or relatives.

One of the toughest challenges facing local small business retailers in South Africa is competition from foreign national traders, for instance, Somalian and Bangladeshi origin (Gastrow and Amit, 2013). These foreign national traders nevertheless make a positive contribution to the different economic clusters in South Africa. However, Spring (2009) also noted that another challenge facing small businesses in South Africa is that they not registered, more especially those in the small business retailing sector, and some small business owners have no desire to be registered. If small businesses want to transform themselves into larger enterprises, the first step is to register the business with the relevant authorities in South Africa.

Schlake (2007) observed another challenge facing small business retailers and that is crime in the localities where they operate. The author further argued that the small business retailers in township retailing environments must have a way of dealing with crime by improving their security measures through employee engagement, community engagement, improving banking methods, and collaboration with other traders in each area. Of course, these protocols will cost businesses time and money to implement. In a 2004 national survey the DTI identified that small business retailers struggled with stock shortages as a result of a lack of capital and the effects of crime. The study found that there was a relatively high number of entrepreneurs that had been victimised by criminal elements in the township retailing environments. These crimes included but were not limited to gunpoint robberies, break-ins and theft. Among other constraints facing a small business retailer was high transportation costs (DTI policy review, 2004).

Another challenge for small business retailers in township environments is xenophobia targeted at foreign national traders, and this phenomenon affects both local and foreign national traders. Foreign national traders suffer the most as they run the risk of losing their property and even their lives when there are xenophobic attacks. South African traders merely lose sales revenue. For foreign national small business retailers in South African townships, every xenophobic attack is a life and death situation as criminal elements attack them and loot their stores (Cant and Wiid, 2013). The authors also noted that in the Western Cape where this study was conducted, South African small business retailers are hostile to the presence of foreign national small business retailers in townships as they see them as the root cause of their business failures as a result of the fierce business competition they represent. Part of the xenophobic sentiment is that foreign-owned spaza shops do not contribute to the South African economy (Gastrow and Amit, 2013). Furthermore, the authors stated that small business retailers in South African townships have always blamed the foreign national retailers for their own lack

competitiveness in the informal retailing market. South African small business retailers often threaten foreign national traders with violence in the areas where they compete in trading (Gastrow and Amit, 2013).

The South African context for small business retailing is very challenging in the sense that the government does not seem to be aware of the correlation between the growth of the small business sector and the creation of employment opportunities (Badenhorst-Weiss, Cilliers and Eicker, 2014). The government is heavily focused on developing the big business sector instead of opening and creating the market conditions for small businesses to thrive. Small business owners face a unique challenge because they constantly and consistently need to explain their importance and existence in order to receive some attention from the authorities (Badenhorst-Weiss et al., 2014). The author also stated that for small businesses to survive, they need to fend for themselves under market conditions that are unfavourable to them as a sector, and within that they also need to compete with each other for business opportunities.

Another challenge faced by small business retailers in South Africa is the location of their convenience stores. Store location plays a huge role in the consumer behaviour of customers due to the extent and nature of available alternatives in the current retail landscape (Cant and Wiid, 2013:713). Hamel (2005) argued that smart competitors' goal is not competitive imitation but competitive innovation, competitiveness being the art of containing competitive risks within manageable proportions. The author further argued that "four approaches to competitive innovation are evident in the global expansion of Japanese companies. These are: building layers of advantage, searching for loose bricks, changing the terms of engagement, and competing through collaboration". Small business competitive advantage is about finding a competitive edge over one's rivals in areas such customer service, product offering and range, pricing strategies, offering convenience to the consumer and location (Badenhorst-Weiss et al., 2014). However, it is hard for small business retailers to be innovative and become competitive in a context in which there is a lack of basic supportive infrastructure. The factors cited above should first be translated into operational models, which when implemented will need to be monitored to make sure that they have the desired impact and outcome.

Small business retailers in township environments also face a challenge of national chain stores in areas where small business retailers have traditionally operated. In the South African townships major retailers with international brand names are operating in the township shopping malls closer to small business retailers. Small business retailers, therefore, can no longer think that their competitor is only another South African small business retailer or a foreign nation small business retailer. Consumers have more options and small business retailers need to rethink their business model and begin to look at new ways of doing business. This view is consistent with the 2004 DTI policy review, which noted

that small business retailers in the informal sectors are competing on national identities rather than business models, and that is a problem facing the sector.

Badenhorst-Weiss et al. (2014) suggested that survival and growth in the small business sector are highly dependent on how each business develops its strategic intent and gains competitive advantage over its competitors over time. When an organisation has identified its competitive advantage, it needs to focus on that advantage as it competes in the market. Furthermore, the author noted that businesses should also note the strategic intent and direction of their competitors in the industry because competitor analysis is very critical in the success of any business. According to Porter (2004) competitor analysis is a critical component of strategy development and that involves understanding each competitor's probable market response to the range of feasible strategic moves other firms could initiate, and each competitor's probable reaction to the array of industry changes and broader environmental shifts that might occur. When an organisation understands its competitors, it can work at differentiating itself from these competitors in the market and position itself "with a unique market offering, based on operational excellence and customer intimacy" (Badenhorst-Weiss et al., 2014).

Small business owners can also differentiate themselves and gain a real competitive advantage by making sure that their closest competitor is unable to replicate their own strategy (Ehlers and Lazenby, 2007). The authors also argued that strategy development is not the process of identifying competitors but also a process characterised by uncertainty and risk and in which costly mistakes can be made. The authors further stated that some of these mistakes include ignoring the threat of potential new entrants or focusing only on large competitors and overlooking the possible threat of small competitors. It is therefore vital to understand the competitor's source of strength because competitors are the organisations that can put you out of business since they are also looking to serve the future market. Hough, Thompson, Strickland, and Gamble (2008:5) understate the point when they comment that "competing in the market place with a competitive advantage tends to be more profitable than competing with no advantage".

Badenhorst-Weiss et al. (2014) noted that pricing strategy and competitive advantage should be considered collectively because pricing decisions always affect profitability. Small businesses with low revenues need to look into their pricing strategies very carefully, as pricing decisions can either make or break a small business in its endeavours to increase its market share. Furthermore, the author stated that small businesses are able to survive increased competition if they have a good strategy coupled with an intentional pricing strategy that benefits their consumers in the markets they serve. Customers are central to any form of strategy, and the consumer needs to be the focal point of any activities that the business engages in in order to move forward and be better than its competitors.



According to Mohan and Chitale (2017), consumers are becoming smarter due to their connectivity with technology, and retail businesses need to use this smart connectivity to their own advantage to make sure that they remain competitive. Furthermore, the authors stated that retailers should embark on strategies to attract new consumers to their businesses while also making sure that they maintain their current customer base. Mohan and Chitale (2017) also argued that the retailer has limited capital and space for the business. The authors also stated that access to loans and their repayment are not easy, while the space available for storage of various kinds of articles and selling activities face poor scalability. Fixed costs in retailing are attributable mainly to rent and salaries, so the retailer should make provision for these expenses at the beginning of the selling period in order to visualise the profit. In case of owned property, the owner can make provision in the form of opportunity cost while utilising the property for retailing (Mohan and Chitale, 2017).

According to George and Jones (2006) the success of an organisation depends on its response to need of the customers and those needs may change from time to time. Ehlers and Lazenby (2004) also concurs by observing that a business should be able to identify the needs of the customers and produce the products and services that customers require. The authors further stated that information about the consumer's needs, their purchasing power and purchasing behaviour, is important for the survival of the business as it relies on its customers.

In order to retain a customer, there must be added value for the money the customer spends to purchase your product. Bradley (2003:11) noted that "providing customer value means delivering on a whole range of promises to the customer". Consumer perceptions are important because in order to influence the decision of the consumer the retailer needs to know that particular consumer's perceptions and provide goods at a price level consistent with those perceptions. According to Daniel and Kalu (2017), today's customers do not even want to physically appear in the shop before their orders are received. Organisations are making use of various technologies such as Twitter, Facebook, email and sms to advertise and communicate with their customers. The authors also stated that today, fast food restaurants employ mobile applications for every food order. All customers need to do is log on to their website and place their order. They receive feedback on every order made as items are delivered to their doorstep (Daniel and Kalu, 2017). Furthermore, the authors noted that internet penetration has increased the satisfaction of customers because it provides them with effective self-help services, transfer of products/services at zero transportation cost, effective payment systems from the comfort of their homes, 24/7 open door services, and other benefits too numerous to mention. The proliferation of social media networks, businesses have found it very easy to create awareness of their products and services. There is no section of the economy isolated from the Internet, because through globalisation customers and organisations meet on a regular basis. Business problems can be solved and customers can express the way they feel about certain products and services directly to the organisation concerned (Daniel and

Kalu, 2017). When businesses are not successful, the cash flow becomes weak and this affects their chances of survival. Small businesses need profit to grow because it is profit alone that justifies the owner's persisting with the business or not. While ICT has played a major role in the success of many businesses in Africa, many small businesses are yet to incorporate the concept of ICT into their overall business function and this has kept them from satisfying their customers and achieving much needed profitability (Daniel and Kalu, 2017).

According to Charman, Petersen, Piper, Liedeman and Legg (2017), small business retailers have a role to play in generating employment and stimulating much-needed economic growth in South Africa. Choto, Tengeh and Iwu (2014) also noted that SMEs are critical to the growth of any economy, and that the challenges faced by small businesses in South Africa are not necessarily unique to South Africa. South African entrepreneurs suffer from poor strategic thinking, partly as a result of the country's basic education system, which is extremely poor compared with other developing economies. South African entrepreneurs also suffer from a lack entrepreneurial drive which is in part attributable to poor levels of entrepreneurial culture in the country. Choto et al. (2014) claimed that entrepreneurial success needs both entrepreneurial drive and strategic thinking, and when entrepreneurs are lacking in both it is hard for them to produce a successful business. Furthermore, the authors noted that while entrepreneurs normally cite finance as the biggest challenge, this is usually the result of poor strategic thinking and implementation. The authors further stated that entrepreneurs who are unable to produce business results also typically blame the banks for not providing adequate support.

Migrant asylum seekers do not qualify for jobs in South Africa, and end up being self-employed and mostly in the retail sector (Gastrow and Amit, 2013). These migrant entrepreneurs are trading not only in the townships but in the cities, and often employ local South Africans, thereby contributing meaningfully to the local economy. Migrant entrepreneurs are involved at different levels of the supply chain in the retailing sector, and many also produce goods (such as bread) for their own stores. Furthermore Gastrow and Amit (2013) noted that the fact that migrant entrepreneurs are competitively ahead of local South African small business retailers in the informal retailing sector has provoked some hostility on the part of South African traders towards foreign national traders.

There are various factors that contribute to the growth of small businesses, such the intention and ability on the part of the owner-manager and the opportunistic factors for growth in that business (Döckel and Ligthelm, 2005). The author also stated that intention is shaped by the personal characteristics of the small business owner while ability is shaped by educational levels, management skills and learning through informal networks. According to Choto et al. (2014), most entrepreneurs who use the growth model form of business strategy require financing because the implementation of any growth model strategy requires a commitment of funds for that strategy to work. The authors further noted that the

growth model business strategy require effective leadership and communication for the business to achieve its strategic goals. In the South African townships migrant small business traders businesses seem to be on the growth trend, hence their inclusion in this study.

According to Fraser, Bhaumik and Wright (2013), migrant entrepreneurs have a different strategic business operational model from local South African traders. This model is presumably replicable as South African traders have tried and still keep trying to replicate it. However, the authors argued that migrant entrepreneurs are highly motivated and driven to succeed in the informal trading sector. Being a migrant in any country comes with the motivation of working hard and therefore doing better in business as you also support those you have left behind in your country of origin (Fraser et al., 2015). The authors further noted that migrant entrepreneurs usually start up their small businesses much faster than local South Africans, as they do not have many options in the job market. Furthermore, the authors also stated that migrant entrepreneurs usually rely on other migrant entrepreneurs for start-up funds, while local South Africans typically rely on family loans or savings. Starting a business with a loan also puts the ownership of the business at risk in the event that you are unable to pay back the loan, perhaps especially a loan from a family member.

According to Głodek (2018) small businesses have a number of specific market, financial, organisational and technological characteristics that make them different from large enterprises. The author also stated that one of the key qualitative characteristics of a small business management structure is its small size, which allows for direct contact between management and employees. Furthermore, the authors argued that due to the nature of small businesses, the entrepreneur's ability to succeed goes far beyond business management aspects, and is connected, among others, with psychological and sociological factors.

Some small business owners experience not only business problems but also social problems where they trade, to the extent that running a business interferes with their social life (Ligthelm and Cant, 2003). Furthermore, the authors observed that this puts severe pressure on small business owner, who have very little time to care for their families. The authors also stated that for South African small business retailers who have no-one to relieve them in the business, this issue is especially problematic, even making it difficult for them to attend funerals over weekends, since they have to close the business for a day to attend a family function. However, on the other hand the foreign national small business retailers do not have as much of a social burden as the majority of their families have remained in their home countries (Ligthelm and Cant, 2003). Also, the authors stated that it must be noted that foreign national business retailers might have the social and emotional problem of not having family support around them all the time since it is located in their countries of origin.

According to Ishengoma (2018), small businesses only grow to become big businesses through the will and character of the entrepreneur driving that particular business. The authors further noted that a drive

to register small businesses without creating real opportunities in the market for those businesses to grow will not transform those businesses into big businesses: small businesses transform when they are presented with real opportunities for growth. Some business even prefer to remain small in order to avoid the responsibilities of being classified as a medium or large business. Among these responsibilities is the issue of tax compliance, vat registration, labour levies for the staff and filing tax returns (Ishengoma, 2018). However, Döckel and Ligthelm (2005:60) noted that profitability plays a big role in business growth as a decrease in profitability reduces business growth. Profitability is key for long term sustainability of any business. Cant and Ligthelm (2003:14) also noted that “surveys on business failure suggest that SME entrepreneurs often have good ideas and are competent people but they do not have a clue of how to run business and have no underlying appreciation of business fundamentals”.

Badenhorst-Weiss and Cilliers (2014) stated that some consumers are attracted by lower prices when making a buying decision while other consumers prefer location convenience, and it is important for the retailer to categorise these consumers and offer services of the kind required. The authors further stated that some consumers of course prefer both convenience in terms of location and lower prices, and retailers need to be mindful that penetrating the market with relatively low prices tends to be more effective in a price-sensitive market. Furthermore, the authors also noted that with price sensitivity and increased pressure from competitors in the small business retailing sector, competitors have a major influence on the success of the pricing strategy.

Finally, even though the South African government’s small business development agencies have an institutional mandate to make sure that small business thrive in the South African economy, the market exerts external forces that the agencies cannot control (Cant and Wiid, 2013). The authors also argued that it is imperative that South African legislation does not hinder the growth of small business but instead creates a congenial environment in which they can thrive. Small business development agencies also have a huge role in the promotion of female entrepreneurs in the different sectors of the South African economy (IFC, 2006). Furthermore, the authors stated that small business entrepreneurs are critical to the success of the global economy, especially when governments open up new markets for small businesses to expand. Entrepreneurs need to make sure that they avoid the debt trap as it hampers their business growth ambitions (IFC, 2006).

### **2.2.3 Challenges and constraints facing small business retailers**

The challenges facing small business retailers in South Africa need to be addressed because it is small businesses that are the centre of job creation in the country. Small businesses are faced not only with challenges that affect their day-to-day running, but also challenges that are long term for the success and survival of the businesses in South Africa. In the short term, a business intervention model is needed

to assist South African small business retailers to increase their business skills, to understand various marketing and branding strategies, to understand consumer behaviour, and cope with competition while being sustainable over time.

Longo (2012) noted that business sustainability requires the business owners to be innovative in order to get their business through difficult market conditions by using smart supply chain systems. The author also noted that the global financial crisis of 2009 was the testing time for businesses and those that were not equipped for sustainability perished during that difficult period. The author further stated that sustainability requires not only smart supply chain measures but also technical skills for the workforce and economic understanding by the business leaders. Industries need to consider the ever-changing business environment and find a way to adapt to any new environment in order to make sure that the businesses in that industry are sustainable over time (Longo, 2012). In sum, sustainability requires a clear understanding of supply chain design, advanced technical skills and the advanced tools necessary to develop a complex supply strategy.

Badenhorst-Weiss and Cilliers (2014) observed that small business retailers face tough competition, more especially when it comes to pricing their products, because competitors can offer a number of substitutes, and this has a huge impact on the selling price of a product. The authors further argued that the proximity of competitors inflates this challenge because it means that the consumer has ease of access to alternatives, and small business owners must therefore strive to offer unique value to the consumer. However, the authors also observed that in order to be competitive and offer unique value, small businesses need to consider building a brand for their businesses. This does not only mean selling branded products to the consumer, it means having key attributes that the consumer desires, such as good customer care which can make you better than the competitor (Groenewald, Prinsloo and Pelsler, 2014). Furthermore, the authors also stated that entrepreneurs struggle to build a brand around their small businesses because they are usually not trained in brand management strategies. The authors also cautioned that strong brands are built by consumers through customer loyalty, which only happens when there is high level of trust between the consumer and the retailer. Groenewald et al. (2014) noted that this trust is established through a strategic marketing and branding process for the business. Also, the authors stated that it is very important for consumers to link the brand of the business to the products it sells, since over time customers become loyal to that brand and have confidence in the products that it sells.

According to Groenewald et al. (2014), small business retailers must find a way of implementing brand positioning strategies, not seeing this as a task for big businesses only but doing it in order to be competitive in the market they serve. Furthermore, entrepreneurs in the small business retailing sector really need to have a small competitive advantage in the sector for the sake of their own long sustainability and that of their industry. Also, the authors further stated that it is important for the small business retailer to have a good understanding of innovative marketing strategies and not rely solely on

outdated in-store visual merchandising as a marketing strategy, but also use social media marketing and branding tools to enhance their position.

Social media marketing strategies are easy to develop and implement, and small business entrepreneurs should have a way of concentrating on the key aspects of what the social media provide in order to make themselves different from their competitors (Groenewald et al., 2014). Also, the authors stated that small business retailers have consumers who are connected to smart technology, and they need to use this as leverage for competitive marketing and branding. According to Maduku, Mpinganjira and Duh (2016) small businesses in South Africa require mobile marketing strategies, and mobile applications should be developed by software developers to solve some of marketing challenges faced by small businesses. The authors also said that small business entrepreneurs need to be trained in the use of any mobile application that can be employed for strategic marketing purposes. The authors further stated that mobile marketing has benefits such as the entrepreneur being able to reach a broader consumer base for his or her business. Strategic marketing and innovation should be central to the future of small businesses' brand positioning strategy and communication strategy with consumers (Maduku et al., 2016). However, the authors noted that marketers should also focus on small business development strategies rather than big business marketing solutions. The authors further pointed out that when mobile application strategists develop solutions for small business entrepreneurs they should make sure that the entrepreneurs are able to adopt those strategies. Maduku et al. (2016) noted that for entrepreneurs to be able to adopt any mobile marketing tools there is a need to simplify the tools for the end user, because any complex tool will not achieve rapid uptake among entrepreneurs. However, small business retailers also need to engage in relationship marketing, green marketing and innovative marketing leads to high business performance (Chinomona, 2016: 136).

The participation of entrepreneurs in mobile application development will not happen without cost, and the South African government should provide mobile hotspots in the areas where informal business entrepreneurs thrive, such as the townships (Maduku et al., 2016). The authors also stated that if small business owners perceive the cost associated with the adoption of mobile marketing to be high, they are less likely to adopt it. Furthermore, the authors stated that mobile application developers and strategic marketers should also help entrepreneurs to find a way around the cost challenges, even if this means using open source technology. Mobile application development costs money: these the development costs should be absorbed by the government agencies if the application being developed is geared towards assisting entrepreneurs to function better in business (Maduku et al., 2016). The authors also noted that if entrepreneurs are supported by the government small business development agencies, then it should be easy for them to adopt the advanced technology. Mobile applications can really help entrepreneurs to make decisions in all their business activities.

Maduku et al. (2016) noted that any form of mobile application development that seeks to assist entrepreneurs should be built using a bottom-up approach, which means that the mobile application developers need to acquaint themselves with the business problems facing the entrepreneurs, otherwise the purported solutions will not work. The authors further claimed that collaboration between the end user and the software developer is extremely critical in the creation of sustainable working business solutions. Furthermore, consumers should not be left out of the envisaged solutions, because any form of strategic mobile application marketing strategy also requires consumer engagement. This is why it is important that small business entrepreneurs should be at the centre of solutions seeking to assist them in business. Maduku et al. (2016) also argued that for any smart solution to be beneficial to the user it also needs to be marketed properly, and the burden of marketing smart solutions for small business entrepreneurs should also be shouldered by the government's small business development agencies.

In South Africa entrepreneurship is far from being perceived as a pervasive culture, embedded in our national psyche, because we still promote the notion of being employed. This renders generic government policy towards small businesses an impossible task unless an effort is made to target our basic education, with entrepreneurship being taught in the early stages of schooling (Luiz, 2008). The authors further suggested that while the public policy focus has been on entrepreneurship as a response to high unemployment little attention has been paid to the indigenous ownership of enterprise as a reaction to the colonial legacy. Thus the South African government needs to focus on making entrepreneurship seem like a form of liberation, while providing access to the resources to enable micro-enterprises to make the conversion from micro to macro scale.

In numerous studies small business owners in South Africa cite access to finance as a problem (Abor and Quartey, 2010). The authors also suggested that the other non-financial constraints that small business face, such as lack of access to technology or developmental business support, rules and regulations that hamper the development of the sector. Furthermore, the authors argued that small businesses, therefore, fail not only due to lack of financial support but also due to lack of other forms of support. Abor and Quartey (2010) suggested that in order to gain access to finance SME's owners need to be encouraged to form cooperatives as there is institutional funding targeted to cooperatives from government funding agencies. Furthermore, the government through tax incentives can encourage its funding agencies to target more cooperatives and to provide training to entrepreneurs on simple record keeping and managerial know-how.

Another constraint facing small businesses is the absence of entrepreneurship education from school syllabuses (Xheneti and Bartlett, 2012). The authors also stated that entrepreneurship education should be embedded in school curricula so that those who choose entrepreneurship as their vocation do not struggle with basic business knowledge. According to Amadi-Echendu, Phillips, Chodokufa and Visser (2016), entrepreneurial learning should be included in any university's strategic plan, policy, and

institutional arrangements, so as to enable them to play a role in addressing the problems of society, through a commitment to knowledge transfer and exchange. However, the authors suggested that regardless of where the business training is offered, it should build and graduate future enterprise-oriented students. Furthermore, business training becomes even more important in the light of unemployment, which extends to unemployed graduates. Rabie, Cant and Wiid (2016) also noted that there are various important training and development initiatives that small businesses should consider, such as:

- Basic accountancy training
- Communication, people and social skills
- Computer training
- Customer service training
- Leadership training
- Literacy/numeracy training
- Marketing your business
- Strategic planning for your business training

Amadi-Echendu et al. (2016) pointed out that knowledge for innovation may be transferred from an external source without the source even being aware that this information is being taken. The authors also argued that when innovations are outsourced, they are developed externally and then implemented and commercialised by the business. For a university, innovation may include new programme development, new forms of stakeholder relationships, new developments in alumni relations, new approaches to research and new developments from research (Amadi-Echendu et al., 2016). Furthermore, with the open innovation model, the business commercialises ideas that have originated both internally and externally to the business.

According to Silva, Kimura, Bernardino and De Castro Lima (2017), entrepreneurs need to be equipped with various technical skills which will enable them to solve some of their problems and they also need to establish social networks and share any innovative ideas. However, Ishengoma (2018) argued that technology can also be learnt by those who are older, perhaps retiring from their jobs and are becoming entrepreneurs in the informal sector to generate additional income for their families.

Amadi-Echendu et al. (2016) observed that a knowledge-based economy requires entrepreneurs who are able to use smart technological tools and become innovative in their thinking and approach. The authors also argued that ideally this involves home-grown innovative technological thought processes, rather than just absorbing and diffusing technological knowledge from advanced countries. Furthermore, small business incubators can assist entrepreneurs to shift their mind-set to technological thinking. Universities also have a role to play in transforming society through entrepreneurship, by



making sure that they promote research that is focused on the fourth industrial revolution which promotes the usage of artificial intelligence (Amadi-Echendu et al., 2016). The authors also argued that universities may actually serve as incubation facilities for students and staff by stimulating entrepreneurial ideas and creating links with industry. The entrepreneurial role of a university relates to finding innovative strategies to contribute to social, cultural, and community development by focusing on the strength of its relationship with former alumni, and linking graduates with local businesses (Amadi-Echendu et al., 2016). The authors also added that graduate entrepreneurship should be seen by the South African government as a contributor to sustainable competitive advantage, economic growth, and job creation.

Amadi-Echendu et al. (2016) recommended that universities, in their bid to become entrepreneurial, introduce the following initiatives: curriculum change to include entrepreneurial education in all qualifications; expose students to on-the-job training; establish an incubation centre at the university to assist with the commercialisation of business ideas and products; establish forums for cooperation between the university, industry and the government; inform the cross-pollination of knowledge and pooling of effort. Furthermore, the author stated that uniformity among universities should be established for the recognition of prior learning, in the form of industry experience and in this way, universities can create a platform for lifelong learning. An entrepreneurial university is one that does not only seek to generate a third stream of income from commercialisation, but rather equips students to start and grow sustainable small businesses (Amadi-Echendu et al., 2016).

Many local entrepreneurs in the small in the small business retailing sector are not well equipped with business skills, and this has resulted in their losing profitability in their business and market share in the sector (Gastrow and Amit, 2013). The authors further cautioned that most foreign national traders keep some form of business records while few South African spaza traders did. Furthermore, the authors also noted that most foreign national traders utilised cashbooks, while few South African traders did.

Xheneti and Bartlett (2012) argued that the success of entrepreneurs is not only related to their own characteristics, but also on business skills which are important and indispensable elements of a successful enterprise. The authors also argued that business skills and knowledge are among the factors that small business owners regard as necessary to grow their businesses. Skills and knowledge such as financial management and business management know-how are critical factors for the success of any business (Xheneti and Bartlett, 2012). The authors further argued that government need to look into policy that will enable and encourage people to participate in formal vocational entrepreneurship training, as that will remove the need for entrepreneurs to develop skills as a coping mechanism. However, the authors also observed that entrepreneurship vocational training should be part of South African culture, because small businesses create the jobs that the South African economy so needs.

According to World Wide Worx (2017), small business are a critical foundation in the economic set-up of many nations around the world because they are central in job creation and contribute to the revenue of the country. The authors further suggested that it is therefore important for governments to support entrepreneurs in a meaningful way that can result in small business growth. The authors also added that most entrepreneurs in the small business sector believe that the way in which government has been supporting them has not helped and that requires change. Entrepreneurs are generally negative about government support because they have not experienced practical support that has helped them to increase their market share (World Wide Worx, 2017). However, the authors stated that they would like to see the government introduce further tax breaks for small businesses, so that they can use profit to fund their own growth strategies

In addition to a lack of proper business and management skills/knowledge, small business face problems arising from poor record keeping and information management, an inability to separate personal funds from business funds, lack of adequate funding, and a lack of crucial infrastructural facilities (Adisa et al., 2014:6). The author further stated that small business owners do not find it necessary to keep business transaction records such as invoices, bank statements (if they bank at all), purchase orders and stock-take records. However, the authors argued that in order to manage any business successfully, the business owner needs to keep up-to-date records of the business, including all finance records. Small businesses suffer because they cannot afford proper accounting systems or to pay big accounting firms to do their management accounting on a monthly basis (Adisa et al., 2014).

According to the World Economic Forum (2017) Sub-Saharan Africa shows lack of formal education among its older generations, however, this data does not account for alternative modes of learning such as informal apprenticeships, learning on the job and traditional knowledge systems that have provided learning and training opportunities for millions of working-age Africans with little formal, curriculum-based qualifications. However, Ligthelm (2003) argued that training people outside the formal sector of the economy is not an easy thing for government to do, unless there is a model that the South African government can use as a blueprint for such training.

The importance of job creation by small businesses cannot be overemphasised in South Africa. South Africa's rate of unemployment continues to rise, especially among the youth. It is evident from the data published by statistics South Africa that the South African government is not creating jobs for its economy. This has been further exacerbated by the Covid-19 global pandemic that started in China and had a very negative economic impact on South Africa economy. In order to revive the economy the South African government has promised to support small businesses that have suffered greatly and in doing so the economy will be able to grow and create jobs. The South African government should strengthen the service offerings of its development finance agencies to make sure that these agencies provide seminars, workshop and training for small business owners on how to run a successful small

business (Adisa et al., 2014). This is consistent with the views of Döckel and Ligthelm (2005) that an emphasis should be placed on the contribution that the SMME (small, medium and micro-enterprise) sector so that it can have a positive impact on reducing the high levels of unemployment in South Africa. The policy framework to provide for enabling environment for small businesses is outlined in a 1995 white paper (RSA, 1995), since then a renewed emphasis has been placed on measures to assist the development of this sector. It must be noted that since the 1995 white paper on small business development, the Small Business Act was enacted in South Africa in 1996 and amended in 2004. In 2014 a special South African government ministry of small business development was also established.

In South Africa small business retailers have had to face another challenge arising since the dawn of the democratic dispensation in 1994. Prior to 1994 national chain store supermarkets faced political boycotts in the townships and therefore their growth was mainly in urban environments. Post-1994 these retailers began to open up new stores in the townships in a series of shopping mall developments (Ligthelm, 2008). Badenhorst-Weiss and Cilliers (2014) observed that small businesses close to malls have to compete by following survival strategies, such as selling cheaper products and adjusting their pricing strategy. The authors also stated that small businesses focussing on price differentiation as a strategy tend to survive and grow notwithstanding the increased competition. Furthermore, this appears to indicate that differentiation based on price (low prices and best value prices) may be a successful survival strategy in certain circumstances.

According to Ligthelm (2008:37), “the pre-1994 retail landscape in the township areas was dominated by small, mainly informal retail businesses offering basic products and services to a relatively low income consumer market”. Furthermore, the author stated that these businesses served as convenience shops to primarily lower income groups and attracted only a small portion of the consumer spending in township areas. However, the author argued that in the current landscape the economically active people in township environments use urban shopping centres for their main shopping activities and they use informal small business stores in the townships merely as convenience stores. The market share of small business retailers began to shrink as a direct result of the growth of shopping centres in township retailing environments (Ligthelm, 2008). However, the author further argued that there are other factors that had an impact in the decline of the market share of small business retailers such as effective customer care and the narrow range of products sold by small business retailers, coupled with inadequately managed credit facilities provided to customers. There is a sense that small business retailing began to be cannibalised by the rapid growth of national retailers in township retailing environments (Ligthelm, 2008). Furthermore, the customers of small business retailers began to use shopping centres for shopping convenience due to their close proximity, to the detriment of the small business owners. Makhitha (2017) concurs that the rural and township market had been regarded as a market for independent retailers since large retailers were reluctant to enter these areas during the apartheid period. The author further argued that this has of course changed due to shopping centre

developments taking place in those areas. However, the author noted that for independent retailers to remain competitive and survive, they need to select their suppliers carefully to be able to offer consumers what they want. Makhitha (2017) also noted that the competition has imposed severe pressure on independent retailers, who are facing large resourceful retailers that have penetrated the townships and rural markets. Furthermore, independent retailers remain a means by which consumers, particularly low-income consumers in SA, can access groceries. The characteristics of independent retailers that continue to appeal to consumers include lower prices, personalised customer service, credit facilities, the availability of specialist products, and location and convenience (Makhitha, 2017).

Gastrow and Amit (2013) observed that there was a move by large chain supermarkets to capture the township market traditionally dominated by small business retailers. The further observed that certain Cape Town townships have national food chain supermarkets such as Shoprite, Spar and Pick n Pay. Furthermore, the author cautioned that this means that consumers now have access to a wider range of products than before, and at cheaper prices. Gastrow and Amit (2013) suggested that there has been a rise in food prices over the past several years exceeding the general consumer price index increase. Furthermore, the authors argued that South African consumers have been spending proportionally more on food each year. However, the also noted that the lower level of consumers as measured by LSM have been spending very little, and this has also affected the informal small business retailing market in a negative manner. Foreign national traders also do complain about the impact of rising food prices business, but they have found a way of selling smaller units of food item, making it easier for their customers on a tight budget (Gastrow and Amit, 2013).

It must be noted that pre-1994, small business retailers were mainly South Africans, but post-1994 South Africa has seen a surge in the number of foreign nationals residing in townships (Ligthelm, 2003). The author further observed that the post-1994 democratic dispensation saw South Africa become a utopia for foreign nationals who escaped their countries of origins for socio-economic reasons. However, the author also stated that this resulted in foreign nationals entering the small business retailing market initially for survival. But as they excelled in small business retailing, their South African counterparts began to struggle for survival (Ligthelm, 2003). The author further argued that while the informal sector offers opportunities for the unemployed, jobs in this sector tend to be low-paid, with little job security.

Makhitha (2017) claimed that, in the light of competition from supermarkets, independent retailers, need to formulate competitive strategies to retain customers. The author also stated that careful supplier selection could be beneficial to independent retailers in that it might enable them to source quality products at competitive prices. However, the author also cautioned that the country has a dual economic system, a formal one in which most affluent people participate, and an informal economy largely dominated by the poor citizens of South Africa. (South Africa has one of largest inequality gaps with a

gini coefficient measured at 0.63 in 2015.) Small business retailing has a large number of consumers but a low basket price, while the formal retail sector has a lower number of consumers with a higher basket price (Makhitha, 2017). Moreover, the author stated that the large food chain supermarkets generally operate in the formal sector of the South African economic setup while small business retailers generally operate in the informal sector. Small business retailers usually struggle with limited stock, partly because of the limited room for storage in their small makeshift premises (Ligthelm, 2003). The author further argued that another issue is that small business retailers do not have the financial resources to stock any extra stock, so even if there is an item on sale from the wholesaler or distributor the small business retailer can neither pay for the stock nor find the space to keep it.

The retail market is highly competitive and small business retailers should therefore not overlook the weaknesses that result from the size of their business, and find innovative ways in which they can source products from the suppliers (Makhitha, 2017). The authors further argued that it is also important that small retailers meet customer specifications by providing appropriate products and services. Furthermore, independent retailers should find ways in which they can source products of high quality and low price, so that they can match their competitors. Foreign national traders sell their goods at relatively low mark-ups for both cultural and commercial reasons (Gastrow and Amit, 2013). Moreover, the authors stated that because of their cheaper prices, foreign national traders turn over their stock quite quickly, and that is crucial for their survival in the informal retailing sector. The authors further suggested that the foreign national traders, Somali traders in particular, have a saying that “early loss is better than late profit”; in other words, slow trade turnover is worse than immediate losses.

In the small business retailing sector there is also an issue of poor transport infrastructure, lack of water and electricity, which also all negatively impact small business retailers (Ligthelm, 2003). However, Charman (2014) argued that the South African government has over the years increased national spending on the development of informal settlements. The author also suggested that an increased spending by the government in the township should be of benefit to informal small business retailers as they need the infrastructure to develop and grow their businesses. Furthermore, South African small business retailers have very little choice but to make use of public transport to move their goods from the wholesalers to their own stores. In order to eliminate these transportation costs there is a need for them to collaborate with each other (Eicker and Cilliers, 2017). Moreover, the author suggested that the savings made from collaboration should be passed to the consumer in order for the South African retailer to gain some competitive edge over the foreign national trader. However, the author cautioned that the transportation system in South Africa is inadequate, and small business retailers need to take advantage of the times when traffic is moving freely, such as the late morning. They should use available public transport, such as taxis or trains (Eicker and Cilliers, 2017).

According to Gastrow and Amit (2013), foreign national small business retailers support each other to benefit their businesses. The author also suggested that South African traders should also jointly invest to start shops to compete with foreign national trader competitors. Moreover, the author added that South African traders also need to reduce the costs of doing business by sharing and splitting the bill when it comes to logistics and marketing activities. Foreign national small business retailers target areas with high pedestrian traffic, and this is something South African traders can easily emulate to attract more customers (Gastrow and Amit, 2013). However, Ligthelm (2003) argued that small business retailers struggle to keep prices competitive and end up taking small loans from informal lenders. The author also stated that small business retailers struggle with marketing their own products while they themselves rely on promotional material such as store pamphlets in order to decide where they will buy a particular product.

One thing that small business retailers mention as a crucial need in various surveys is to be able to maintain sufficient stock levels and thus avoid ordering stock more than once a week (Ligthelm, 2003). Being present at the store all the time also makes the retailer more competitive and reduces costs. Hamel (2002:37) cautioned that saving in these ways “doesn’t mean that companies should abandon their zeal for cost cutting. But it does suggest that unless a company has a way of reducing costs substantially, faster and deeper than the industry norm, it will gain little in the way of earnings or share price advantage”.

According to Ahmad and Alaskari (2014), small business need to learn to market themselves better in order to improve their competitiveness. The authors also observed that if small business retailers could market themselves better they would be able to increase their sales, but to do this they might have to rely on the word of mouth strategy or use social media as a marketing tool. Ahmad and Alaskari (2014) also claimed that the real challenge facing small business retailers is in part their culture of not assessing and projecting the sales growth, which leads to a lack of measurement and analysis of business progress. The authors also suggested that such traders then usually find out only when the business is sinking that they have not been growing for years, and they find it hard to transform their whole approach and way of thinking. Small business retailers assume that because they are smaller than the big retailers they do not need to manage the business along the same line as big business does, so they shy away from evaluation that is geared toward assessing their business performance (Ahmad and Alaskari, 2014).

### **2.3 SOUTH AFRICAN SMALL BUSINESS RETAILING LANDSCAPE**

The South African retailing industry contributes about 13% to its GDP and provides 23% of the employment in the South African economy (Segatti, 2011). The author also argued that the major portion of this sector exists in the townships, rural areas and on the sidewalks in major centres of South Africa. Retailing is comprises two main forms, formal (in store) and informal (non-store). Furthermore,

the author suggested that the informal sector is in part a legacy of the apartheid regime, which left townships and rural areas underdeveloped and without shopping malls. In the absence of nearby shopping malls, township dwellers developed the “spaza shop” retail system. These “spaza” stores became pivotal to the township retailing economy, estimated to be contributing more than 5 billion rands in 2006 and responsible for up to 290 000 jobs (Segatti, 2011). A study conducted by the UNISA bureau of market research (BMR) showed that in 2017 the spaza economy is now responsible for 300,000 jobs and contributing 9 billion rands to the South African economy (BMR, 2017). However, the study also stated that the total annual retail sales were R316.5bn in 2017. Zucchi and Schaffranek (2018) also noted that the growing number of SMEs in South Africa makes sense because 95% of businesses in the rest of Africa comprise SMEs. Furthermore, the authors noted that SMEs contribute approximately 35% of South Africa’s GDP and stand to grow between 60% and 80% over the next 10 to 15 years.

Currently the South African township economy is dominated by retailing in the form of formal retailing in shopping malls, informal retailing in the form of small informal stores (spaza shops), informal retailers in the form of street vendors, and liquor retailing (Woodward, Rolfe, Ligthelm and Guimaraes, 2011). Furthermore, the authors noted that in South Africa, informal spaza shops originating primarily in black homes are an especially prevalent type of retail operation. The authors further stated that these spaza shops usually operate in a section of an occupied home or in a zinc structure placed in the yard or a stand-alone zinc structure in the case of informal settlements. These small informal stores sell convenience goods such as canned foods, bakery products and cool drinks (Woodward et al, 2011). Moreover, the authors stated that spaza shops are designed like a tuck shop, typically built of corrugated iron, and they play a key role in poor communities. Their operation model is to buy in bulk and breaking the bulk into smaller packages or loose items which they sell to their customers in a location easily accessible to the customer such as the retailer’s home (Woodward et al., 2011). The authors further stated that this type of small business is the dominant form of retailing in townships, perhaps followed by informal taverns (known as *shebeens*) which are the liquor outlets. However, Battersby, Marshak and Mngqibisa (2017:29) observed that “despite the importance of the informal economy, there has been relatively little policy support and funding directed towards effective governance of this sector”. Charman et al. (2012:50) also argued that South Africa townships informal economic sector provides an entry point for persons otherwise excluded from the formal labour market due to a lack of education and skills to pursue business opportunities or gain employment.

The township retailing market offers retailers (formal and informal) an opportunity to be closer to the consumer, but it brings with it many challenges for the retailer such as a lack of infrastructure, lack of land for development, congested traffic, lack of adequate water supply and high rate of crime (Grant, 2013). Furthermore, the author noted that for South African small business retailers the township market have another challenge, and that is the presence of foreign national small business retailers who are

more competitive than the local South African retailer. As a result of the presence of foreign national retailers the township market has sporadic xenophobic violence targeting foreign national small business retailers, and also sporadic social service delivery protests (Grant, 2013). The author also observed that the sporadic xenophobic violence in the South African townships usually target the businesses of successful foreign national traders, who are of capturing the retail market from local small business retailers.

Another common feature of the township retailing sector is the gender disparity among the small business retailers, of both local and foreign origin (Grant, 2013). The author further noted that local South African women in the township retailing market are mainly black women who were economically excluded in apartheid South Africa and are now feeling excluded in the post-apartheid South Africa. Transformation of the economy in South Africa should be inclusive of all women, but this seems to be happening at a very slow pace. Nevertheless, women-owned small business retail stores seem to be thriving, despite the difficult conditions they operate under, and more women in the sector should enhance this success (Grant, 2013). The author further observed that men owning small businesses in the township market hold high aspirations to formalise their small businesses when compared to their female counterparts. Moreover, the author argued that gender difference in the small business retailing sector is very glaring and needs to be addressed at a policy level so that woman traders can participate freely in the small business retailing sector.

Small business entrepreneurs in the townships need to make sure they offer what the consumer needs in a convenient locality close to the consumer, due to the nature of the competition they face in that market (Grant, 2013). Also, the author argued that the proximity of suppliers also plays a big role in the success of entrepreneurs in the township retailing market, suppliers being key to the success of any business. However, the author cautioned that unfortunately, the suppliers of small business owners in the township retail market are usually to be found far away from the market that they serve. Grant (2013) also noted that when suppliers are distant from the small business retailer, the retailers lose money because of what they have to spend on logistics to move the goods from the supplier to the retailer. Furthermore, the author suggested that local South African small business retailers need to improve their small business operational model by socialising and networking with other local small business retailers, including women. The author further stated that local South African small business retailers do enjoy the benefit of trading within their own homes and saving on the rental fee that foreign national small business retailers have to pay.

Grant (2013) argued that government support is required to improve the conditions of all entrepreneurs in the small business retailing sector in the township market. This can take the form of relaxed regulations, improved infrastructure and the development of trading zones in the township retailing



sector. The development of trading zones will also improve food safety in township markets. In this regard, all retailers need to comply with the new South African Consumer Protection Act. Battersby (2020) also observed that while there have been many hopeful statements that the food system will transform positively post-Covid-19, the South African economy is in a state of crisis due to Covid-19. Furthermore, the author argued that the South African governments has a poor understanding of the food systems and it needs to develop regulatory responses that will rather lead to further consolidation of the food system rather than usher in potentially transformed food systems.

Small business retailers thus need to be supported and encouraged to grow from being small and informal to being large and formal (Grant, 2013). The author also suggested that this growth can only occur when all the stakeholders in the small business retailing sector assist the small retailers in the township market. The author further observed that small business retailers are typically survivors: if they fail in one kind of small business they are likely to start another form of small business. The township retailing market is a very big market with a lot of opportunities and vibrant customers who are keen to spend for the convenience afforded them, and retailers need to take advantage of these opportunities (Grant, 2013). Furthermore, the author argued that operating a business in a township environment requires a special set of skills when compared to running a small business in the city or in the suburban areas. The author also pointed out that in the township areas small business retailers are dealing with many customers who are poverty stricken. Most of the customers are on government social grants, and they usually like to buy on credit (Grant, 2013). The author also argued that the traders who run their business from home also struggle with space for social purposes or private use, because the business usually takes up all the available space as even the kitchen gets used for business production purposes. Moreover, the author observed that while producing goods for sale in the private home kitchen is a norm in the township small business retailing environment, it would make sense for small business retailers to come together and find some office space to share in order to reduce the amount of work that takes place inside their houses.

According to Gastrow and Amit (2013), foreign national traders protect their trade secrets and use them to gain competitive advantage over South African traders. Moreover, the author suggested that foreign nationals have found a way around some of the trade barriers in the informal retailing sector, such as the lack of rental spaces and the high level of crime. They have found innovative if not ideal ways of coping in the township market and this has made them very resilient in the informal retail sector (Gastrow and Amit, 2013). Also, these strategies include buying collectively in bulk and selling to consumers at lower prices. Furthermore, the author also said that foreign national traders make a point of choosing store locations that are very convenient to the consumer. However, the author also cautioned that even when foreign national traders rent from local South Africans they are able to make enough sales to cover the rent. They share transport costs when buying from wholesalers and negotiate discounts

when buying in bulk (Gastrow and Amit, 2013). The author further noted that foreign national traders are very good at identifying specials from wholesalers, which they order in bulk using the collective savings. In order to save on dual rentals (renting space for the shop and renting a house to live in) foreign national traders usually just sleep at the store, meaning that their store doubles up as a home, which also helps to protect the store from criminal elements. Gastrow and Amit (2013) observed that foreign national traders often invest together when starting a business, which means that they are able to own and share multiple shops at any given time. Moreover, the author also argued that perhaps the biggest advantage that foreign national traders enjoy is that their operating hours are longer than their South African counterparts and all their business practices are customer-centric.

Entrepreneurs start their business for selfish reasons – that is, to make a profit – but they also contribute to creating job opportunities that are lacking in the formal economy. This is because most unemployed young South Africans are low-skilled and have no skills to sell to the formal economic sector. Therefore, Grant (2013) argued that young people are often left with only one choice: finding a business gap and seizing the opportunity to start their own small business, usually in the retail sector. The author further noted that in order to survive in the retailing sector, entrepreneurs probably need mentors to coach them in doing business and offer them support, thus creating more opportunities for them. In order to succeed in small business ventures, entrepreneurs need to make use of their social networks and work with family members (Grant, 2013). Also, the author argued that it is more common for women rather than men to work in silos and not share their entrepreneurial endeavours with their social networks. The author further suggested that female entrepreneurs are preoccupied with improving their livelihood and that of their children, and do not spend enough time creating or investing in social networks for business purposes.

Foreign national small business retailers have advanced retail trading skills while South African small business retailers apparently lack these skills (Segatti, 2011). The author also argued that South African small business retailers need to enhance their trading skills, despite the background of the lack of entrepreneurial culture in South Africa. However, Urban (2016) further stated that an entrepreneurial culture in an organisation is characterised by the dominant entrepreneurial logic of the business owner, constantly searching for innovative ways of dealing with business problems. Moreover, the author added that this state of entrepreneurial alertness allows the entrepreneur to discover specific opportunities through a process of scanning and search, association and connection, and evaluation and judgement. Chimucheka, Dodd and Chinyamurindi (2019) noted that entrepreneurial culture has a major effect on the performance of immigrant owned SMMEs operating in South Africa. Furthermore, these authors argued that entrepreneurs should strive to improve their entrepreneurial acumen (risk-taking skills, innovativeness, and proactiveness) as this will ultimately improve the performance of their businesses. The authors further noted that entrepreneurial culture can be improved through

entrepreneurship education and training or by learning from other entrepreneurs, including other immigrant entrepreneurs.

Zucchi and Schaffranek (2018) argued that there are many misconceptions about the failure of small retail businesses. Furthermore, the authors noted that lack of funding is indeed a factor, but that other factors also contribute immensely. Moreover, the authors suggested that there is no proper ecosystem specifically designed to accommodate the challenges faced by small businesses in South Africa. It is not just funding in general that SMEs need, but what is termed first-round funding: “the one thing that prevents an SME from obtaining funding in the normal way, from a bank, is a lack of cash flow” (Zucchi and Schaffranek, 2018:73). According to Agwa-Ejon and Mbohwa (2015), entrepreneurs struggle to get bank funding for their start-ups because the banks have stringent regulations that entrepreneurs are unable to meet. The authors also added that this is an area that government developmental finance agencies should be focusing on, offering reasonable credit to small businesses. The authors further stated that it seems that government developmental finance agencies use the same measures that are used by traditional banks to assess small businesses that require funding.

Madichie and Hinson (2015) noted that while registering a company in South Africa is not very difficult, there is extremely high taxation on both income and salaries with very few tax benefits for registered companies. The authors also stated that while the government would prefer not to rely on donor funding and would like to see more foreign investment into the private sector to build a self-sustaining economy, they do very little to support inventors and entrepreneurs. Furthermore, small businesses continue to struggle with fundamentals such as basic business skills to grow the business.

According to Woodward et al. (2011), spaza shops in South Africa appear to face problems similar to problems faced by SME's in other countries, especially the copycat mentality of entrepreneurs, where people set themselves up in the same business selling identical products and often in the same locality. The authors argued that this is a phenomenon found in other developing countries. However, Charman et al. (2012) claimed that further research is needed in order to fully understand the informal economic sector, given that existing theoretical frameworks do not adequately explain the internal dynamics of micro-enterprises in the informal economy. Moreover, Gastrow and Amit (2013) also argued that foreign national traders usually run small business in the township retailing market where there is low or no trade regulation. Furthermore, the author noted that foreign national traders migrate to South Africa and establish informal small business retail shops in the township environment, sometimes with a low level of education but with a drive to succeed. The author also noted the low regulatory requirements in township retailing are among the issues that are usually raised by local South African small business retailers in the conflict with the foreign national small business retailers. Foreign national small business retailers usually do not seek retail licenses in order to continue to operate in the informal township retailing market (Gastrow and Amit, 2013).

The Cape Metropole does acknowledge the importance of informal trading through its Trading Policy and Management Framework, which seeks to provide stable regulatory systems to ensure that informal traders are nurtured for growth to increase job opportunities in the sector (Battersby et al., 2017). Jorem, Hansen and Jeppesen (2012) noted that for the local South African small business retailers to thrive in the township market, they require protection by municipality by-laws that serve to regulate the informal retailing sector. Worku (2016) also suggested that the key principles of good governance such as accountability, transparency and objectivity must be promoted with vigour by municipalities as a means of improving the quality of municipal services that are provided to operators and owners of SMMEs.

Makina, Fanta, Mutsonziwa, Khumalo and Maposa (2015) noted that some small business owners in South Africa have been found not to believe in borrowing, for cultural reasons or because of lack of knowledge about the benefits of credit. The authors also noted that South African banks require financial reports in order to perform any credit application, and if borrowers cannot produce these reports they are noted as risky and will not be loaned money. Furthermore, the authors stated that small businesses typically do not have any accounting systems, partly because they cannot afford them and partly through lack of proper access to information. Makina et al. (2015) concluded that government role is to promote access to formal credit and also encourage SME growth by creating an enabling environment for small enterprises to thrive. The author further argued that interventions can be pursued on the basis of evidence-based knowledge that formal finance fosters the growth of SMEs and thus enabling them to graduate into large firms. However, the authors cautioned that such interventions can be ideally targeted to the poorer provinces where SMEs are observed to rely more on informal finance than on formal finance. Moreover, the author stated that with informal credit, widely used by small businesses in South Africa, no such relationship is to be found. However, a Finfind Report (2019) stated that access to credit requires SMMEs to be subsidised for bookkeeping services and practical training on financial recordkeeping. Furthermore, the report stated that SMMEs need assistance to set up accounting systems, capture paperwork backlog and produce up-to-date financials to enable them to access finance.

### **2.3.2 Small business retailing in South African townships**

Nandonde and Kuada (2016) argued that the South African economy has witnessed a substantial shift in consumption centres from the urban developed economies to the emerging township economies. The author also stated that this shift has introduced new dynamics into local marketing strategies, with companies having to adjust their strategies to new and unknown realities. The growing populations in township retailing environments have provided new market opportunities for retail companies facing saturation in their traditional markets (Nandonde and Kuada, 2016). Porter (2008:80) also noted that the effect of this is that “new entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete”.

It is estimated that only about 50% of new entrant spaza shops survive to beyond five years, but those that do enjoy sustainability over time (Battersby et al., 2017). The survival rate of small businesses is known to be very low, with less than half of small businesses surviving beyond five years and this is true not only in South Africa but globally (Brink, Cant and Ligthelm, 2003). However, the small business retail sector is one of the most persistent and resilient sectors in informal business in Africa (Woodward et al., 2011). Furthermore, the author stated that in South Africa it is estimated that about 70% of micro-businesses are in fact in the retailing sector, comprising mainly informal retailers located in township environments.

The South African government has introduced various small business development support systems which are not sector specific because of this diversity (Woodward et al., 2011). The author also stated that various sub-industries in the small business sector have huge potential to generate more employment and revenue for the South African government, but most remain outside the formal economy. Furthermore, the authors concluded that because they are unregulated and untaxed the South African government does not get any real benefit from them, and vice versa: these sub-industries do not get any real benefit from government support. Included among them is small business retailing in the township environment, which is the focus of this study. However, Chen and Rensleigh (2009) maintained that the lack of access to information is one of the biggest problems facing local South African traders, because some of them are not even aware that the South African government has small business development agencies that are supposed to assist traders with skills and funding.

There is a large number (hundreds of thousands) of South Africans who make their livelihoods in the informal sector, and they generate income for their families, whether through opportunity or necessity (Woodward et al., 2011). The authors also stated that these South Africans are among the poorest citizens, and they make their primary income from small-scale enterprise mainly in township areas and informal settlements (known as *Mikhukhu*). However, Strydom (2015) stated that most of small business retail stores in the informal sector are known to be owned by opportunity-driven entrepreneurs instead of necessity-driven entrepreneurs. Furthermore, the author explained that necessity entrepreneurs or unproductive entrepreneurs are people that are forced into entrepreneurship activities because of a lack of economic choices or who are using entrepreneurial activity as an instrument for survival or escaping from a situation of unemployment and poverty. Currently these small business retailers have found themselves having to face competition from foreign national small business retailers and large national chain supermarkets, which one of the reasons this study was conducted.

Porter (2008:79) offered the reminder that “competition for profits goes beyond established industry rivals to include four other competitive forces as well: customers, suppliers, potential entrants, and substitute products. The extended rivalry that results from all five forces defines an industry’s structure and shapes the nature of competitive interaction within an industry”. In terms of competition and

competitiveness small businesses need to expand their strategy to embrace the competitive forces explained in Porter (2008). However, Eicker and Cilliers (2017) suggested that small business retailers can still compete with big retailers because they have the agility that the big retailers do not have and can afford to order on a more regular basis. Furthermore, the authors stated that small business retailers need to have very strategic supply chain efficiencies if they are to compete meaningfully with the large chain supermarkets in the retailing sector. The authors further stated that cost efficiency is also one of the areas that small business retailers can use to compete with big retailers, by making sure that they do not keep excess stock that cannot be easily and speedily moved. Woodward et al. (2011:19) pointed out that “Clearly, these established formal businesses compete with informal retailers through economies of scale, variety, and other competitive advantages such as centralised procurement, consolidated distribution, and better inventory management”. The author also stated that by considering their business as an independent entity and adopting a growth mind-set focuses on how the business can grow, micro-entrepreneurs can progress to being macro-entrepreneurs.

The growth strategy formation process requires a strong missional leadership presence, with a very high level of creativity, which can translate strategy into small actions plans for the business, as well as influence its employees to buy into the strategy of the business (Woodward et al., 2011). As for the process of strategy formation, small business managers need to have a way of looking at business uncertainty in relation to their business sector so that they do not suffer during the negative economic cycles (Damke et al., 2018). These authors maintained that small business retailers should adopt a structured process of planning so that their customers may benefit from superior business performance. While strategic management in a small business is highly dependent on the leadership of the small business, this leadership needs to broaden its business knowledge in order to achieve performance and get results.

According to Damke, Gimenez and Damke (2018), small business retailers should be exploring strategies to evolve by trying various ways of attracting consumers to their businesses. In the small business sector, any strategy should be formed by taking into account the influence of the cultural aspects of the sector, its historical perspective and future outlook. The strategy should be developed through bargaining, negotiation and taking into account the views of stakeholders in the sector (Damke et al., 2018). The authors also stated that local women traders should be at centre of every decision by stakeholders, to address the imbalances of the past. Furthermore, the authors suggested that a strategic direction means adhering to a strategic imperative, and refers to the positioning of the sector as a whole in terms of the products being sold and markets served by the sector.

A Nielsen Global Retail-Growth Strategies Survey (2016:3) found that “in several markets, including China, Indonesia, Poland and Turkey, small-format stores have driven the transition to modern retail.

Many other markets are still undergoing the shift to modern retail". Technology is a key driver of modern retail, and this is a space that small business retailing in township environments should be exploring, as the majority of township dwellers have mobile phone connectivity (Nielsen Global Retail-Growth Strategies Survey, 2016). Koens and Thomas (2015) also noted that innovation in the small business sector should be promoted to ensure the market access and expansion of the small business sector. The authors also stated that for there to be a rise in innovation in the small business sector, regulatory measures need to be reduced. Moreover, the authors suggested that regulations hinder innovation because most of the time wholly new developments are beyond the scope of activity envisaged by the regulations. Koens and Thomas (2015) observed that for innovation to occur in the townships the municipalities need to ensure that infrastructure is available to support the innovation, because without the necessary infrastructure township small businesses will innovate at a very slow pace compared to their urban counterparts. The authors added that innovation knows no boundaries as it can be done anywhere and by anyone, and small business owners need to take advantage of all available opportunities such as online platforms.

Small business retailers in townships should avoid being micro-entrepreneurs who manage a business that will never grow and make a meaningful contribution in the retail sector (Damke et al., 2018). The authors also suggested that the problem is that micro-entrepreneurs have a tendency to keep a business small as long it can feed their family, which means that they intentionally fail to grow the business. However, the authors also cautioned that these micro-entrepreneurs see the business primarily as a source of income, not as a business that offers solutions to consumers; therefore as long the business still brings in some form of income these entrepreneurs have no interest in growing the business.

### **2.3.3 Foreign national trader competitiveness**

According to Segatti (2011:7) "the presence of foreigners in South Africa is regulated by the Refugees Act (No. 130 of 1998) and the Immigration Act (No. 13 of 2002) and amendments". The author further narrated that under the law and the Constitution, asylum seekers and refugees are entitled to work and operate businesses under exactly the same conditions as South Africans, provided they are legally registered. Also, the author stated that the same applies to other migrants with business permits and that the foreign nationals are also subject to the same taxes and levies as South Africans. In South Africa the majority of foreign national small business retailers originate from Bangladesh and Pakistan (Ntema and Marais, 2010). The authors further observed that the business climate in former black townships has become volatile, with sporadic claims from these non-South Africans that they are the victims of township unrest and xenophobia, while South African informal traders have, in turn, blamed the government for failing to protect them against illegitimate foreign traders. However, Chimucheka, Dodd and Chinyamurindi (2019: 13) argued that the South African government should also show support for immigrant entrepreneurship in order to eliminate negative perceptions from other people in

communities where immigrants operate businesses. The authors further argued that this can be done by developing policies that create an enabling environment for entrepreneurship by immigrants. In addition, the authors also suggested that financial institutions should also develop products for immigrant entrepreneurs in South Africa as they are a growing and promising market.

According to Khosa and Kalitanyi (2014), the xenophobic attacks on foreign national traders have added to the business barriers that these traders face in the township retailing market. On the other hand, the authors claimed that as a result of the obstacles they face, foreign national traders have had to become unusually agile in business. Furthermore, the authors suggested that this agility is informed by the need to keep moving their business locations whenever xenophobia rears its head in a South African township. Xenophobic attacks on foreign nationals are fuelled by various factors, including envy of the success of foreign national traders in informal small business retailing, and the perception that foreign nationals are taking jobs that could have allocated to locals (Khosa and Kalitanyi, 2014). The authors also claimed that the South African government has not done enough to protect foreign national traders in South Africa, especially those who are still asylum seekers, undocumented, and/or have no status in the country. The authors further claimed that foreign national traders are resilient because in order to get to South Africa they have to go through a lot in their countries of origin and on the journey to South Africa. They have a high level of commitment, because even when they are physically attacked in the townships they find a way to stay in business and remain competitive, even it means moving the store to another township (Khosa and Kalitanyi, 2014).

The success of foreign national small business retailers in South African is attributed to their social networking support for each other's enterprises and their entrepreneurial culture (Ntema and Marais, 2010). The authors also observed that that foreign national small business retailers are known for their work ethic, which is seen to be stronger than that of the South African small business retailer as they go to great lengths to create convenience for their customers. Additionally, the authors stated that the non-South African traders are significantly better educated than their South African counterparts and therefore have a sounder base from which to operate as business people. This factor can be attributed to the reported failures of the South African education system, which ranks very low compared to other developing economies (Strydom, 2015). Furthermore, the author suggested that South Africa is also ranked very low in terms of entrepreneurial culture, as entrepreneurship or business management does not form part of South Africa's early school curriculum or, generally speaking, the national culture. The author further observed that informal businesses that keep track of business activities such as financial records, do budgeting, prepare cash flow statements and have procurement documentation have a higher proclivity for survival. These activities require that the small business owner be educated in order to manage them properly, or else the business will not be sustainable. According to Strydom (2015:466), "higher educational qualifications of owners usually result in higher levels of growth and sustainability of their businesses".



McKeown and Mazzarol (2018) noted that education and mentoring support could do a lot to assist the process of educating entrepreneurs, but one of the issues is that of the time constraints on many already very busy small business owners, and the often overlapping and confusing activities of federal and provincial government authorities. Brijlal and Jere (2019) also noted that the importance of offering small business a range of business support services such as training, coaching and mentoring to facilitate hands-on practical learning. The authors further suggested that such services could be provided by entities such as City of Cape Town's Economic Development Unit or SEDA (Small Enterprise Development Agency). However, the authors also stated that flexible modes of delivery should be considered to accommodate the specific needs of the female entrepreneurs.

Competition and competitiveness in township retailing environments are about customers' buying power and their preferences (Ntema and Marais, 2010). Furthermore, the authors noted that there is a need to understand the consumer behaviour of poor township dwellers. Competition and competitiveness are also about the retailing skills of small business traders. A survey conducted by Ntema and Marais (2010:8) found that local small business retailers are perceived to practise better customer service than their foreign counterparts. However, the authors also cautioned that this finding counters an alleged notion by South Africans that non-South Africans are usually more professional in their attitude and business conduct than their South African counterparts and that they are thus able to attract more support from customers. Moreover, the authors said that the same survey found customers of small business retailers in township environment are more likely to find what they are looking for in a spaza shop owned by a foreign national than at a spaza shop owned by a South African small business retailer. However, customers expressed high levels of dissatisfaction with the quality of products sold by foreign national retailers (Ntema and Marais, 2010).

South African small business retailers in township environments should really be concerned about the perception that they lack stock in their stores if they are to compete meaningfully with foreign national traders (Ntema and Marais, 2010). Furthermore, the authors suggested that in some senses, customers view the presence of foreign national retailers in township environments positively, but they always have reservations. The authors further added that it might well be that the underlying factor for the negative sentiments of customers towards foreign national small business retailers emanates from a biased view of South African small business retailers. It might also be that customers are just being patriotic towards their fellow South Africans (Ntema and Marais, 2010:12). There is a view that South African small business retailers have not always engaged in price competition against each, but have instead operated on the basis of their location and relationships built with their customers (Charman et al., 2012). The authors also noted that the arrival of foreign national retailers sparked price competitiveness, as the foreign nationals began to use bulk procurement systems to compete against South Africans and could undercut their prices.

A study conducted by Charman et al. (2012:57) in one of the Cape Town metropolitan townships found that “price competitiveness was key to the survival of spaza shop small business retailers in township environments”. The authors further stated that foreign national small business owned retail stores dominate, partly because of the lack of entrepreneurial culture in South Africa. Furthermore, the authors suggested that foreign trader owned stores have taken the place of wholesalers by reducing prices and diversifying their product range. In this sense then the spaza market no longer exists as it did ten years ago for either the shopkeeper or the consumer (Charman et al., 2012). However, the authors also stated that some successful South African small business retailers whose scale of operation and business sophistication enable them effectively to compete in the informal retailing sector.

The success of the foreign national trader has not been without systematic abuse from South African nationals in township environments, through various organised acts of hostility labelled as “xenophobic attacks” in the South African media (Segatti, 2011). The author also stated that the continued intimidation of foreign national traders and sustained discriminatory behaviour and other efforts to exclude or discourage foreign entrepreneurs, can be considered a breach of South African trade and retail legislation. The authors further added that they also seriously undermine migrants’ Constitutional rights to freedom of movement and equal application of the law.

Battersby et al. (2017:26) concurred that “the experience and fear of crime also impacts on business practices and viability, affecting the hours of trade, the location of trade and the amount of stock carried”. The violence against foreign national small business retailers in South Africa is not an easy phenomenon to grasp because it cannot be easily explained using the micro-lens of the concept of xenophobia (Charman and Piper, 2012). The authors further suggested that “violent entrepreneurship” is a phrase that at least explains the target approach against foreigner shopkeepers whenever there are xenophobic outbreaks in South Africa’s township environments, such as in Delft Township in Cape Town where this study was conducted. The authors also observed that South African shopkeepers whose businesses have collapsed tend to be hostile towards the immigrant competitors. However, the failed South African retailer usually accepts economic defeat and probably leases out their business to the foreign national small business retailer for a monthly rental income (Charman and Piper, 2012).

Foreign national small business retailers take over the stores of failed South African retailers by renting them from the local retailers then turning them around to make them very profitable (Gastrow and Amit, 2013). Moreover, the authors said that foreign national traders are generally legally unable to own properties in the townships so they opt for renting in order to acquire premises for trade. Furthermore, the authors suggested that buying a property in one township would also make it difficult for foreign national small business retailers to move whenever xenophobic violence breaks out.

Gastrow and Amit (2013) observed that currently, foreign national small business retailers are able to close a business within a day and never return to the location. However, these authors also observed

that foreign national small business retailers do not see themselves returning to their countries of origin, despite the xenophobic attacks which they deal with by simply moving to more tolerant locations. The rental system works to the advantage of the foreign national trader even though it is not ideal for a small business operation. Nevertheless, Charman and Piper (2012) summed the situation up by observing that the potential for another sporadic xenophobic violence is always there as long as there remains some local traders together with community members with what it perceives as legitimate grievances linked to a livelihood under competitive strain. The authors also cautioned that should this community be able to link to the predominant forms of local power, and successfully present its particular interests as community interests, there could still be an outbreak of the sporadic xenophobic attacks on foreign nations.

It must be noted that competitors in any business are a very important element. The presence of foreign national trader usually conduces to business strategies like price cutting, advertising promotions, enhanced customer services – and not violent disruption (Chimucheka, 2013). Furthermore, the author noted that in an industry such as small business retailing where barriers to entry are very low, competition is usually fierce and can be increased by the bargaining power of customers and suppliers.

Wang (2016) argued that even though access to finance has been identified as the major obstacle for most small business entrepreneurs, infrastructure such as power connection and competition have also been identified as factors hindering the growth of small businesses. The author also added that there are also various external factors that hinder the growth of small businesses, such as the political climate of a country, and unfortunately there is nothing a small business can do to bypass these factors. Erskine and Yong (2020) also noted that access to finance can be a challenge for SMEs and this can be due to their limited capital base and lack of a track record or due to the current economic climate of that region. However, the authors argued that with a credible forecast and projection coupled with good documentation and a compelling business plan, SMEs can have an easier access to finance from the credit provider.

According to the Sustainable Livelihoods Foundation (2012) South African Spaza shops are less competitive than foreign national run *spazas*. The authors further added that the majority of South African Spaza's are home based businesses, whereas foreign run Spaza's operate from a semi-detached room, or more commonly, from rented premises. Furthermore, the authors said that most South Africans operate their own shops or draw on family labour, whilst up to two-thirds of foreign shop keepers are employees. Some of these employees work under conditions akin to bonded labour. Also, the authors suggested that this enables the entrepreneur to minimise their labour costs, whilst employing sufficient staff to operate the business over long hours. The authors further notes that the rise of foreigner owned Spaza retailer traders is a result of competitive capitalist behaviour; with foreigner owned Spaza retailer businesses effectively using supply chain connections and price discounting to obtain goods more cost

effectively (Livelihoods Foundation). In contrast, the authors further suggested that the South African Spaza's owners are unable to match the collective purchasing power and labour advantages of the foreign businesses and have opted to either close their shops and/or focus on commodities in which they can sustain a competitive advantage, notably take-away food and liquor retailing.

According to Eicker and Cilliers (2017), small business entrepreneurs always need to find a way of differentiating their businesses from their competitors. The authors added that when they differentiate themselves from competitors they need keep their customers in mind. Furthermore, the authors said that if the small business differentiates itself by improving customer care, it is likely to improve sales. Eicker and Cilliers (2017) concluded that customer service is the best way to differentiate a business from competitors; however, small businesses struggle with inventory management systems, and without the appropriate stock it is hard to serve customers. Furthermore, the authors also noted that small business retailers need extra storage facilities in order to back up any plan to serve customers better with available stock and products.

#### **2.3.4 Competition and competitiveness among small business retailers**

In order to be competitive, small business retailers need to be in close proximity to their customers and create the convenience that the customers need. Foreign national small business retailers collaborate with each other to use a centralised inventory management system, while local South African traders use a decentralised system in which each trader orders their own stock individually (Eicker and Cilliers, 2017). The authors also stated that collaboration or partnership would seem the way for South African traders to go in order to match this competitive advantage. Furthermore, the authors added that building and maintaining stock levels for a small business brings the cost of carrying stock, so greater storage capacity would make it easier for a small business to be responsive to customer needs as well reduce the risks of stock-out.

Competition and competitiveness in township retailing environments is about customers' buying power and their preferences, and therefore about understanding the consumer behaviour of the poor township dweller; it is also about the retailing skills of the small business retailer (Ntema and Marais, 2010). However, Eicker and Cilliers (2017) stated that small business retailers usually focus on saving on the costs of managing inventory, but this detracts from their competitiveness due to being regularly out of stock of certain products.

In South Africa the small business retail sector has been inundated by the scourge of counterfeit products that are very detrimental to the sector but are sold by some traders for competitive advantage. According to Battersby, Haysom and Even-Zahav (2018), the biggest challenge facing consumers in South Africa is the quantity of counterfeit products in the informal small business retailing sector. The authors also argued that while not all counterfeit goods pose a risk to consumers, consumers are not necessarily aware of the counterfeiting, simply purchasing the goods for reasons of convenience or cost.

Furthermore, the authors said that counterfeit products that do not pose a risk to consumers are known as “diverted products” as they are licensed to be sold in one area and yet are to be found being sold elsewhere. These include but are not limited to supermarket-branded products or over-runs from factories that are sold outside those supermarkets or factories (Battersby and Haysom, 2018). Torrès and Thurik (2018) also argued that small business retailers that sell counterfeit products are putting their own businesses at risk of being closed by the authorities (such as the Department of Health). Battersby et al. (2018) further suggested that counterfeit products that pose a health risk to consumers include those goods that are made to replicate branded products, as well as goods that have been tampered with, repacked and sold post expiry date. The authors also pointed out that in South Africa all perishable products have an expiry date and to adjust that date is illegal according to the Consumer Protection Act. The Act was promulgated to secure quality products for consumers and increase their safety. Even though some food products may well be safe after the expiry date, expired food can cause serious illness or even death (Battersby and Haysom, 2018). It must also be noted that the Consumer Protection Act in South Africa is also there to protect the retailer from liability but food insecurity and extreme poverty are the main drivers of consumers purchasing cheap and dodgy food.

Battersby et al. (2018) claimed that foreign national traders are mainly blamed for the sale of counterfeit products in South Africa. These traders stand to face serious consequences if found guilty of doing this. Moreover,, the authors added that the South African government needs to commit to training people at municipal level to test products sold at informal retail stores from time to time, the same way the South African Department of Health does for national retailers. The authors further observed that that weak national and international trade regulations and border controls make counterfeiting difficult to manage and control. The globalised nature of the supply chain of counterfeit products makes it difficult to address the root causes, which might include greater transparency at border controls. However, another major factor to be addressed is the barrier to entry for small retailers who have an interest in entering the formal market but are excluded due to the economies of scale (<https://theconversation.com/fake-food-in-south-africa-myths-misinformation-and-not-enough-data-103168>).

According to Mor, Phool, Mahila and Centre (2018), an entrepreneur creates a small business for the benefit of the consumer, and they do that by taking risks and spotting a gap in the market at which they aim their business. The authors also added that an entrepreneurial mind-set involves being able to recognise business opportunities and creating a competitive advantage for the business that you start to pursue those opportunities. Also, the authors suggested that entrepreneurs should also be able to improve on current products or service offerings and simplify things for the consumer. Entrepreneurship is catching up in developing nations due to the increasing importance of the entrepreneur’s role in key areas of concern for development such as income, growth, poverty traps, wealth inequalities, welfare, structural changes and market failures (Mor *et al.*, 2018). The author maintained that entrepreneurship can simply be viewed as ‘creative destruction’, in terms of which micro entrepreneurs take initiatives

to improve and boost growth through the effective use of scarce resources, which will be a catalyst for economic growth as well as poverty alleviation. The author also argued that the probability of adopting entrepreneurship as a profession increases when an entrepreneur has sufficient resources to finance the enterprise from his or her own levels. A beginning entrepreneur is four times more likely to choose their own micro business rather than run a parental enterprise (Mor *et al.*, 2018). The author also suggested that the likelihood of choosing microenterprise as a profession is greater among older entrepreneurs. Moreover, the authors stated that schooling and gender did not appear to affect the choice of business as a career.

Chen, Huang, Tsai and Tzeng (2013) claimed that small businesses can compete in terms of access to information because a business can use information to gain competitive advantage. Furthermore, the authors stated that most business information requires a level of interpretation for it to be useful; moreover any information that a small business uses must be credible information, so small business need to collect information through credible means or use credible sources. Information is very valuable and small businesses must consider paying for valuable information that they cannot generate themselves (Chen *et al.*, 2013). The authors also added that business information can help forecast the future due to the changing nature of economic environments. The authors further suggested that small businesses can become more competitive by using their information well and understanding the market well. Business information is not only valuable for small businesses but also for large enterprises, which use information to make investment decisions (Chen *et al.*, 2013).

Spremo and Mičić (2016) noted that small businesses are more capable of surviving a business crisis than large companies, partly because they have fewer employees. In the period 2008-2014, these authors further stated, having observed both developed and developing or transitional economies, they found that small enterprises have made a greater contribution to resolving the global problems of economic growth and employment. Furthermore, the authors noted that despite the obvious difficulties that small enterprises have faced during the global crisis in the period observed, there was a smaller decline in the number of small enterprises, value added and employment, than in large enterprises.

The growth and development of a national economy is dependent on the growth and development of small businesses in that economy (Spremo and Mičić, 2013). Furthermore, the authors noted that all this indicates the need to identify the key factors for economic development, and the realistic position of small enterprises in the development of the national economy. The authors further added that countries need to ensure that the small business sector is in a healthy state because the development of small businesses is crucial for the growth and development of market economies. To do this, the authors narrated that countries need to make sure that there is innovation geared towards attracting the younger generation to participate in the small business sector.

Small businesses in the township usually spend their money outside the township because most of the value chain lies outside the township. South African government development agencies actually need to find a way to bring the value chain into the township (Koens and Thomas, 2015). Furthermore, the authors suggested that once they become successful small business owners tend to move out of the township and therefore lose the connection with their consumers. Moreover, the authors added that small business owners should not view the township as a social inconvenience but rather as a source of business opportunities where they can grow their businesses.

According to Coca-Stefaniak, Parker and Rees (2010) local small business alliances are very important and small business entrepreneurs are inter-dependant on each other in the various local small business environments. The authors also suggested that inter-dependence among small business owners helps to expand owners' understanding of issues such as customer retention and loyalty, local socio-economic factors, and word of mouth promotion by customers. When businesses are rooted in the community that they serve they receive positive feedback (from customers) that benefits the business (Coca-Stefaniak et al., 2010). The authors further maintained that for small business retailers to achieve any form of competitive success they need to pursue a measured localisation approach as part of their business model. The authors also concluded that in this way small business will be able to engage intimately with the communities where they do business.

Spremo and Mičić (2013) noted that small businesses, as the basic generators of employment and economic development, play a key role in the economy of developing countries and emerging economies. The authors also added that in some countries around as much as 99.8% of all companies are small enterprises, and thus they are a priority in the development of the entire economy. In order to maintain and improve the competitiveness of a country's economy, creators of economic policy measures, regardless of the economy's strength, have plenty of reasons to focus on small enterprises as an engine of economic development and job creation (Spremo and Mičić, 2013).

According to Elhennawi (2016), although the exact size of the informal economy is difficult to determine, it is clear that it represents a substantial proportion of African economies. The author also added that informal enterprises have several benefits from the social perspective, such as absorbing large numbers of unemployed people and providing products and services at lower prices. While the debate regarding the pros and cons of informal enterprises is ongoing, several benefits devolve from studying informal economy and its formalisation (Elhennawi, 2016). The author further suggested that the government will as a result have more reliable data concerning this sector, leading to better forecasting, policies and reforms. It should lead to increasing the tax base, thus improving services, and might even lead to decreasing tax rates in the long term. Although there are obvious benefits to formalisation that are acknowledged throughout the world, many African economic entrepreneurs seem reluctant to accept them (Elhennawi, 2016).

Salimov (2018) argued that South African small business entrepreneurs need to focus on creating wholesale and manufacturing markets that are controlled by them in order to make sure that they are participating in the entire value chain of retailing. Moreover, the author added that in order to do that they need to partner with larger private enterprise through small enterprise development programmes and South African government development agencies. Salimov (2018) further claimed that government agencies can offer support in the provision of land and equipment, so that small business entrepreneurs can build the wholesales depots close to where they trade in the townships.

Although it is common cause that small business retailers contribute significantly to employment, the authors suggested that South African small business retailers employ fellow South African, while foreign national retailers employ foreign nationals (Ntema and Marais, 2010). The authors also observed that whenever a foreign national small business retailer employs another foreign national it becomes a lost opportunity for the South African economy to reduce structural unemployment. That is why the focus of this research is to develop a business intervention model to make ensure that South African small business retailers are competitive, as their success has a direct bearing on South Africans being employed in this sector. Ardyan (2016:83) defines success as “performance, visible from human resource performance, operational performance, and marketing and financial performance”. However, the author added that in order to improve performance, small business enterprises need to be able to track their competitors’ strategy, understand market trends and be responsive to ever-changing market conditions.

According to Porter (1996) the root of the problem facing businesses is the failure to distinguish between operational effectiveness and strategy. The author also suggested that the quest for productivity, quality, and speed has spawned a remarkable number of management tools and techniques: total quality management, benchmarking, time based competition, outsourcing, partnering, reengineering, and change management. The author further noted that although resulting operational improvements have often been dramatic, many companies have been frustrated by their inability to translate those gains into sustainable profitability. And bit by bit, almost imperceptibly, management tools have taken the place of strategy (Porter, 1996). Moreover, the author added that as managers push to improve on all fronts, they move farther away from viable competitive positions.

South African small business retailers view foreign national small business retailers as people who have an agenda to oust them from this market segment in township environments (Ntema and Marais, 2010). The author further observed that South African small business retailers also argue that foreign national retailers practise unfair business models such as selling expired goods, fake goods and/or inferior products that are not suitable for consumption. Furthermore, the authors added that these perceptions have contributed to the strained relationship between foreign national small business retailers and their South African counterparts, reaching a critical point from time to time and resulting in xenophobic



attacks. Ntema and Marais (2010:22) also stated that “South African traders feel they have been left unaided when dealing with the consequences of unfair competition resulting from the alleged failure by their own government to regulate the influx of non-South African traders”. The authors further argued that these feelings are always directed in the first instance at the South African government’s Department of Home Affairs, which should be regulating the influx of foreign nationals into South Africa. The authors also stated that an antipathy is also directed at the South African government’s Department of Trade and Industry’s small business enterprise agencies, which are perceived not to be doing enough to protect and promote South African small business retailers in the township retailing environment. Various municipalities (including the Cape Town Metropolitan municipality) are supposed to use the by-laws of the city to protect South African small business retailers in township retailing environments (Ntema and Marais, 2010).

Regarding the Cape Town Metropolitan by-laws controlling informal small business retailers, some small business associations in the city view these by-laws as being biased against small business retailers and favourable to national retailers entering the township market (Battersby et al., 2017). The authors also added that these associations view the by-laws as unrealistic for spaza shops and unhelpful for the growth and development of small business retail entities in townships, where shopping malls with national chain retailers are now thriving.

Porter (2008:86) argued that “competition on dimensions other than price, i.e. on product features, support services, delivery time, or brand image, for instance, is less likely to erode profitability because it improves customer value and can support higher prices”. However, Chivaka (2007) suggested that the use of value analysis to gain competitive advantage is very important for small businesses. Furthermore, the author added that value chain analysis for small business can bring maximum benefits for the small business sector. However, Strydom (2015:466) noted that the recently “heightened level of competition between informal businesses and formal businesses has [had] a major negative effect on the business survival of the informal retailers”. The author also narrated that South African small business retailer’s face competition on different fronts and their survival is threatened. Strydom (2015) also argued that the large shopping malls did impact on the survival of these informal small businesses, but there is evidence that these businesses might be able to survive, given that owners/managers have certain characteristics such as operating an established business in a small existing shopping centre with ten or more stores, being further away from the large shopping malls and the large retailers, having a higher education level and being more mature in age.

Among other reasons for the negative impact of supermarkets on small business retailers is the concept of “outshopping” (Battersby et al., 2017). The authors further stated that the concept of outshopping is when customers give priority to supermarkets outside their area of residence. Moreover, the authors added that there are various causes for this, one being that customer’s sometime shop closer to their

areas of work. In South Africa the situation may be exacerbated by the mobility of the black middle class, whose members still reside in the township but have the capacity to drive to main shopping malls (Battersby et al., 2017).

There is a sense that from a policy perspective the South African government (perhaps at a municipal level) needs to review planning in respect of small business retailers in township environments in order to reduce the tension between the formal and informal sectors (Battersby et al., 2017). Furthermore, the authors stated that the two groups both play an important part in improving the South African economy, and they intersect at various points upstream and through customer practices. However, Koen and Thomas (2015:322) observed that “in South Africa, both small business development and local economic development are key aspects of official conceptualisations in the fight against poverty”. Liedeman, Charman, Piper and Petersen (2013:5) also stated that “South Africa undoubtedly needs to foster entrepreneurship. This includes permitting legal immigrants to establish businesses (including spaza shops)”.

There is a need for appropriate policy intervention for the small business retailing sector in township environments, a policy creating not regulatory barriers but enabling measures; a policy that will see informal small business retailers in township retailing environments being able to formalise as they grow (Liedeman et al., 2013). The authors further commented that the task facing policymakers thus is not to exclude the new generation of savvy entrepreneurs in the spaza sector. Rather, it is to ensure that businesses which grow beyond a certain size – those large enough to start negotiating price discounts and merchandising services from producers, to employ staff and to accumulate business assets – start to comply with the requirements of formalisation, whether they are run by foreigners or South Africans. Elhennawi (2016) also claimed that there is a general consensus that formalisation does not make access to financing any easier, as most financing schemes in Africa target SMEs and not entrepreneurial start-ups due to the fact that the latter are considered high risk. Furthermore, the author stated that across the African continent, entrepreneurs need support such as getting cheaper phone lines, internet connections and better access to finance and tax subsidies.

Small business retailers in township environments might (if enabled by helpful policies) have to consider formalising their businesses once they grow, as that will ensure that they do not remain small businesses forever (Liedeman et al., 2013:5). This is consistent with government’s view promulgated in the National Small Business Act (No. 102 of 1996), which states that the South African government will “provide for the establishment of the National Small Business Council and the Ntsika Enterprise Promotion Agency (now Small Enterprise Development Agency); and provide guidelines for organs of state in order to promote small business in the Republic”. Liedeman et al. (2013:5) added that: “such a two-pronged policy that would formalise larger shops whilst permitting and encouraging informal micro and survivalist businesses would encourage successful entrepreneurship whilst providing a space for

rekindling and nurturing informal micro or survivalist spaza shops”. Ngeke (2014) also observed that those policies need to protect small businesses from early demise so that they can grow to the benefit of the unemployed. Such policies can be driven by the Ministry of Small Business in South Africa and implemented by the small business development agencies within the Ministry. The Ministry has the potential to have an impact on the growth of small business through encouraging entrepreneurs to be innovative and thereby significantly affect the growth of the small business sector in terms of performance and sales

According to Charman et al. (2013:4) “there remains a strongly held belief, among both economists and policymakers, that the strength of the disincentives must be considered, both in terms of the capacity of the state to implement regulations, and the severity of punishments for transgressors. Strong disincentives and rigorous enforcement (added to strong formalising incentives), it is held, have the potential to leverage a shift of informal micro-enterprises into the formal sector”. In 2014 the South African government created a special Ministry of Small Business Development, which obviously has the potential to positively impact the small business sector in South Africa. However, the ministry needs to respond to small businesses in various stages of growth and various sectors of the economy so that the policy proposals do not use a blanket approach for small business development (Business Environment Specialists, 2014). Government policy should also have an economic impact that will increase the consumer expenditure base for the township small business retailing market to survive (Ligthelm, 2008). Nevertheless, government policies must take cognisance of the fact that small business sectors are not homogenous and entrepreneurs are not actually driven by the same factors, with some driven by necessity and others by opportunity (Ngeke, 2014).

Chimucheka (2013:783) asserted that “when the substantial contribution of SMMEs is considered in South Africa, it is imperative that they should receive much attention”. The authors added that the South African government however does acknowledge the importance of a strong and vibrant SMME sector. Furthermore, the authors stated that this is demonstrated in its commitment to the promotion and the support for SMMEs that aim at increasing the number of new enterprises and creating an enabling environment to ensure their survival and growth. Furthermore, the author stated that South Africa is battling with high unemployment despite its efforts to promote small business development endeavours. Promoting small business growth reduces the job creation burden on the government and private sector because small businesses create jobs (Chimucheka, 2013). Malgas, Khatle and Mason (2018) also noted that while growth and job creation are needed in the economy, they are not always driven by the same factors. The authors added that since the economy needs both, small business growth should be the focal point for development as it has spin-offs other than job creation. The authors further noted that the hoped-for result is that full employment and sustainable livelihoods are realised in the economy.

## **2.4. SMALL BUSINESS RETAIL ENTREPRENEURSHIP IN SOUTH AFRICA**

According to Fatoki (2014:923), “in countries ranking high in the Global Entrepreneurship Monitor (GEM) analysis, entrepreneurship and new SME creation is an integral and accepted feature of economic and personal life”. Moreover, Ligthelm (2005) argued that developed countries’ entrepreneurial culture is largely driven by opportunities in the market created by demand, and entrepreneurs in those markets are highly motivated by returns. Preisendörfer, Bitz and Bezuidenhout (2012) also argued that in South Africa, the vast majority of informal entrepreneurs are necessity-driven, with limited financial resources. However, Fatoki (2018: 3) noted that entrepreneurs require resilience which is a dynamic adaptation process that allows business owners to continue to be forward looking despite harsh market conditions and the destabilising events that they consistently face in the marketplace. Furthermore, the author stated that Entrepreneurial resilience involves: (1) the ability of the entrepreneur to cope with instability and change in the business environment; (2) the ability of the entrepreneur to maintain good health and energy despite constant business pressures; (3) the ability of the entrepreneur to bounce back from personal and business setbacks and adversities; and (4) change to a new way of managing the business if previous ways are unsuitable.

According to the 2016/17 GEM report, half of all early-stage entrepreneurs are active in the wholesale/retail sector – the same as the average for Africa as well as for the efficiency-driven economies. On the other hand, Williams (2007:314) noted that “the complex ways in which these informal entrepreneurs explained their rationales for deciding to set up in business cannot be easily squeezed into one side or the other of this necessity/opportunity dichotomy”. The author also argued that a more in-depth understanding of the diverse nature of informal entrepreneurship is required to transcend the dichotomy of looking at entrepreneurs as necessity or opportunity entrepreneurs when analysing them. Furthermore, the author noted that for South African entrepreneurs to move from the necessity to the opportunistic stage in their entrepreneurial growth they need to be developed through training programmes. Such entrepreneurial programmes should not only be targeted at those entrepreneurs in the start-up stages but also those who have been trapped in the necessity stage for a long time (Williams, 2007).

According to the Global Entrepreneurship Monitor (GEM) report (2015) most entrepreneurs around the world are driven by available opportunities. The report further stated that even in the factor- and efficiency-driven economies, 69% of entrepreneurs are driven by available opportunities, rather than starting out of necessity or because there are no employment opportunities available. However, the report observed that the innovation-driven economies show a higher proportion of opportunity-motivated entrepreneurs, at 78%. In South Africa two-thirds of entrepreneurs are opportunity driven according to the 2015/16 global entrepreneurship report for South Africa (GEM report, 2015/16). The

report (2015/16:5) further noted that “South African early-stage entrepreneurs are considerably more innovative than their African counterparts”, but that “South African entrepreneurs involved in early-stage entrepreneurial activities are far lower than the average for Africa”.

Entrepreneurs who are sole traders usually find themselves trapped in the daily activities of running a business with no time to attend training and thus upgrade their trading skills (Preisendörfer et al., 2012). Therefore, any business intervention model such as the one proposed by this study should be targeting the training need of entrepreneurs, with financial and mentoring support for it to succeed. Fatoki (2018) stated that entrepreneurs usually face major stumbling and obstacles in their pursuit for new ventures while also facing high levels of uncertainty regarding outcomes. The author also suggested that small business owners operate in constantly changing business environment that at time is too difficult to navigate. However, the authors stated that one of the key characteristics of entrepreneurs is resilience and this is an important personal characteristic of any entrepreneurial endeavour in order to drive business success.

The success of foreign national traders in township environments is often attributed to their long working hours (thereby creating convenience for their customers) compared to their South African counterparts (Crush, Skinner and Chikanda, 2015). The authors further stated that foreign national retailers are also known to be risk takers who rely on technology to interface with their suppliers and sometimes with their customers. Therefore, the authors added that if South African small business retailers are to be competitive they must be schooled in the strategic use of such technology. The South African government should invest in youth entrepreneurship programmes and development initiatives in township areas (Crush et al., 2015). Entrepreneurial support for South African retailers need not be financial in nature, but must be tailored towards developing informal retailers in township retailing environments (Gwija, Erisia-Eke and Iwu, 2014). Shava and Smith (2014) similarly claimed that policy makers in developing countries should include the creating of a conducive conditions for informal entrepreneurs regardless of where they operate from. The authors also stated that the advantageous policies could assist informal entrepreneurs and women entrepreneurs to take their entrepreneurial skills to higher levels as long as they realise that their efforts are making a difference to the community. In South Africa entrepreneurship for women may mean emancipation from cultural constraints (Iwu and Nxopho, 2015).

According to Ngeki (2014), a well-trained entrepreneur running a small business has a more notable impact on economic growth and development than an entrepreneur who has never been trained. The quality of a small business is determined by the quality of the entrepreneur behind that small business. In South Africa there is a view that black people should be targeted for any entrepreneurial support as they are the majority and live in the informal township environment (Preisendörfer et al., 2012). Across the world, small businesses struggle to survive, but especially in developing countries where there is

little support for small business (Ngek, 2014). The author also added that support for small business results in a positive growth rate and that growth rate requires high quality entrepreneurs to drive it. In order to drive innovation, entrepreneurs need innovative tools, since innovation is key to the sustainability of the small business, especially during uncertain and turbulent periods in the economic environment (Ngek, 2014). Moreover, the author stated that small businesses should be driven by opportunity to make a return on investments in every market in which they participate. Furthermore, the author suggested that many small business in the retail sector suffer from a poor growth rate because of small profit margins. Small profit margins also make it difficult for a small business to contribute meaningfully to economic development, especially in the retail sector (Ngek, 2014). The authors further stated that while in South Africa there is a real opportunity to use small business as catalysts for growing the economy, in order to do that the country needs to revive its entrepreneurial culture.

### **2.4.1 Entrepreneurship and entrepreneurial culture in South Africa**

According to Ligthelm (2010:150), “entrepreneurship in its strongest and purest form is at the level of small and medium-sized enterprises, where individualism, self-reliance and risk-taking are particularly prominent”. The authors also noted that in South Africa there is a direct correlation between level of education, industry experience and entrepreneurial success. Entrepreneurs with specific industry experience and post-matric education have a greater likelihood of success than those who lack industry-specific experience or post-matric education (Preisendörfer et al., 2012). According to Bullough, de Luque, Abdelzaher and Heim (2015), the importance of providing effective entrepreneurship education and training cannot be overestimated, but it needs to be driven by effective leadership through various entrepreneurial educational endeavours. An entrepreneur is first responsible for his or her customers and employees, but his/her role is not limited within the confines of the business and also involves dealing with all the stakeholders, such as the small business sector at large, the suppliers, other entrepreneurs, the community they serve and their family (Bullough et al., 2015).

According to the 2016/17 GEM report entrepreneurial intentions in South Africa have dropped by more than a third (from 15.4% to 10.1%) when compared to 2013 and almost halved when compared to 2010. Entrepreneurial intentions in South Africa are significantly lower than for the African region as a whole – the regional average is four times higher than for South Africa – while the average for the efficiency-driven economies is more than double South Africa’s score (GEM report, 2016/17).

The survival prospects of formal and informal start-up businesses do not differ significantly in South Africa, though formal start-ups are likely to create more jobs (Preisendörfer et al., 2012). Choto et al. (2014:99) observed that this fact is “contrary to the popular view that survivalist entrepreneurs venture into businesses primarily to obtain self-employment and sustain family needs”. Township entrepreneurship should therefore receive major support from developmental financial agencies in

South Africa. The businesses that these entrepreneurs run in the townships have a role to play in the economy of South Africa, since even though they are small they create jobs in the long run (Preisendörfer et al., 2012). According to Chiloane-Tsoka and Mmako (2014), South African government development agencies do not have proper strategies to communicate with small businesses to alert them to the services that they offer, services that can help them to avoid failure within the first three years of operation, as is currently the case.

Zucchi and Schaffranek (2018) noted that South Africa is faced with a high percentage of unemployed youth and that small business has a role to play in reducing that percentage. The author also suggested that South Africa's unemployment rate amongst the youth is in fact the highest in the Sub-Saharan region, and the situation is not improving as it is in other parts of the region. The figures provided by Zucchi and Schaffranek (2018) also suggested that South Africa has a jobless rate of about 26.7%. The authors argue that one of the most effective ways to address this situation would be to grow the Small and Medium Enterprise sector. Also, the authors added that there is therefore a need for the country to invest in an entrepreneurial youth development programme. Currently South African youth can learn theoretical entrepreneurship at tertiary institutions, but the theory is not linked to any practice, meaning that those who graduate from those programmes remain unemployed (Gwija et al., 2014). Furthermore, the authors advised that there is a need to shift the entrepreneurial culture of South Africa and begin to develop small business incubation units within tertiary institutions to give practical experience to all students studying entrepreneurship. The authors also added that this will help students with potential business models to launch their businesses through the incubation programme. Coetzee and Buys (2017) noted that small business incubation programmes should be equipped with funding models so that they are able to give full support to entrepreneurs. The author further suggested that such small business incubations are well positioned to help start-ups during the critical first three years of operation.

Coetzee and Buys (2017) claimed that South African banks always put the blame on external factors in the impact risk assessment in deference to which they decline to fund an entrepreneur. Moreover, the authors added that although in South Africa the statutory audit requirement for qualifying entities has been eliminated, these entities still find themselves having to meet these audit requirements if they are serious about securing funding. If the financing of small business entrepreneurs is handled by small business incubators, then the problems of bank funding will be eliminated (Coetzee and Buys, 2017). Zucchi and Schaffranek (2018) suggested that an SME requires help from incubation in order to start running and access first round funding from any government or corporate funding agency. The authors are of the view that SMEs are the backbone of job creation and economic development, but SMEs need an ecosystem designed for their own realities.

According to Coetzee and Buys (2017), South African banks need to re-evaluate how they assess loan applications for small businesses since small businesses can hardly afford auditors who can prepare

their financial statements. Nevertheless, the authors added that it is very important for South African small business owners to have an understanding of financial information and analysis. Small businesses always struggle to attain audited financial statements, sometimes to the detriment of their growth, as institutional funders tend not to fund businesses without audited financial statements (Coetzee and Buys, 2017). However, these authors also noted that the inverse is also possible, and an SME might choose to audit its financial statements at great cost, but have a bank that does not place much value on whether the financial statements are audited or not when assessing credit applications. Furthermore, the authors said that if small businesses want their funding applications to be given favourable consideration, they need to show that they have adequate security in place, and that they have the ability to pay back the loan from anticipated cash flow.

According to Coetzee and Buys (2017), South African small business policies must be geared toward easing the regulatory burden of small business development. Moreover, the authors added that the abolition of the statutory audit requirements for small businesses has also had some unintended consequences, since small businesses still find themselves having to comply for the purposes of obtaining funding.

Mthimkhulu and Aziakpono (2015) pointed out that in South Africa small businesses also struggle with the effects of criminal elements and the slow pace of the legal system to resolve criminal matters. Crime in South Africa affects all small business owners regardless of ethnicity or gender, although foreign nationals in the townships are particularly badly affected whenever there is protest activity. Mthimkhulu and Aziakpono (2015) also stated that unemployment is a very big problem for South Africa and small businesses have been identified as key in generating jobs for the society.

Addressing crime is only a small part of the major role that the South African government has to play in creating an entrepreneurial culture in the country (Gwija et al., 2014). The authors also suggested that the government needs to ease the financial implications of registering small business or star-ups as this could encourage more people – especially the youth – to aspire to entrepreneurial success and contribute meaningfully to the economy. The government should invest in entrepreneurship education from primary levels in order to positively impact the country's entrepreneurial culture, influencing learners to pursue entrepreneurship from an early age when they are still very innovative and with some appetite for risk (Gwija et al., 2014). Also, the authors added that small business owners need to arm themselves with business education that will allow them to understand the financial information that they need to analyse to make business decisions.

Young entrepreneurs in South Africa should be exposed to seasoned entrepreneurs through learnership opportunities, in-service training and even voluntarily service opportunities (Gwija et al., 2014). The author further stated that investing in youth entrepreneurship in South Africa requires a parallel process



of developing a micro-finance sector targeted at small business development and start-ups. When a country has a vibrant developmental microfinance sector, it can boost its entrepreneurial culture and possibly make a contribution to reducing poverty (Murisa and Chikweche, 2013). The authors further noted that a thriving micro-finance sector, governments have proved to be a substantial source of funding, possibly at levels equal to or, in some cases, much higher than funding from investors and philanthropists from developed countries. Brixiová and Kangoye (2016) added that government small enterprise funding needs to prioritise woman entrepreneurs who usually do not have any start-up capital and are unable to secure jobs in the formal sectors of the economy. The authors also stated that women who receive good support and are funded usually succeed in small business retailing and are able to create sustainable employment opportunities for the economy. Otoo, Ibro, Fulton and Lowenberg-Deboer (2013) further noted that women entrepreneurs are chiefly necessity-driven operating survivalist enterprises and they are geared toward creating security for their families and not profit maximization. Furthermore, Etim and Iwu (2019) also noted the two main factors that are responsible for the continued marginalisation of the sub-Saharan African female entrepreneur and those are socio-cultural and economic factors. The authors further noted that female entrepreneurs struggle to access small business loans because they lack collateral as some woman historically couldn't legally own property.

Venture capital firms require preparedness from entrepreneurs in need of funding, as that separates those entrepreneurs with good business plans that are fundable from those that are not (Chen, Yao and Kotha, 2009). The author also noted that preparedness includes a passion for the business that the entrepreneur is raising funds for and an understanding of the market the entrepreneur wishes to enter.

Brixiová and Kangoye (2016) observed that entrepreneurs who have their own personal funds for start-up have a better chance of succeeding in small business retailing because they will not be under any pressure to service a business loan. Women struggle in this regard since they hardly have any personal money to fund their own start-up and always have to rely on external funding or funding from family members (Brixiová and Kangoye, 2016). Female entrepreneurs without formal education struggle even harder to get external funding for a start-up than women with formal educational qualifications, while younger would-be woman entrepreneurs find it more difficult to get funding for their start-ups than older or adult woman entrepreneurs (Brixiová and Kangoye, 2016). Döckel and Ligthelm (2005:62) pick upon the youth angle when they argued that "creating an enabling environment with favourable market conditions combined with some support to young dynamic entrepreneurs would be a catalyst for employment creation and economic growth". However, Williams (2014) cautioned by stating that informal entrepreneurship conducted by lower-income groups, females, those with lower educational levels and those not formally working (perhaps due to retrenchments) are significantly more likely to be necessity-driven. However, the author stated that those participating in higher-income brackets, men, middle-aged workers, the better educated, and managers, the self-employed and other white collar workers, along with students, are significantly more likely to be willing participants.

The GEM report (2015/16) for South Africa noted that in South Africa it is government programmes and policies, school-level entrepreneurship education and training, research and development transfer, and cultural and social norms that create the weakest entrepreneurial conditions. At the same time, according to the World Bank Doing business report (2016:18) “globally, South Africa stands at 120 in the ranking of 189 economies on the ease of starting a business”. This is despite a regional average of 74.42 for sub-Saharan Africa (Doing business report, 2016). This shows how much work South Africa needs to do in order to improve its entrepreneurial culture, even in comparison with other emerging economies. The Doing business report (2016) also noted that economies around the world have taken steps making it simpler to start a business by streamlining procedures of setting up a business. Moreover, the report added that these economies have made these procedures faster by introducing technology and reducing or eliminating minimum capital requirements. In the Global Entrepreneurship Monitor (GEM 2015/16) survey, South Africa does not feature among the sub-Saharan African countries with good early-stage entrepreneurial activities. The main reasons for South Africa not featuring is that its entrepreneurs lack sufficient capital for start-up and have poor business management skills, while the country has no infrastructural systems to support early stage entrepreneurs (Iwu, Ezeuduji, Eresia-Eke and Tengeh, 2016).

Gastrow and Amit (2013) reported that most foreign national small business retailers start up more than one shop at a given time, or collaborate with other foreign national retailers to start two or three stores at a time. Furthermore, the authors stated that the co-ownership model is popular among foreign national small business retailers, in contrast with South African small business retailers. Moreover, the authors added that the advantage of the co-ownership model is that it makes rapid growth more likely than in the case of one owner with a single store. Significantly, the co-ownership model will probably be difficult to implement in the local environment since South African traders in the townships are polarised along tribal lines (Gastrow and Amit, 2013). However, the authors cautioned that it could of course be possible though not ideal for South African small retailers to organise themselves and use the co-ownership model along tribal lines. The co-ownership model is also useful for when a trader takes some time off or away from the business, and knows that there is someone with similar interests looking after the business (Gastrow and Amit, 2013). The authors also stated that some local small business retailers do not even reside in the locations where they trade, but with the co-ownership model they could choose partners that reside in the areas where they trade to make sure that the store opens early and closes late, creating convenience for the consumer. Moreover, the authors added that if the partners disagree on operational matters they are able to divide the businesses they own and implement a sole ownership model.

It is important for the South African government and its development agencies to provide all the necessary assistance to start-up entrepreneurs as a way of promoting and encouraging entrepreneurial culture (Affendy, Asmat-Nizam and Farid, 2015). Singh and Belwal (2008:121), also added that “the

development of SMEs is seen as accelerating the achievement of wider economic and socio-economic objectives, including poverty alleviation in developing countries". Ligthelm (2013:73) cautioned that "the majority of small business support programmes have followed a blanket approach aimed at supporting all small businesses". The author further stated that there is a growing realisation that policy measures should be more specific and targeted towards small businesses with growth potential. Additionally, as Tvedten et al. (2012) pointed out, any form of government policy that supports small businesses needs to be communicated to the small business owners, or else it does not serve its purpose. The authors also noted that this communication must use proper and effective communication channels that can reach small business retailers in the areas where they trade. Moreover, the authors added that access to information by small business retailers is important, and all policies that will have an impact on their livelihood should be formulated in consultation with them.

Africa is currently the best place to do business because of its young population; however, doing business in Africa comes with real challenges as the continent has unreliable institutions of governance and fierce competition, coupled with poor infrastructure (Tvedten et al., 2012). The GEM global monitor report (2015/16) suggested that economies that require improvement in their entrepreneurship levels need to reform the regulatory environment. The report further added that regulatory environment reform can make it simpler for new businesses to register, increase resources aimed at improving research in the innovative sector. Also, to improve ICT infrastructure beyond urban areas is equally important and that can be done by improving funding mechanisms for small businesses. However, the report added that government can do that by ensuring small business support through training and coaching, having a targeted approach to specific entrepreneur profiles such as woman and youth, and consider tax relief and social benefits for entrepreneurs. Olawale and Garwe (2010:737) also affirmed that "it is beneficial to the growth and sustenance of new SMEs to have reforms in the regulatory environment in order to reduce red tape and lengthy procedures in the registration of new businesses".

Small enterprise businesses play a major role in job creation, and the South African government should be anxious to provide all the support necessary for the small enterprise sector as envisaged in the National Development Plan (2030 Vision). Strategic policy decisions should provide both technical and financial assistance to the small enterprise sector (Kongolo, 2010). What is more, as Choto et al. (2014:100) pointed out, "the intervention programs aiming to assist entrepreneurs and SMEs development should therefore include all stages of entrepreneurs including survivalist entrepreneurs". Given that the South African government has a huge role to play in harnessing entrepreneurial culture in South Africa, the private sector also should play a role in small business development, perhaps through their procurement enterprise development programmes (Iwu, 2017). Danish, Asghar, Ahmad and Ali (2019:3) suggested that "entrepreneurial culture is intertwined with innovative culture because innovation is considered to be a primary reason to start a business". Furthermore, the authors noted that

there is always a motive to start a new business either it can be an opportunity to innovate or for introducing a new technology. However, Ligthelm (2013:62) noted that “entrepreneurship is deemed an important factor that contributes to both business formation and the ultimate expansion or growth of the business”. But for entrepreneurship to thrive requires a national entrepreneurial culture as a nurturing system.

Urban (2008) observed that when interrogating the success of the Asian Tiger countries, the role of culture as an explanation is on top of the list. The authors also added that entrepreneurial is a critical success factor and those countries cannot be judged economic criteria alone. Furthermore, the author stated that the Chinese Value Survey (CVS), to find a true proof of the role of culture as an explanation for economic success.

Entrepreneurship leads to more entrepreneurship, and the degree of entrepreneurial activities is the outcome of a dynamic process in which social habits (entrepreneurial memory) are as important as legal and economic factors (Urban, 2008). Thus, the author added that entrepreneurs are key to the economic development activities of any nation, and the entrepreneurial history of a community is important. The author also noted that the collective level of commercial activity in any country can be associated with cultural behaviours; for example, there is considerable variation among the rates of commerce within different groups, which may occur in spite of somewhat similar organisation. Barreira, (2008:24) added that “theoretical issues, based on empirical evidence, while not previously dominant, permeate as entrepreneurship attracts various sub-disciplines”. Therefore, when researching about entrepreneurship it is equally import to look at the entrepreneurial culture. Otherwise, the augmenting complexity of research in entrepreneurship in isolation testifies to a greater maturity in the discipline. In South Africa, the local small business retail entrepreneurs cannot be studied without understanding the migrant entrepreneurs.

### **2.4.2 Migrant entrepreneurship in South Africa**

South Africa is the second biggest economy in Africa after Nigeria, and various sectors of its economy have been attracting and importing different skills from the continent, though mainly from Southern Africa. South Africa has succeeded in attracting these skills because of the weak economic conditions in various African countries in the Southern African Development Community (SADC) region, such as Zimbabwe, Malawi, Mozambique and Lesotho. In South Africa “the typical South African entrepreneur is male, 25-44 years of age, lives in an urban area, is involved in the retail and wholesale sector and has a secondary or tertiary level of education” (GEM). Political instability in addition to economic weaknesses has resulted in the migration of labour in the SADC region and further afield towards the more stable South Africa (Tevera, 2013). For example, Gastrow and Roni (2013:7) observed that “Somali traders have been arriving in South Africa since the mid-1990s, fleeing the civil war that has ravaged Somalia for over 21 years. Many also originate from the Somali Region of Ethiopia (also known

as the Ogaden), where the Ethiopian government has carried out large-scale persecution of ethnic Somalis”.

Because they are unable to participate in the formal sectors of the economy (partly due to South African labour laws, foreign nationals in South Africa have found themselves in township environments where they trade in the small business retailing sector comprising of hair salons, spaza shops and liquor outlets (Chiloane-Tsoka and Mmako, 2014). The presence of foreign nationals in the small business retailing sector has meant that local South African traders are facing increased competition and even price wars. The foreign national traders have their own pricing strategy that they use collectively as a group and which works better than the pricing strategy of South African traders. Chiloane-Tsoka and Mmako (2014) claimed that these pricing strategies have led to diminishing profits for South African traders, some of whom have chosen to close their businesses or sell them to foreign national traders.

Migrants unable to secure jobs began selling on the streets of major cities in South Africa and spread to the townships (Tevera, 2013). Not only African migrants but also Asian migrants began to open small shops in township environments. These shops introduced a new entrepreneurial spirit into township retailing, which was beneficial for low income consumers facing tough economic conditions (Tevera, 2013). Furthermore, the author stated that the competition between locals and migrants resulted in lower prices, but also produced bitterness among South African small business retailers who felt they were being pushed out of business by the migrants. The author further explained that perhaps, as a result of a recent history of intense economic competition in the spaza market in which migrant entrepreneurs have come to dominate, increased levels of violent crime against migrant shopkeepers have been reported. Mrasi, Mason and Jere (2018: 32) also stated that retailers and consumers operating in the townships are continuously faced with the challenge of crime, as they are frequent targets of criminal activities

Foreign national small business retailers have invested a lot in their pricing strategy and the strategy has paid off for them (Gastrow and Amit, 2013). Furthermore, the authors added that foreign national small business retailers usually trade at lower prices until their competitors are out of business, after which they slightly increase their prices and take over the stores of their competitors. The authors also explained that foreign national small business retailers also use sourcing strategies that result in their getting huge discounts from suppliers. Gastrow and Amit (2013) pointed out that foreign national traders not only use good pricing strategies and sourcing strategies but also save on logistic costs within the supply chain process. Moreover, the authors said that savings come in the form of the transport sharing model that they use to collect their goods from the suppliers. The authors further added that this transport sharing model has created the perception that foreign national traders always use a bulk buying model.

Local South African small business retailers have to contend with all the pricing, sourcing and logistics strategies used by foreign national traders in order to survive in the small business retailing sector (Chiloane-Tsoka and Mmako, 2014). The authors further argued that if these South African traders are to survive they will have to be protected by the South Africa government. Moreover, the authors stated that they need assistance in various areas such as innovation, pricing decisions, networking and collaboration, and in technical skills such as bookkeeping, branding strategies, management and labour relations. The newly-established portfolio of Minister of Small Business should be the key driver in providing this support. Local municipalities where the traders do business should also play a pivotal role in supporting small businesses (Chiloane-Tsoka and Mmako, 2014). Furthermore, the authors noted that the South African Department of Home Affairs should use the immigration laws to protect South African traders from competition from illegal and undocumented foreign nationals.

In South African townships, local small business retailers have to contend not only with competition from foreign nationals but also from locals that migrate from the rural provinces of the country to the urban areas and start to trade in the township small business retailing sector (Chiloane-Tsoka and Mmako, 2014). Furthermore, the authors said that this intra-provincial migration in South Africa has placed an economic burden on the urban municipalities to deliver social services to the rapidly growing township populations. In addition, the authors said that there is an additional strain that is placed on the limited budgets of urban municipalities as they attempt to cater for all these foreign national and intra-provincial migrants. Meanwhile, South African traders should take lessons from foreign national traders on how to collaborate with each other and improve their management skills (Chiloane-Tsoka and Mmako, 2014). Moreover, the authors noted that if local traders were better skilled they would do better in business and perhaps have a positive impact on the tensions between local and foreign national traders. The authors further stated that these skills are necessary to boost local traders' confidence levels in order for them to grow and expand their businesses.

Azmat and Fujimoto (2016) claimed that migrant entrepreneurship has become noticeable in the small business retailing sector because of its approach to business, changing the face of small business retailing in township markets. Furthermore, the authors said that migrant entrepreneur' approach to small business retailing is very hard for local small business retailers to replicate due to the way in which it is socially embedded in the communities they serve. The authors further explained that being socially embedded in the market you serve as a business is the best way to capture the market and keep the consumer happy.

Piper and Yu (2016) stated that in addition to being an important component of the informal economy, Spaza shops matter because they are often run by foreign nationals, and these foreign shopkeepers have often been the subjects of xenophobic attacks. Piper and Yu (2016) also noted that in the last ten years in South Africa there has been an increase in violent attacks against foreign shop owners in particular

those who operate spaza shops in the townships. Furthermore, the authors stated the popular discourse that justifies these attacks alleges that foreigners are taking away jobs, state grants and other social opportunities that rightly belong to South African only. However, the author cautioned that local township dwellers have the perception that foreign national traders are now dominating the small business retailing sector and they want the South African government to intervene. It is widely accepted that foreign Spaza shopkeepers have impacted on the local informal economy of the urban township and informal settlements both in the increasing number of foreign run shops in the last ten years, but also by competition with South African shopkeepers on price (Piper and Yu, 2016).

As noted above, the perception that foreign national traders are dominating the small business retailing sector has created animosity between them and their South African counterparts, and there is a need for social cohesion programmes to integrate foreign nationals into the communities where they reside (Tevera, 2013). The author further explained that the migrant retailers' entrepreneurial spirit is tested on a daily basis as they must operate in fear of xenophobic attacks, being also blamed by some for overcrowding and other local ills of society such as drug dealing. Gastrow and Amit (2013:5) pointed out that "business robberies particularly affect small informal grocery shops (also known as 'spaza' shops) located in low-income townships and neighbourhoods, and commonly target foreign national traders". However, the authors further noted that at times migrants' shops are located in areas with high levels of crime in general, and that migrant traders are often isolated socially in the communities where they trade. This social isolation results in criminals not being held accountable for crimes against migrants by their communities (Gastrow and Amit, 2013). To mitigate these challenges Fatoki (2014) suggested that there must be a deliberate educational campaign against crime and in addition there must be effective policing which needs to include visible policing and faster response rates.

According to Hungwe (2015), migrant entrepreneurs sometimes begin as cheap labour for other migrant entrepreneurs before venturing out on their own. The author also argued that migrant entrepreneurs start with very little experience in the small business retailing sector but are quick to learn from the other migrant entrepreneurs. Furthermore, the author added that migrant entrepreneurs are driven by lack of employment opportunities into starting their own small businesses and self-employment is their form of self-reliance. Migrant entrepreneurs who are in South Africa illegally and/or undocumented always struggle to find employment because legally, on account of the country's stringent immigration laws, they are unemployable in South Africa (Hungwe, 2015). Undocumented migrants suffer the most extreme discrimination in South Africa because they remain on the periphery, with no official recognition from the state and most times with no financial resources to live. Without such resources migrant entrepreneurs who are undocumented are bound to fail in small business, so in order to survive

they need support from various stakeholders. Most migrant entrepreneurs actually require very little start-up capital to make it in the small business retailing sector, but the undocumented ones struggle to scale up and grow their business as they get stuck with low returns and cannot finance future growth. Hungwe (2015) notes that migrants who get jobs in the formal sector of the economy usually get the jobs that the locals have no interest in doing or lack the skills to perform. Hungwe (2015) observes that those entrepreneurs who are highly skilled usually pursue capital-intensive ventures and have entered self-employment because of the opportunities it offers.

Migrant entrepreneurs in South Africa were found to be more entrepreneurial than their South African counterparts even though they face various constraints in growing their businesses (Crush et al., 2015). The authors also added that migrant entrepreneurs' contribution to the South African economy is often misconstrued as a threat and therefore undervalued. These entrepreneurs are very ambitious but in fact severely hampered in growing their businesses because of policies that control them in South Africa (Crush et al., 2015). The author also stated that municipal regulations requiring South African citizenship, lack of access to credit, and xenophobic attitudes from South African locals, are among the factors that inhibit the growth of migrant businesses in the informal sector of the economy. The authors further explained that some of the most successful entrepreneurs in the informal sector are migrant entrepreneurs who should be appreciated by the South African government for making a meaningful contribution to the economy. However, there are interlinkages and overlapping between the formal and informal economy, as entrepreneurs in both sectors exploit opportunities available to them and require that their government create conducive conditions for them to operate (Webb, Ireland and Ketchen, 2014). Furthermore, the authors said that the informal economy has been the target of numerous economic development efforts as policymakers have sought to construct policies that would encourage firms and entrepreneurs to formalise their activities.

There is a sense that immigrant entrepreneurs are driven by the opportunities that emerge from life in a social context which is foreign to them (Shneor, Jenssen and Vissak, 2016). The authors further stated that these entrepreneurs are also driven by economic disadvantage experienced in the new social setting of the hosting country. Immigrants originating from Asia who are scattered all over in South Africa will have a different entrepreneurial culture compared to immigrants from North Africa or Southern Africa, due in part to relative levels of economic development in their countries of origin (Kshetri, 2013).

Hungwe (2014) noted that foreign nationals in the townships are likely to start businesses that are not capital intensive in the start-up phase and are portable, to mitigate risk. Also, the author added that in most cases self-employed migrants engage in businesses that easy to start and require little start-up capital. The author further explained that migrant entrepreneurs usually start their small businesses in the townships in South Africa, despite the dangers they face in the context of xenophobia targeted at foreign nationals. Migrant entrepreneurs do not receive any form of assistance from the South African



government when starting their businesses. When their businesses are looted during xenophobic attacks they do not get help from the government but from non-governmental organisations or via foreign aid (Hungwe, 2015). The author further pointed out that foreign national small business traders do not have protection under the law, entitling them to claim for their goods if they are looting during violent xenophobic attacks. Moreover, the author added that migrant entrepreneurs rely mostly on locals for the space to trade, but it is these same locals who will attack them because they are foreigners.

Hungwe (2015) claimed that the attitude of local South Africans towards migrant entrepreneur's changes from time to time, and indeed can change overnight or because of one particular incident. Furthermore, the author added that the South African police are usually not interested in helping migrant entrepreneurs when they face difficulties in the townships. The author further explained that there is a direct correlation between high levels of unemployment in South Africa and the increase in tensions between foreign nationals and local South African small business retailers.

According to Guercini, Milanesi and Ottati (2017), migrant entrepreneurs use ethnic networks to collaborate with each other or share responsibilities with one another. Also, the authors added that the ethnic network is very useful for survival entrepreneurs during the start-up phase as they do not require support from outside the network. The authors further go on to say that migrant entrepreneurs who use the ethnic network usually over time find a way of moving outside the network, or start their own network as they progress from being a small business to a large business. Sometimes when these entrepreneurs transition from small business to large business they leave the small business to someone else within the network (Guercini et al., 2017). The authors also said that when they get an opportunity to get in to bigger business or open a new business they ensure that those in the network with them are empowered to take over the smaller businesses. Furthermore, the authors added that ethnic business networks are characterised by personal or social relationships. However, the authors cautioned that there is always an interconnectedness between the business and the social in the network, and that is what makes the network ethnic. Although these ethnic business networks appear to be communal in nature, they are rooted in business principles and reward members according to these principles (Guercini et al., 2017). The authors also added that they are obviously very important for those shut out of the formal economy, for instance, for securing start-up capital. Guercini et al. (2017) also point out that, remarkably, one's country of origin is sometimes not important for one to become part of a particular network and receive the benefits of the network.

There is always a push to formalise informal businesses so that governments can benefit from them through tax revenue (Webb et al., 2014). However, the authors also stated that informal sectors differ between developing and developed economies. In most developed economies there is clear support for small business development, unlike in developing economies where policies regulating small business

development are not well-developed (Webb et al., 2014). South Africa only saw the creation of a Ministry for Small Business Development in 2014, a ministry tasked with promoting small businesses in all sectors of the economy.

The starting point for South Africa is to review its migration policies, especially when it comes to skilled migrants who want start businesses in South Africa. Skills in this context refers to people with formal tertiary education (from a recognised institution) and people with entrepreneurial ability. South Africa needs more entrepreneurs who can create jobs for the economy, and migration policies should therefore factor in that reality (Centre for Development and Enterprise [CDE] research report, 2010).

The success of foreign national small business retailers in township retailing environments can be attributed to their resilience, hardiness, optimism and resourcefulness (Fisher, Maritz and Lobo, 2016). Moreover, the authors argued that these entrepreneurs have found a way of operationalizing their individual resilience to achieve business success. Furthermore, the authors explained that these attributes are critical for entrepreneurs in general but for migrant traders they also involve living in informal settlements among people who will violently target them from time to time.

According to Urban (2008:175) “it must be recognised that cultures are no longer insular. Transnational interdependencies and global economic forces are disintegrating social and cultural normative systems”. Migrant become entrepreneurs within the different cultural contexts and in due course they define their own value in the society (Barreira 2008). Urban (2008) further argued that foreign businesses are entrepreneurial by virtue of their culture which has existed for decades. The also pointed out that such arguments have been negated by some studies that point out that entrepreneurs irrespective of their cultures share a common set of values.

According to Van Hove (2017), immigrant entrepreneurs may benefit from agency-oriented policy measures that target the mainstream population in general or migrants in particular, aimed at improving the personal capabilities of the individual. Also, the author added that entrepreneurs may also benefit from structure-oriented policy measures that aim to create an environment conducive to entrepreneurship and innovation and the promotion of opportunities. Van Hove (2017) also observed that the opportunity structure of nascent immigrant entrepreneurs is not influenced solely by entrepreneurship policies but also by policies in various other fields, including economic, migration, migrant integration, education and labour market policies.

Migration policies may stimulate or restrict certain forms of migration for certain migrant groups and implement more flexible or stricter policies with regard to the issuance of work permits, including professional cards (Van Hove, 2017). The author also said that migrant integration policies may support a certain group of migrants in their integration in the host society, and use a categorical or more inclusive

approach towards migrants. In a similar way, education policies may stimulate the capabilities of migrants and as such raise their chances of employment in the labour market (Van Hove, 2017).

Migrant entrepreneurs have also been able to benefit from entrepreneurship programmes targeting local entrepreneurs (Van Hove, 2017). In addition, the author said that such programmes have been accessible on the grounds of residence and hence include legally resident immigrants from one of the participating countries. In this context, migrants have become recognised as an important pool of potential entrepreneurs, as relative to natives they are more likely to start businesses and can substantially contribute to growth and job creation. However, Van Hove (2017) concluded that the key action points for migrants are proposing policy initiatives and facilitating their entry into entrepreneurship, through support, training, promoting networking and the exchange of best practice between support organisations working in the field of migrant entrepreneurship.

Piper and Yu (2016) reported significant differences between local South African traders and foreign national traders other than their approach to small business retailing. The authors noted that this includes their entrepreneurial cultural ecosystem and their business operational models. It is noteworthy that some traders from Mozambique and Zimbabwe struggle in small business retailing just like their South African counterparts, presumably because in their countries of origin their entrepreneurial culture is the same as that of South Africa, and unlike that in Bangladesh, Pakistan and Somalia (Piper and Yu, 2016). Also, the author argued that sometimes, indeed, South African small business retailers are more competitive than small business retailers from Zimbabwe and Mozambique.

Piper and Yu (2016) noted that the competitiveness between foreign national traders and South African traders is not be limited to price but extends to other areas of business operations such as logistics, strategic sourcing and partnerships. Moreover, the author added that the success of foreign national traders in the small business retailing sector come is popularly perceived to be at the expense of local small business retailers in South Africa. Also, the author said that such public perceptions are often problematic as they perpetuate hatred between migrants and locals, which can result in xenophobic violence.

Small businesses in South Africa should be prioritised and supported by the state as they assist in growing the economy, and foreign national traders contribute immensely to this sector (Eicker and Cilliers, 2017). The authors also argued that the narrative that foreign national traders are problematic for the economy should be handled by the South African government by educating locals about the value of foreign national small business to the economy of South Africa. If citizens are not educated about the value of migrant entrepreneurs then xenophobic violent attacks will persist (Eicker and Cilliers, 2017). The authors also said that South African traders simply need to be more responsive to change and more competitive through becoming more cost efficient. The authors further explained that

they also need to improve on their supply chain efficiencies in order to become competitive. To achieve these improvements, they need to be mentored and trained in business operations (Eicker and Cilliers, 2017). Meanwhile, migrant entrepreneurs continue to thrive in the context of socio-cultural problems, instability in different African economies, political intolerance among citizens and stringent migration laws (Guma, 2015).

### **2.4.3 Entrepreneurship in informal business environments**

The South African economy has a very large micro-enterprise sector which provides a good environment for entrepreneurial development and advancement, and since the advent of the democratic dispensation in 1994 the government has encouraged small business development through various legislation (Rolfe, Woodward, Ligthelm and Guimarães, 2010). The authors also noted that micro-enterprise globally is known to be at the centre of creating jobs. However, the authors cautioned that in South Africa most of the activities in the micro-enterprise sector operate in the untaxed, unregulated informal economy. The South African formal economy is unable to absorb the rising number of entrants into the labour market every year (Rolfe et al., 2010). Also, the authors added that this leads to economically active citizens pursuing micro-enterprise in the informal sectors of the economy

Informal sector entrepreneurs in South Africa have limited ability to generate income due to their low level of business skills and low capitalisation of start-up (Rolfe et al., 2010). Furthermore, the author said that this tends to reduce small business entrepreneurs to permanent survivalist business owners. The authors further commented that while many of these businesses remain small, with only a few employees, they nevertheless provide a standard of living above the subsistence level. Start-up capital is of course fundamental in the development of the micro-enterprise sector in South Africa and in the other economies around the world (Rolfe et al., 2010). Also, the author added that without start-up capital new entrants in the small business market are impeded from pursuing their business goals to their full potential

Entrepreneurial activity in the micro-enterprise sector favours male business owners and women have been found to have further impediments (such as single parenting) in the way of successfully running their own small business (Rolfe et al., 2010). The author also noted that this often leads to females earning less than their male counterparts, and any policy proposal targeted at the informal enterprise sector needs to consider the position of female small business owners as a separate group for advancement in this sector. Women play a vital role in the growth of the small business enterprise economic sector and therefore any impediment to their growth in the sector is an impediment to the sector itself (Rolfe et al., 2010). Furthermore, the authors stated that gender disparities in the small business enterprise sector are a microcosm of the structure of the South African economy. Because of patriarchy in African societies, female entrepreneurs would rather do business with non-family

members than with male relatives. This results in an institutional setting where the opportunities for male entrepreneurs are better than for females (Khavul, Bruton and Wood, 2009). However, Singh and Belwal (2008:121) noted that “there are a wide variety of constraints impending upon women entrepreneurs, such as: social acceptability, gender biases, family responsibilities, political instability, poor infrastructure, high production costs, poor access to market information, limited access to technology and finances, poor linkages with support services, gaps between policy and its implementation, and an altogether unfavourable business environment”. Furthermore, the authors noted that women would benefit from structured coordination among themselves in order to support each other in their entrepreneurial endeavours.

More formal, institutional support also has a critical role to play through incubating entrepreneurial talent and providing various forms of access for entrepreneurs to thrive. Mukata and Swanepoel (2017) noted that small business entrepreneurs in the informal retailing environment require mentoring from business people who understand the sector, can share valuable lessons with them, and guide them in their business loan applications. The authors also stated that some small business entrepreneurs struggle to pinpoint the exact type of support they require. Furthermore, the authors said that entrepreneurs struggle with business registrations and do not know how to prepare business plans for their own business and business loan applications. Williams and Kedir (2018) also argued that if governments want to reduce non-registration of start-ups businesses then they need to tackle structural problems preventing start-ups registrations such as taxation.

Phillips, Moss and Nieman (2014) pointed out that government is in a position to provide mentors for entrepreneurs. In the case of female entrepreneurs, they are found in large numbers in the informal trading sector but their role as business people is yet to be acknowledge by various governments in developing countries and society at large (Nsengimana, Tengeh and Iwu, 2017). Moreover, the author said that not only are woman-owned businesses marginalised by big business, but even in the small business sector women are still struggling with patriarchal tendencies from their male counterparts. Also, the authors added that the development of women in the informal trading sector is ultimately in the hands of women themselves, since it cannot be left in the hands of big business or government agencies.

Woman face societal challenges based on social stereotypes, but also face numerous business challenges (Nsengimana et al., 2017). The authors also noted that these include being systematically charged higher interest rates when applying for small business loans simply because they are female, a formidable challenge. The main reason for this is that they are obliged to borrow from loan sharks since the banks will not lend them money in the absence of suitable collateral (Nsengimana et al., 2017). The author

further explained that woman entrepreneurs are operating in an unequal and discriminatory society, which makes it very difficult for them to succeed.

Nsengimana et al. (2017) in fact recommend that woman entrepreneur's in small business retailing be offered training programmes by the institutions of higher learning in South Africa. Such training must be offered in a language understandable to the traders, with a curriculum that targets appropriate areas. If women entrepreneurs are properly trained they will be able to innovate and grow their businesses. In Africa, Senegal has the highest female entrepreneurship rate, with at least 37% of women (of working age) have start-up businesses, though this figure is 3% lower than that of their male counterparts in that same economy (GEM global monitor report, 2015/16).

For countries in general to increase their pool of entrepreneurs, Ligthelm (2013:3) suggested that "small business support strategies, especially in developing countries with limited resources, should be focused on businesses with embedded entrepreneurial acumen and hence the inherent dynamics to create and exploit new innovative economic opportunities". Woman in particular require a high dosage of entrepreneurial education, while on the other hand society needs to be educated on the role of woman in society and in the informal business retailing sector (Nsengimana et al., 2017). The authors also stated that if women entrepreneurs are to succeed in the informal business retailing sector, the big retailers need to have development programmes targeted at them. Small business entrepreneurs can become big business entrepreneurs if they work with big retailers through supplier development programmes (Eicker and Cilliers, 2017).

In sum, the issue of gender in the informal retailing sector is very important because women experience discrimination in this sector: they are viewed as workers rather than business owners (Crush, Skinner and Chikanda, 2015). Furthermore, the authors cautioned that the challenges faced by women in the sector makes it difficult for them to thrive as entrepreneurs and build successful enterprises, a central challenge being patriarchal domination. Welsh, Esra, Memili, Kaciak and Ahmed (2013:3) also argued that "although industrialisation and globalisation have given female entrepreneurs around the globe wider opportunities to start new businesses in a variety of fields, in Africa small businesses dominate because of the lower level of economic development".

Moving on to more specific issues, according to Eicker and Cilliers (2017) small businesses in the informal trading sector incur a lot of transportation costs when moving goods from the wholesaler or distribution centre to their own store. The authors further stated that fixed transportation costs should encourage small business owners to find a way to collaborate with each other in order reduce expenditure. Moreover, the authors added that small business entrepreneurs in the informal trading sector can also enhance supply chain efficiencies by finding suppliers close to where they trade.

Ogbe (2017) argued that small business owners in the informal sector need to relook at how they recruit employees. The author further cautioned that if they keep recruiting family members and do not recruit on the basis of skills their businesses will continue to struggle. Also, the author added that small business informal retailers also need to also make sure that the management function of their business remains in their hands because it is the only way to learn management skills. Ogbe (2017) also noted the tendency of female entrepreneurs to delegate the management function of the business to their spouses, which is often detrimental to their professional growth as small business entrepreneurs. Moreover, the author added that female entrepreneurs should never underestimate the impact of resisting the pressure of patriarchy and being a decision maker in their own business.

Gastrow and Amit (2013) report that in the informal retailing sector, foreign national entrepreneurs use various selling models. The authors further explained that these models include but are not limited to selling small quantities to their consumers (e.g. unpacking a package of baby diapers and selling small packs) and allowing consumer's credit to buy in small amounts. Also, the authors said that they also allow consumers who are pensioners to purchase on credit and pay only after the pension pay day. Foreign national small business retailers also use special offers and food packages to attract consumers to their stores, then upsell once the consumers arrive to buy the specials (Gastrow and Amit, 2013). Furthermore, the authors said that foreign national small business retailers offer month-end specials to the consumers so that they can stretch the value of the money they spend on groceries. The author further noted that foreign national small business retailers offer additional services in their stores such as photocopying and selling other goods such as airtime to attract consumers.

Even though entrepreneurs struggle with external factors in their entrepreneurial endeavours such as competition and the rising costs of doing business in the micro-enterprise sector, they need to take ownership of their own development (Fatoki, 2014). The author also said that entrepreneurs need to be clear on training needs and developments needs and state clearly the pedagogy they wish training providers to use. Moreover, the author added that small enterprise entrepreneurs also need to have a positive mind-set toward training and development.

According to the International Finance Corporation (IFC) (2006), the financial services must be made accessible to small businesses as they are central to economic growth and the success of enterprises and must be race and gender conscious. Also, the authors added that economic challenges for small business entrepreneurs in the informal sector in South Africa affect both local African small business retailers and migrant retailers. Furthermore, the authors argued that they alike lack access to finance, but for different reasons: for the migrant retailer the reasons relate to being a foreigner (at times an asylum seeker), and for the South African retailer the reasons relate to the absence of audited financial and banking records. Despite this shared handicap, migrant retailers seem to thrive compared to their South African counterparts (Crush et al., 2015).

Small business retailers need storage facilities for excess stock, but their small stores are not designed to enable this, which is a serious disadvantage (Eicker and Cilliers, 2017). The author also argued that when a retailer cannot keep excess stock, s/he is not able to offer consumers a good service as they will always be running out of stock. Therefore, the author stated that to succeed in these circumstances requires them to take great care to be cost efficient in how they manage their supply and logistics. However, the author cautioned that most informal retailers end up having to order stock more frequently than a retailer with storage facilities, who can order once a week or fortnight. Eicker and Cilliers (2017) noted that one of the solutions for local South African small business retailers without a storage facility is for them to collaborate with each other and organise a common storage facility close to where they trade. Also, the authors added that if traders have a shared storage facility they will be able to buy and keep excess stock at cheaper rates and pass the savings on to the consumers. Therefore, the author argued that if a small business retailer is restricted in terms of storage capacity then the transportation costs will keep rising because of the need to keep ordering. When small business retailers are cost efficient they benefit from achieving some economy of scale by ordering large batches of stock less frequently (Eicker and Cilliers, 2017).

South African small business retailers need to understand that businesses are built around relationships, a factor that migrant retailers have mastered (Xesha, Iwu and Slabbert, 2014). Furthermore, the authors observed that when you manage a small business as an entrepreneur you require interpersonal skills which means an ability to understand other business owners and being able to communicate with your customers. However, Döckel and Ligthelm (2005: 61) claimed that “successful businesses show a positive correlation between business management skills and entrepreneurial conduct”.

According to Gastrow and Amit (2013), local informal sector retailers need to adapt new small business retail practices by incorporating modes of selling that will benefit their store by attracting more customers. The authors added that if South African small business retailers do not adapt they will continue to lag behind foreign national small business retailers in terms of selling practices. South African small business retailers need to consider collaborative ownership if they are to be cost efficient in small business retailing. Small business retailers in township environments require market orientation towards their customers and competitors (Affendy et al., 2015). The author further observed that it is important for small business owners to serve customers where they have competitive advantage and also attend regularly to customer complaints. Olawale and Garwe (2010: 736) also concurs that “good customer care and efficient service are the hallmark of customer retention. Pricing decisions have to be considered carefully in order to beat competition as well as achieve lucrative profit margins”. However, for Eicker and Cilliers (2017), good customer service requires a sound strategy and the entire business must oriented towards offering good customer service. Also, the authors added that small business managers and owners need to take customer service very seriously as a form of strategic differentiation, since it is hard to replicate good customer service. Small business owners also need to make sure that



their staff recruitment strategy is aligned to their customer strategy, for if the people inside the organisation do not support the strategy, that strategy is bound to fail (Eicker and Cilliers, 2017).

Informal retailing businesses in township environments can create a foundation for growth into small and medium-sized businesses in the formal retailing sector (Ligthelm, 2004). The author also suggested that the entrepreneurial drive of informal business owners allows them gradually to transform their informal business into more formal business structures. Growth of small businesses in township retailing environments is intertwined with the size of the market for the sector. Access to a larger market has the likelihood of positively impacting the growth of small businesses (McGaffin, Napier and Karuri-Sebina, 2015). The authors also added that improving the operations and environments of township enterprises must be based on a systemic understanding of how and where these enterprises operate, that considers: the quality of life, social capital, knowledge inputs, financing, suppliers, markets, infrastructure, business management skills, availability of specialised services, industry support and government policies. However, Drivdal and Lawhon (2014) noted that informal dwellings in township environments are saturated with criminal practices such as robbery and the illegal sale of alcohol and drugs. Also, the authors added that policing is often difficult to implement in these areas because of their density, and for any effective policing to happen, it must be implemented through a community policing forum. Moreover, the authors said that it is no wonder that some informal small business owners in informal dwellings are interested in formalising their businesses as a route towards achieving growth.

Ligthelm (2004: 50) observed that “in operating their businesses, informal retailers encounter serious problems that impact negatively on their profitability. These problems range from market realities such as severe competition among informal retailers to a hostile external environment”. Furthermore, the author argued that informal sector retailers require training that is aimed at their needs, not generic training that is meant for corporate employees. Entrepreneurial trainers and coaches must also be well-trained and be experienced in entrepreneurial thought and development, and must make use of technology to advance the entrepreneurial thinking of small business retailers (Olawale and Garwe, 2010).

While entrepreneurs require training in various aspects of running a business, “financial literacy” is perhaps the most critical aspect that entrepreneurs need thoroughly to understand (Eresia-Eke and Raath, 2013). Also, the authors added that it is through financial literacy that businesses can be managed and produce financial statements by which growth can be accurately measured. According to Ishiguro (2015: 56), “effective entrepreneurship education programs should encourage students to explore creative opportunities, to make the idea become a reality, and to receive practical training on the created idea”. Even though they may need training, entrepreneurs must also be prepared to invest their own financial and human resources in the business they intend to start (Frid, Wyman and Gartner, 2015).

Frid et al. (2015:11) argued that entrepreneurs must appreciate the fact that new investors are more likely to invest in businesses in which the entrepreneurs themselves have shown confidence in the business by putting in their own resources. The authors also said that financing one's own small business venture is a difficult process, especially for the poor or those classified as previously disadvantaged in South Africa who are likely to be financially constrained. However, research has shown that the amount of funds you invest in your own venture tends to be a predictor of success, while also attracting external investors and partners (Frid et al., 2015).

Entrepreneurs are not a homogeneous group, being diverse in their skills and purposes; however, they all recognise opportunities and are willing to take risks to exploit those opportunities (Osiri, McCarty, Davis and Osiri, 2015). The ability to generate ideas and implement them into becoming real businesses is one of the biggest challenges for entrepreneurs (Ishiguro, 2015). Porter (2015: 480) observed that "micro-entrepreneurship is an important engine of economic growth, but it is also an interesting and unique nexus of social practice. It represents the smallest unit of analysis where an individual, an idea, and the surrounding context meet and a unique new business is catalysed. Small enterprises offer an entrepreneur solid foundation upon which to learn to become creative through his or her own business idea and perhaps generate more new business from the original concept, or expand it massively (Porter, 2015). Entrepreneurs in Africa should take comfort from the fact that even though Africa is coming off a modest economic base, the continent's economy is rising in complexity and economic integration (Saville and White, 2015). This integration gives entrepreneurs the opportunity to source products from anywhere on the African continent, with ease of payment (Saville and White, 2015). In this way, entrepreneurs in the small business retailing can grow their business beyond South African borders.

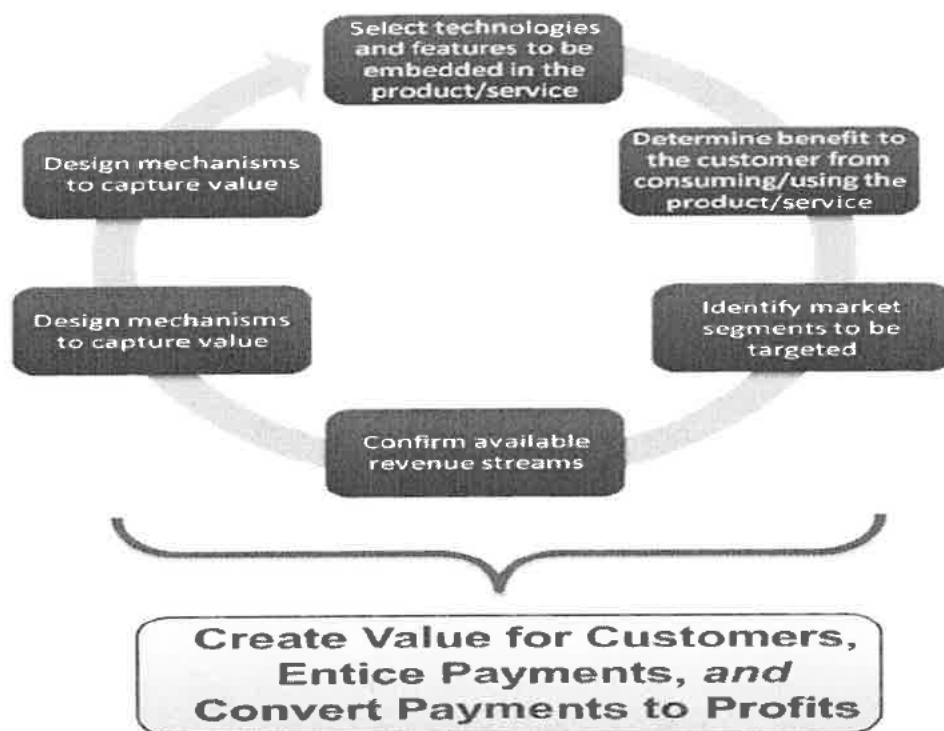
Mejia (2018) maintained that one of the biggest problems facing most entrepreneurs is that they confront challenges as individuals and do not use any form of network for support purposes. Also, the author said that there are also practical challenges, such as having to wake up early to secure fresh produce at the market. The author further explained that all such challenges are coupled with weak institutions on the African continent that disable business growth. Mejia (2018) therefore noted that entrepreneurs need to keep up with the latest technologies that they can use in the informal small business retailing sector. The author further stated that smart technology can help small business entrepreneurs overcome some of the constraints that they face in the informal retailing sector.

According to Van Hove (2017), policies in respect of small businesses need to be reviewed so that they incorporate the views of the small business retailers. The author also noted that small business policies should strengthen the position of practising and potential entrepreneurs to ensure that they can compete in the retail sector and are not excluded because of their size in comparison with large businesses. Batista, McIndoe-Calder and Vicente (2017) concluded that in policy making there should be programmes that help small business entrepreneurs understand the implications of policy.

## 2.5 BUSINESS MODELS

All enterprises, including South African retailers in township environments, have a business model that they follow, either explicitly or implicitly (Teece, 2010). Also, the author added that business models by their nature assume a particular architecture of value creation and a certain way of delivery. Teece (2010:172) further observed that “the essence of a business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit”. Business models, therefore, define what business owners think of the needs of their customers, how they can meet those needs, and by so doing create value for themselves and for their customers (Teece, 2010). Business models require intervention or a rethink from time to time, especially if they are not working anymore. New business models can be developed by various agents such as entrepreneurs, researchers or innovators (Teece, 2010). However, the author further argued that all these individuals need to understand the fundamental needs of the consumers and why the competitor is not fulfilling those needs, then work out possible technological and organisational trajectories for improvement.

The diagram below depicts the elements of a business model design suggested by Teece (2010)



**Figure 2.1. Elements of business model design (Teece, 2010:173)**

Figure 2.1 depicts elements of business model design, including the organisation’s operational and financial architecture (Teece, 2010). Teece (2010:184) notes that “the elements of a business model must be designed with reference to each other, and to the business/customer environment and the trajectory of technological development in the industry”.

### **2.5.1 Business intervention models**

Business intervention models are models that are the product of a previous model that has to be redesigned (Teece, 2010). The author further explained that redesigning a model correctly requires an accurate diagnosis of the previous model so as to understand its failures and avoid them when implementing the new model. Teece (2010:174) further stated that “a good business model yields value propositions that are compelling to customers, achieves advantageous cost and risk structures, and enables significant value capture by the business that generates and delivers products and services”. Furthermore, the author added that when a model is created and implemented it requires continuous evaluation to keep viable as it will require interventions from time to time. Teece (2010:174) maintained that “superior technology and products, excellent people, and good governance and leadership are unlikely to produce sustainable profitability if business model configuration is not properly adapted to the competitive environment”. Furthermore, the author advised that selecting, adjusting and/or improving business models is a complex art. Good designs are likely to be highly situational, and the design process is likely to involve iterative processes. The business model of South African small business retailers was working effectively for them before the arrival of migrant small business retailers in the townships. Now the South African retailer can no longer afford a business-as-usual approach in the face of the tight competition from migrant small business retailers, and must come up with a new business model.

According to Osterwalder and Pigneur (2010), customers are the heart of any business model and companies can never survive without customers. Also, the author added that customers require segmentation according to their needs, which must be identified in the business model, and a decision then made about which segments to serve and which segments to ignore. Once the user has made a decision on the market segments, a new business model suitable for that particular business will have to be developed with a specific understanding of the end users’ needs (Osterwalder and Pigneur, 2009). However, Teece (2010) noted that redesigning a successful business model is not a simple process and the new model does not in itself assure competitive advantage. The author further noted that the model needs to be implemented, at which stage it can (in theory at least) be replicated by the competitor. However, the author further argued that a successful model is one that is tailor-made and difficult – but not impossible – for the competitor to replicate.

Teece (2010:179) observed that “a business model is more generic than a business strategy. Coupling strategy and business model analysis is needed to protect competitive advantage resulting from new business model design”. Strategic analysis is the first significant step in re-evaluating a business model and redesigning that model. According to Toro-Jarrín, Ponce-Jaramillo and Güemes-Castorena (2016:218) “business strategy consists of coding market drivers, key trends, threats and opportunities,

among other valuable information into the strategy". The authors also noted that technological development is strongly associated with the capacity for bringing value to the customer.

Business models need to survive the filters of strategic analysis so that the new redesigned intervention model provides a competitively sustainable business model (Teece, 2010). Proactive strategies are required when a model needs to be redesigned in order to be sustainable over time and proactive innovation strategies appear to be the most impactful (Bocken, Short, Rana and Evans, 2014). However, Joyce and Paguin (2016) pointed out that while business models are under pressure to respond to sustainability over time, organisations must also deal with issues relating to financial, social, economic and environmental concerns. The author further added that that organisations are also burdened with technological developments, material resource scarcity and energy demands that form part of their future focus for long term sustainability.

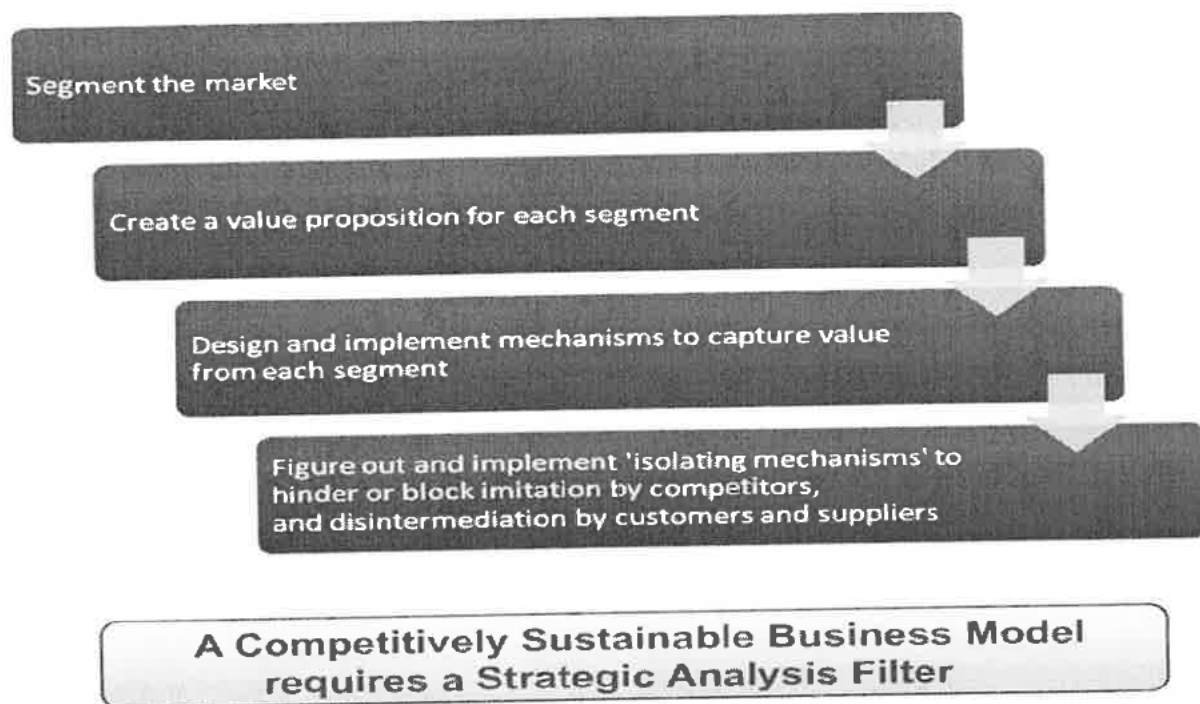
Teece (2010:181) observed that "new business models, or refinements to existing ones, like new products themselves, often result in lower cost or increased value to the consumer; if not easily replicated by competitors, they can provide an opportunity to generate higher returns to the pioneer, at least until their novel features are copied". However, Yang, Evans, Vladimirova and Rana (2017), stated that when organisations embark on a journey to develop new business models they need to understand their current models using different tools of analysis such as the canvas business model. The authors also noted that value proposition, value capture and delivery are key aspects of any business model, since how a firm delivers value to its stakeholders is very critical. These authors also maintained that value creation and delivery should always form part of the scope of understanding the current value system of the organisation.

In order to focus on risk and cost reduction, better defensive strategies are required for the organisation capture and deliver value, that is, create economic value or change their value propositions (Bocken et al., 2014). The authors further observed that business models that focus on risk and cost reduction are often propelled by the need to comply. However, Keane, Cormican and Sheahan (2018), stated that in order to use a business model in small business development, a user will have to reduce the elements of the model to render it suitable for a small business; that is, the users of a business model for small businesses would have to interpret the model differently with an understanding that the model is being used for small businesses.

Lüdeke-Freund and Dembek (2017) observed for business models to be sustainable over time they should be easily understood by the end users and that means they need to be simplified. The authors further noted that a strongly sustainable business model creates ecological, social and economic value and takes its embedding value network into account, which implies an extended understanding of the value that is proposed, delivered and finally created. The authors also noted that a sustainable business model requires an extended understanding of value and needs to be embedded within wider ecological,

societal and economic contexts. Furthermore, Lüdeke-Freund and Dembek (2017) observed that using a business model to support the sustainability and performance of businesses should be accepted in all industries, even if it is not realised in some industries as yet.

The Figure below outlines the steps involved in achieving a sustainable business model:



**Figure 2.2 Steps to achieve sustainable business models (Teece, 2010:182)**

Figure 2.2, above, illustrates the steps involved in achieving a sustainable business model, through first segmenting the market which you serve then creating a value proposition for that market. The value proposition needs to be better than that of the competitor. Then the businessman/entrepreneur needs to implement the value proposition, which must benefit the customer in each segment that has been identified. Finally, the businessman/entrepreneur needs to look at ways of making sure that the competitor cannot easily replicate the value proposition, or at least that it will take time to replicate.

Baldassarre, Calabretta, Bocken and Jaskiewicz (2017) suggested that in order to design the process of sustainable value creation one needs to start with the talking phase, where users and all other relevant stakeholders get involved in discussing the core elements of the proposition. Also, the authors added that the talking phase should be followed by the thinking phase, where the results from the talking phase are discussed and integrated into the problem definition. Balderssare et al. (2017) maintained that in the thinking phase conclusions can be drawn and a new model proposed with core elements of the value proposition. The authors further maintained that the thinking phase should be followed by the testing phase, where the conclusions can be validated with the users.

Teece (2010:190) observed that “neither business strategies, business structures nor business models can be properly calibrated absent assessment of the business environment; and of course the business environment itself is, in part, a choice variable; i.e. firms can both select a business environment, and be selected by it: and they can also shape their environment”. The author further noted that the primary goal of any business model is to meet customer needs, but this goal must be moulded by careful assessment of the business environment. Good business models also focus on the implementation tools, which include reviewing internal factors (such as systems) and external factors such as suppliers, customers, and the broader business environment (Teece, 2010).

A business model is not just a way the business makes its profit by selling a good or service: it is a way in which the business makes a profit while setting itself apart from other businesses through its competitive advantage (Porter, 1996). The author further explained that a company can outperform rivals only if it can establish a difference that it can preserve and it must deliver greater value to customers or create comparable value at a lower cost, or do both. Toro-Jarrín et al. (2016) described certain key forces in strategy development, such as industry forces where quantitative analysis is done to evaluate supplier threat level, and technology forces where technology is used to reshape the value proposition of commodities. These authors note that an important managerial capacity is the visualisation of the business in the future and the consideration of customer value in that process.

Business models require innovation and innovative thinking, but that is very difficult to achieve because of the barriers to changing business models (Chesbrough, 2010). However, the author added that once a business model has been changed for an organisation or industry, that industry or organisation must find a way of embracing the new model while not abandoning the effectiveness of the current model during the transition. Furthermore, Achtenhagen, Melin and Naldi (2013), argued that what is common is that it is companies that are highly entrepreneurial that develop their business models to create value over time. Accordingly, the authors further explained that a significant critical capability of these companies is the continuous identifying, experimenting with and exploiting of new business opportunities.

Innovative business models for industries are important not only for early entrants in the industry but also for late-comers who are prepared to take some market share long after the industry has matured (Markides and Sosa, 2013). Vidal and Mitchell (2013) also observed that early movers face substantial risks of failure. Also, the authors added that later entrants will often be able to learn from pioneers’ mistakes and adapt more quickly to emerging understandings of new markets. Nevertheless, the authors also stated that first movers have the greatest chance of becoming early survivors if they recognise quickly that they need to obtain the supporting skills and can integrate them effectively. Otherwise, pioneers will commonly fail, often ending up as targets of later entrants (Vidal and Mitchell, 2013).

The proposed business intervention model in this study suggest incorporating the idea of easy market entrance for South Africans into small business retailing in township environments. So the model is not only about the current local South African small business retailers but also about strategies for the new entrant, whether early or late, to survive. This requires a business strategy to be built within than business intervention model for ease of implementation. Business models are a product of strategy, but they are themselves a strategy, so the two are related but different concepts. Strategy should be seen more as a contingent plan regarding which business model to use (Casadesus-Masanell and Ricart, 2010). The authors further argued that strategy entails designing business models (and redesigning them as contingencies occur) to allow the organisation to reach its goals. Business models are reflections of the realised strategy. A similar but differently inflected description is offered by Baden-Fuller and Morgan (2010:167) as they stated that “business models have a multivalent character as models. They can be found as exemplar role models that might be copied, or presented as nutshell descriptions of a business organisation”.

### **2.5.2 Business incubation models**

If South African traders need a successful business model to ensure their competitive advantage against foreign nation traders, what they require is a differentiated (and hard to imitate) and efficient business model that is more likely to yield sustainable profits for them (Teece, 2010). Furthermore, the author observed that if the business model for the South African trader is sufficiently differentiated, it can become a competitive advantage for them in township retailing environments, difficult for foreign national traders and new entrants alike to imitate.

As far as business incubation models are concerned, Gastrow and Amit (2013) noted that various factors need to be considered in order to make such models achieve their desired outcomes. Also, the author stated that customers should be a central theme within business incubation models and owners of small businesses being incubated need to be trained in how to achieve lower prices in retailing as customers are attracted by lower prices. Gastrow and Amit (2013) argued that business incubation models should also train small business owners about customer care and operational models that bring convenience to consumers, such as opening their stores for longer hours. The authors further argued that business incubation models also need to teach small business owners about the importance of product range and having a variety of products in the store at discounted prices to attract customers. Such models should in addition educate small business owners about pricing decisions, cash flow management and stock management.

Gastrow and Amit (2013) maintained that business incubations models must also train business owners in how to manage credit sales, as consumers in the township environment often need to buy on credit, as well as in the judicious choice of store location, to make sure that they are always close to their



customers. Moreover, the author added that store locations should take cognisance of the movement of consumers on their way to work to make sure that they are easily accessible. According to Masutha and Rogerson (2014:226), businesses undergoing incubation programmes require “the provision of a comprehensive and integrated business support service under one roof and focused mentorship programmes aimed at supporting new start-ups get off the ground”. Furthermore, the authors stated that businesses under incubation require a strong mentorship team with expertise on the business models that a company is pursuing. Furthermore, the authors said that such businesses may sometimes require an environment conducive to business enabled by subsidised costs, with the clear objective of making the business self-sustainable in the long run. Therefore, a set period under incubation should be set down to prevent businesses from becoming permanently under incubation (Masutha and Rogerson, 2014).

In South Africa the national government’s support for small enterprise development is an essential component of policy efforts seeking to restructure the economy for the benefit of the majority of citizens by moving away from the exclusionist policies of the apartheid era (Masutha and Rogerson, 2014). The authors further explained that for the South African national government to implement economic restructuring policies for empowerment and poverty alleviation, it might have to think about incubation programmes for small business industries that are under threat in order to save them. These include small business retailing, the poultry industry and the clothing industry in South Africa. However, Battersby and Peyton (2014), stated that the legacy of the apartheid system in South Africa is still visible in the design and planning of South African cities, as the poorest households are systematically and strategically located away from the wealthiest households. In fact, low income households are not only located far from the wealthiest household but also far from potential employment opportunities and major supermarkets. Battersby and Peyton (2014) also noted that in South Africa the national food chain supermarkets are still by-and-large located overwhelmingly in the wealthier areas of the cities, although they are slowly moving into the poorer areas.

Some incubation programmes require a multi-stage process in terms of which the entities that require incubation first apply and meet pre-set criteria and those that are selected then go through skills assessment and business plan evaluation (Masutha and Rogerson, 2014). Also, the authors added that the selected owners sign agreements to become incubates and then receive all the necessary support for a set period for them to grow their businesses into successful enterprises. When the incubates begin to succeed they exit the incubation programme to make way for the following cohort of incubates. Masutha and Rogerson (2014: 233) observe that “each entrepreneur is expected to consistently follow each phase (within incubation) in order to build an operationally and financially sustainable enterprise”.

According to the IFC (2006), business development support services such as training, advisory services, mentoring, etc., are not adequately integrated with access to finance strategies to serve as real risk

mitigation support. The authors note that entrepreneurs who lack collateral – i.e. most black entrepreneurs and women – can boost their chances of accessing and paying back finance if they have the right business development support, in the form of training, focused advice and mentoring. The authors also claimed that there are very few institutions that successfully integrate financial and non-financial mechanisms in close proximity to each other. Therefore, the authors concluded that the needs of emerging small businesses at different stages of development are not adequately met.

Among other things the incubators should offer is business support in form of accounting (monthly bookkeeping) and legal support, access to finance (which might be managed by the incubator), strategic marketing, management skills, networking opportunities, provision of training workshops and business registration (Masutha and Rogerson, 2014). The authors further noted that at the end of the incubation programme, entrepreneurs and businesses must be financially and legally compliant, have astute financial intelligence, a reinvigorated entrepreneurial spirit (to help South Africa develop an entrepreneurial culture), an impeccable work ethic and networking skills. However, Chimucheka (2014), stated that entrepreneurial education is critical in the upliftment of young people from disadvantaged communities as it can contribute to their empowerment and unleash their full potential. Furthermore, the author pointed out that entrepreneurial education contributes to the development and building of entrepreneurial culture in any given society. Entrepreneurial education can equip the youth with practical skills such as business management which are required to start up any business venture. Chimucheka (2014) observed that in order to develop the attitude and mind-set for business success, entrepreneurs need to be trained to absorb and manage risk, failure and competition. The author also noted that in order to grow their business ventures, entrepreneurs need intrinsic motivation, and self-confidence that can be developed and enhanced through training and development. The rate of business success can be improved if the problems projected are understood and solutions explored prior to the business start-up through entrepreneurship education (Chimucheka, 2014).

The business models of migrant entrepreneurs differ from those of South African small business entrepreneurs in small business retailing (Basardien, Parker, Bayat and Appoles, 2014). The authors added that the primary cause of the difference is the difference in business cultural orientation between the two groups. Migrant entrepreneurs use a more collectivist business model while local entrepreneurs are more individualistic in their business approach (Basardien et al., 2014). Furthermore, the author observed that the distinct differences between the two groups have resulted in differences in buying methods, where foreigners do collective buying and thereby qualify for bulk discounts which impacts directly on their pricing strategies and competitiveness. Gastrow and Amit (2013) conceded that business incubation models for local South African small business retailers should consider the small business operational strategies used by foreign national small business retailers. Also, in addition the authors said that these strategies include bulk purchasing, group schemes of ownership and negotiated discounts from suppliers. Bulk buying behaviours are often beneficial for consumers as retailers

negotiate lower prices with the suppliers then pass the savings on to their customers (Gastrow and Amit, 2013).

Migrant entrepreneurs also have a different store layout which at times allows customers to walk in into the spaza shop while local entrepreneur's stores only allow customers to buy through a window of the spaza shop (Basardien et al., 2014). In order to secure customers by operating for longer hours, foreign national small business retailers use their stores for lodging (Gastrow and Amit, 2013). Also, the authors added that many foreign national traders in small business retailing also share the store for this purpose with other retailers that trade close to them. Small business retailers in the informal trading sector usually live in the townships where they trade, but there are some who reside outside these areas. Gastrow and Amit (2013) noted that South African traders who reside outside the townships where they trade usually employ a relative who resides in the locality to manage the business in the absence of the owner and build trust between the store and the customers. However, the authors also stated that foreign national traders who reside outside the township usually employ a male person to manage the store in their absence. Also, they do so to create the perception that the owner of the business resides in the township. These strategies are useful and need to be considered when business incubation models are designed for small businesses in township retailing environments.

Ogbe (2017) observed that local South African small business retailers need to learn from successful foreign national small business retailers in the area of strategic decision making. The authors also noted that in order to make strategic decisions for their small businesses, South African traders need to understand key financial information about the business. However, the authors cautioned that if they cannot acquire this understanding, then it is the role of the small business incubation programme to include financial training in the model. Ogbe (2017) believed that for success and profitability in business, small business owners should rely on financial information to help them better manage their business. Furthermore, the authors stated that organising and managing a small business can only be efficient and effective when there is a standard operating procedure, which depends upon the financial information at the disposal of the business owner. Proper assessment and evaluation of the business enables profitability and guarantee expansion, but again, this can only be achieved with the help of the financial information obtained (Ogbe, 2017).

Strutton and Blankson (2010) claimed that the best managerial approach to achieving greater ideational creativity at certain points of the business-to-business interface most likely differs according to the particular supply chain, and that no one-size-fits-all solution exists. Also, the authors stated that the specific circumstances hardly undermine the long-term value of greater creativity at the point of business-to-business interface. Nor do they diminish the nearly universal need that business-to-business partnership firms encounter to manage their mutual pursuit of creativity as effectively and efficiently as possible (Strutton and Blankson, 2010). More creative firms are generally able to deliver more

appealing value to their customers (Strutton and Blankson, 2010). McCain (2016) contended that decision making in small businesses is always constrained by lack of knowledge in critical areas such as finance, and small business owners need to invest in business knowledge through training with incubation programmes. The author also cautioned that small business should refrain from borrowing money for growth if they cannot guarantee that they can service the debt. Also, the author added that defaulting could result in their losing their businesses when lenders liquidate them to get their money if debts are not serviced. Also, liquidity is very important for all businesses because businesses that are not liquid soon find themselves insolvent. McCain (2016) noted that small business need to be aware that any borrowing needs to be serviced from business income, and they must also be aware of any interest charged on the borrowings.

Basardien et al. (2014:58) observed that “the majority of locals do not implement basic financial management practices in their business which means that there are no financial records of daily transactions to capture vital financial information that will allow the owner to see growth pattern in the business”. The author also noted that financial information is very important for any type of business as a descriptor of the financial health of the business. Foreign national small business retailers are very good at understanding financial information and they train fellow foreign nationals who then become business owners in the small business retailing sector (Gastrow and Amit, 2013). The author further reported that foreign national retailers are able to save amounts that range from R5 000 to R15 000 over a short period of time, which they use as start-up capital for a small retail store. The authors further noted that foreign national small business retailers sometimes collaborate and pool collective savings in groups of two or three start a new store. Gastrow and Amit (2013) noted that foreign national retailers are able to partner with up to six people who become shareholders in the business.

Basardien et al. (2014:58) claimed that “the South African informal sector is still in its infancy. In order to sustain its potential, there is a need to provide training intervention and other forms of support that empowers the respondents in this market”. The author further stated that financial information that is available from a small business can improve its chance of access to finance. Small businesses need support and small business incubation models should know where exactly to start assisting small business retailers that require incubation (Basardien et al., 2014).

Entrepreneurship is manifested in creative and innovative people who are always looking for new opportunities, trying to use the benefits of an environment conducive to development (Iacob and Mironescu, 2013). The authors further explained that small business incubation programmes need to be driven by well-trained and qualified mentors able to help small business owners. Moreover, the author added that big businesses have a role to play in the incubation of small businesses as they usually are suppliers to the small businesses; the role can even take the form of collaboration. Small business that are successfully incubated should be able to test their strength in the market and begin to function on

their own, driven by a well-rounded entrepreneur (Iacob and Mironescu, 2013). Small business owners need to be trained in the incubation programmes in how to develop a vision for their business, while having a personal vision as entrepreneurs who are socially responsible.

Iacob and Mironescu (2013) argued that to succeed in the business arena, entrepreneurs, as the decision makers, not only need good ideas and vision: they need to acquire the managerial knowledge that will assist them in formulating strategies for implementing their ideas, even if they are not in a formal planning process. Entrepreneurs need to understand the competitive environment and how it effects changes in business (Iacob and Mironescu, 2013). Furthermore, the author noted that entrepreneurs should take swift action and remove blockages in order to take advantage of opportunities presented by changes in the business environment. The authors concluded that Small businesses are after all driven by entrepreneurial skills in order to achieve the business ambitions of the small business owners.

Small entrepreneurial organisations acquire from the entrepreneur's personality a unique style in terms of planning and controlling activities, organisational structure, etc., and market approaches (Iacob and Mironescu, 2013). The author further observed that it is widely accepted that not material and financial availability empower SMEs, but the presence of the entrepreneur. In other words, small business cannot exist without the persons who assume the risk to their business (Iacob and Mironescu, 2013). However, the author cautioned that small businesses act quickly; make adjustments and corrections on the fly which helps them to meet the changing constraints and demands of the market. Iacob and Mironescu (2013) also observed that the notion of e-business is not new, with the literature sometimes using the terms e-business and e-commerce synonymously. Although flexible, some small businesses adapt to the e-business concept more slowly than others, partly because there is no homogeneity among companies' needs or among the costs involved. To encourage the adoption of e-business, various programs of assistance have been created by the authorities (Iacob and Mironescu, 2013). Furthermore, the author stated that the benefits of e-business specific to small business highlight public procurement, recruitment etc. Small business development in e-business systems involves creating and strengthening an identity and relations portfolio.

According to Iacob and Mironescu (2013), small business management aims at organising an entrepreneur's resources, so as to help him achieve his business goals for himself and his family. Moreover, the authors added that although a small business is usually originally created for subsistence, it happens that activities undertaken can generate increasing profits and solid knowledge of economic principles enables the entrepreneur to organise the way he operates. Good small business management linking all components together provides an entrepreneur an overview of the relationship between these, as well as of his small business (Iacob and Mironescu, 2013). The author also said that the management of a small organisation maintains an equitable relationship between benefits and challenges. The author also added that among these challenges are the relatively high sensitivity to changes in the market,

inadequate control of costs, undercapitalisation, sales below fixed cost, low profit margins, and price undercutting.

Important in business incubation is the issue of business innovation. Business innovation requires that pioneers of new small businesses participate in setting up a business model to help them understand technological trajectories, customer needs and business design options (Iacob and Mironescu, 2013). Furthermore, the author said that designing a customised business model seems an effective solution to secure profits, and business innovation – if it is sufficiently differentiated and difficult to replicate by the traditional economic players or new entrants – may itself be a way to achieve competitive advantage.

Minani, Ishengoma and Mori (2018) claimed that business incubation models should train small business owners in how to identify the core competencies of their businesses. The author further stated that the transfer of knowledge in business incubation models should be a collaborative effort between small business mentors and small business owners to ensure mutual benefit. Small business owners need to be trained in product awareness strategies and quality management areas within the incubation programmes (Minani, Ishengoma and Mori, 2017).

According to Nandonde and Kuada (2016), among the challenging factors that have an impact on small businesses are acceptance of trade credit, legal certification, consumer feedback, reliability, a returns policy, packaging, price, quality and well-promoted products. The author further observed that South African small business retailers need to rethink their small business retailing model and integrate into their model all the lessons that they can learn from foreign national small business retailers. The authors further noted that even though suppliers are traditionally the drivers of business, now small business retailers can use their collective bargaining power to negotiate with suppliers.

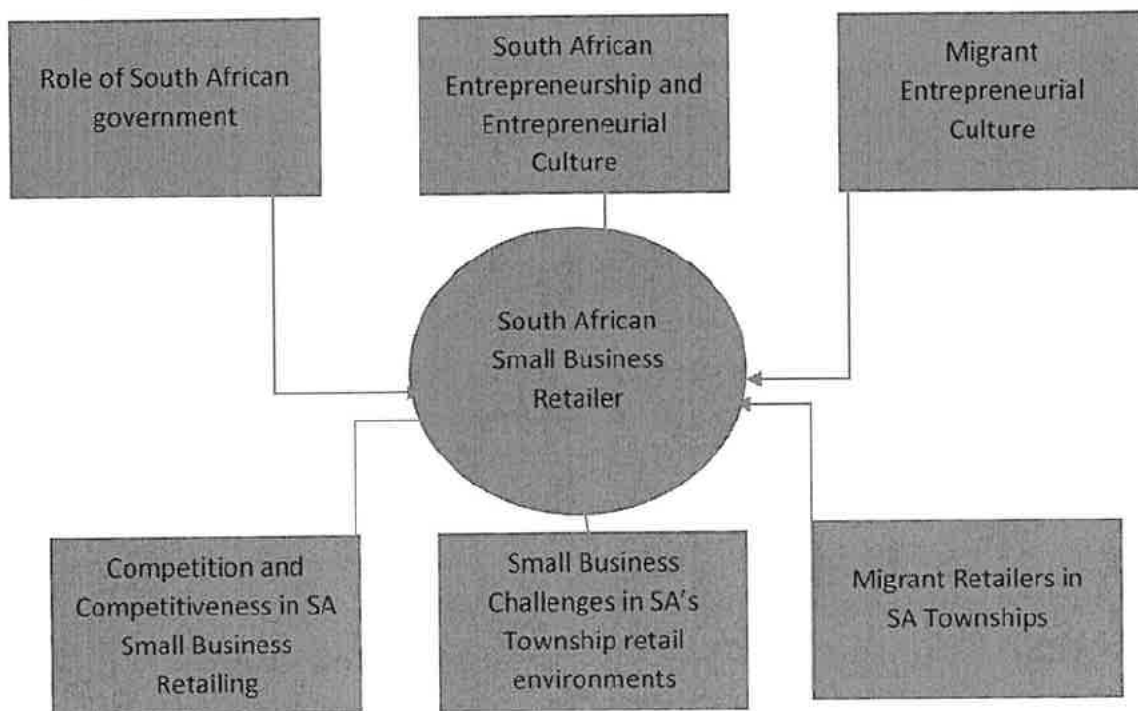
## **2.6 CONCEPTUAL FRAMEWORK**

According to Imenda (2014:186) “although the place of theory in different research paradigms may vary, still ‘theory’ appears to be central to all forms of research”. There is traditionally a tension between theory and practice, however, as argued by Imenda (2014) over time the gap between theory and practice over time has been narrowing. Furthermore, the author said that concepts both reflect theoretical concerns and are very much influenced by context. Conceptual frameworks therefore interlink concepts (often chosen for contextual reasons) in order to provide a proper understanding of a phenomenon. A conceptual framework can be conceived of as a narrative explanation of the main dimensions of the concepts to be studied. Furthermore, the conceptual framework links abstract concepts to the empirical data (Ngulube, Mathipa and Gumbo, 2015). Berman (2013:3) remarked that “conceptual frameworks have grown out of the traditional theoretical framework that may already exist and be taken to underpin a doctoral study”. Ngulube et al. (2015) maintained that researchers start with

models, then build concepts out of models identifying the research problem within the subject matter. The concepts become theoretical structures, as they are the building blocks of theory. Ngulube et al. (2015:3) cautioned that “the notion of a conceptual framework is oxymoronic because concepts are abstractions, which are theoretical rather than concrete. Concepts are labels that we assign to dimensions or elements of the real world”.

Research frameworks provide the necessary structure for the researcher to select variables to be studied and analysed (Imenda, 2014). Furthermore, the author noted that once data are collected and analysed, the framework is used as a mirror to check whether the findings agree with the framework or whether there are some discrepancies; where discrepancies exist, a question is asked as to whether or not the framework can be used to explain them. Imenda (2014:188) characterises a conceptual or theoretical framework as “the specific perspective which a given researcher uses to explore, interpret or explain events or the behaviour of the subjects or events s/he is studying”.

A theoretical or conceptual framework typically emerges in the application of theory or concepts to offer an explanation of a particular phenomenon or research problem (Imenda, 2014). Figure 2.3, below, depicts the conceptual framework that has emerged from the literature review of this study:



**Fig. 2.3: theoretical framework derived from the literature review**

This framework summarises the concepts that have emerged from the literature review, including the competitiveness of local retailers, small business challenges in the South African retailing sector, migrant retailers in South African townships, the role of the South African government (through small business development agencies), South African entrepreneurial culture and the migrant entrepreneurial culture. The framework shows that the challenges faced by South African small business retailers in the township retailing environment are interconnected with various other elements in the framework. In order to deal with and overcome these challenges a business intervention model for South African small business retailers has been developed in this study. South African small business retailers need to have their own strategic intent to guide them through the business intervention model proposed in this study. There are various factors that influence this strategic intent, such as creating a new vision for the small business retailing sector, serving the customer better and understanding the competition in the sector. This study proposes a business intervention model that will help South African traders understand their business model better and create a situation where the business can link its vision to the resources and abilities at its disposal. In this way a business is able to create a realistic vision based on an understanding of its internal and external environments and capable of linking the two.

## **2.7 CONCLUSION**

In this chapter the study reviewed literature relating to challenges and constraints facing South African small businesses in township retailing environments. Among the challenges reported in the literature is the lack of business operational skills, the lack of mentoring and the lack of financial management skills. The competitive factors contributing to the success of foreign national small business retailers were analysed in this chapter and among them was the advanced entrepreneurial culture of foreign traders.

Business models and strategies were evaluated in this chapter in order to ascertain the route to competitiveness on the part of small business retailers. Particular attention was paid to the successful business models of foreign national retailers in the informal retailing sector. The role of women entrepreneurs was also discussed, and it emerged that a lot more needs to be done to develop women's participation in the small business sector. Brijlal and Jere (2019) noted that concerted effort needs to be made to effectively raise awareness of the different small business support programmes available in various areas in South Africa, so that the target audience can have an opportunity to take advantage of the programmes. The authors further argued that entities such as SEDA and other government organisations should market their services to potential start-up businesses via the community and church leaders.

The next chapter provides a description of and rationale for the methodology used in this study



## **CHAPTER 3**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 INTRODUCTION**

This chapter provides a brief description of the research methodologies that were considered before the researcher chose the most appropriate one, which is then discussed in more detail. The chapter first provides a brief description of the research design process. Elements of the research process such as the research population, sampling and data collection are also provided in the chapter. There is an account of the research instruments used to collect the data and a description of how the data was analysed. Towards the conclusion of the chapter there is notice of the ethical considerations that were observed during the research process.

#### **3.2. RESEARCH DESIGN**

Various authors such as Bryman and Bell (2011), Saunders, Lewis and Thornhill (2007) and Hofstee (2006) describe a research design as a general plan for conducting a study. These authors further argued that the research design includes a clear account of the research objectives, the research methodology employed in the study, as well as a description of how and where the data will be collected and analysed.

The research process has a variety of dimensions, depending on the type of research being embarked on and its aim and objectives. Bryman and Bell (2011) noted that it is the research design that provides direction as to what needs to be given priority amongst the various aspects of the research process. However, Hofstee (2006), stated that certain assumptions lie at the core of the research process, some of which are explicitly stated (such as the hypothesis) and some not. Due to these assumptions research designs inevitably have limitations, but must nevertheless be intrinsically linked to the research problem and the aim and objectives of the study. Furthermore, Bryman and Bell (2011) and Creswell and Clark (2011) describe various types of research design strategies such as convergent design, explanatory design, exploratory design, cross-sectional design, longitudinal design, case study design and comparative design. The designs relevant to this study are briefly described below, followed by an indication as to which the researcher deemed appropriate for the present study.

A convergent design involves collecting quantitative and qualitative data in the same research process, analysing the information separately, and later combining the two sets of data. It is a form of mixed research design (Bryman & Bell, 2011). Furthermore, the authors said that in this design it is important for the researcher to think carefully about the sample frame of the study as the two data sets collected should be given equal weight. It is key, therefore, that a decision be made by the researcher if the samples will comprise the same individuals or different individuals (Creswell & Clark, 2011).

According to Creswell and Clark (2011), an exploratory research design requires that qualitative data be collected and then analysed, with the results emanating from that analysis informing the follow-up quantitative data collection. Furthermore, Subedi (2016: 573) stated that “the purpose of an exploratory sequential mixed methods design involves the procedure of first gathering qualitative data to explore a phenomenon and then collecting quantitative data to explain relationships found in the qualitative data”. Moreover, the authors said that an exploratory research design is similar to an explanatory design, except that in this design the quantitative strand builds upon the qualitative strand to build. However the authors also commented that, unlike in an explanatory design, in an exploratory design “the individuals who participate in the quantitative follow-up for the exploratory design are typically not the same individuals who provided the qualitative data in the initial phase”.

### 3.2.1 Selected research design

In this study the research design used is an explanatory design. Creswell and Clark (2011) described explanatory design as involving the collection of quantitative data, analysing that data and using the results to inform follow-up qualitative data collection (from the same sample). The authors further stated that in an explanatory design, sampling happens at two points – in the quantitative stage and then in the qualitative stage – but the data collections are interdependent. In this design, unlike in the convergent design, the emphasis might be more concentrated on quantitative data collection than the follow-up qualitative data collection, or vice versa (Creswell & Clark, 2011). This study also has an emphasis on the quantitative data.

Fig. 3.1 Explanatory Research Design



Fig. 3.1 shows an Explanatory Design study involved in connecting the results from the initial quantitative phase then follow up with qualitative data collection phase. This plan in this study was selected based on the research questions of the study and it included what questions needed to be further probed and what individuals can help best explain the quantitative results. This research study, therefore, is aimed to achieve some changes for local South African small business retailers by developing a business intervention model for South African small business retailers in Cape Town’s township retailing environments. In this study data collected from local South African and migrant small business retailers. In phase one of data collection, a cross-sectional survey was conducted and

numeric data was collected and analysed. Descriptive and Inferential statistics models were used as meaningful measures of the study. For the second phase, participants were selected purposefully and the interview questions were developed. These participants were targeted because it was assumed that they are information-rich participants based on the high number of years in business which was established in the quantitative data collection stage (phase one). The focus group (phase two—qualitative data) allowed the researcher to clarify themes that emerged from the quantitative phase of the study. The results were analysed through coding and thematic analysis of the textual data.

### **3.3 RESEARCH METHODOLOGY**

Bryman and Bell (2007), Page and Meyer (2005) and Williams (2007), stated that any research process seeks to investigate a particular research question pertaining to which there are different claims. These authors further argued that these claims can be verified by using various forms of research methodology. In general, as indicated in the above discussion of research designs, there are two types of research methodology, namely qualitative and quantitative (Page and Meyer, 2005). The authors also said that researchers at times combine these two methodologies and when that is done the methodology is referred to as mixed method. Furthermore, the authors stated that there has been much debate as to whether qualitative or quantitative research methods deliver the most satisfactory results, but the answer is heavily purpose and context-specific. However, that question is obviated by the use of mixed-method research which is used in this study.

It is crucial for a researcher to look at the aims and objectives of the study, and the research problem identified, then choose the methodology most appropriate for the study. This process, in respect of the current study, is discussed below.

#### **3.3.1 Quantitative research methodology**

Bryman and Bell (2011:31) defined quantitative research as “a distinctive research approach that entails the collection of numerical data, regards the relationship between theory and research as deductive, prefers a natural science approach in general (and positivism in particular), and adopts an objectivist conception of social reality”. Furthermore, the authors said that the quantification aspect of quantitative research reflects the extent to which the methodology is thought to provide an objective measure of reality. Williams (2007) also noted that quantitative research is relevant when used to respond to relational questions within the scope of the research. The author further stated that the findings from quantitative research can be explanatory, confirming, and/or predictive. Moreover, the author added that quantitative research involves the collection of data so that information can be quantified and

subjected to statistical treatment, in order to support or refute alternate knowledge claims. Quantitative data collection in research typically involves the collection of data that is analysed using statistical packages that produce numerical results (Williams, 2007). The author also noted that it also tends to use mathematical models as the methodology of data analysis. Moreover, the author distinguishes several methods of conducting quantitative research, such as the descriptive research method, correlational, developmental design, observational studies, and survey research. Furthermore, the author also stated that these research methods may also be used in various degrees in experimental and causal comparative research.

### **3.3.2 Qualitative research methodology**

According to Page and Meyer (2005), Williams (2007) qualitative research methodology is concerned with people's perceptions of the world around them. In qualitative research, which is strong in the social sciences, it is the words and feelings of people that are central to the research process. These authors further noted that qualitative research methodology allows the researcher to go deeper than just quantifying responses, and probes the respondents with a view to gaining a better understanding of a phenomenon which could very well be complex.

Williams (2007) observed that qualitative research is a holistic approach that involves discovery, building its premises on inductive rather than deductive reasoning. The author also said that observation poses questions that the researcher attempts to answer. The intimate relationship between the observer and the data is a marked difference from quantitative research, where the researcher is strictly outside of the phenomena being investigated (Williams, 2007). The author further remarked that empirical research is data collected from the senses and is used to explain phenomena relevant to social behaviours in new and emerging theories. Furthermore, the author said that there are a number of other notable differences between quantitative and qualitative approaches, in terms of both research design and research methodology.

### **3.3.3 Mixed research methodology**

There are advantages in using both quantitative and qualitative research methodologies in a single research project, and that would be described as using a mixed research methodology (Bryman & Bell, 2011:628). Furthermore, Creswell and Clark (2011:2), Saunders et al. (2009:152-153) and Williams (2007) provided a similar description of mixed method research. For example, Creswell and Clark (2011: 2) described mixed research designs as those designs that "include at least one quantitative method and one qualitative method (designed to collect words), where neither type of method is inherently linked to any particular paradigm". These authors also argued that in appreciation of the fact

that both quantitative and qualitative methodologies have shortcomings, and combining the two draws on their strengths and minimises their weaknesses. Charman et al. (2015) noted that the mixed method approach is hardly used in research on informal small businesses, even though it is a valuable method in many ways, such as increasing the validity of results through data triangulation. Also, the author added that valid research results are obviously very useful in guiding policymakers to craft policies using informed research results.

Williams (2007) maintained that while quantitative research requires the researcher to collect and analyse numerical data, qualitative researchers collect and analyse narrative data in order to answer questions unique to that particular research study. The author also said that in order to collect narrative data for qualitative research the researcher must conduct interviews using open-ended questions, while to collect quantitative data the researcher must distribute a survey with close-ended questions to accumulate numerical data. Williams (2007) also pointed out that for a researcher to provide in-depth insight into a phenomenon, s/he must select a representative sample that will be able to bring about informative results. The author further stated that inferential statistics might be used by a researcher to quantify his or her research results and this will fall under the quantitative research approach.

Archibald, Radil, Zhang and Hanson (2015) claimed that most studies nowadays prioritise the qualitative research approach. The authors also said that in mixed method research convergence between methods can occur at different points of the study. Furthermore, the authors said that some studies integrate by developing an instrument for data collection, meaning that the findings of the research in one strand contribute to improving the existing instrument or creating a new one. The extent of integration can be influenced by the sequence of data collection, the overall mixed method research design, the type of data collected, and can occur throughout or at different stages of the research process (Archibald et al., 2015).

Archibald et al. (2015) argued that the growing popularity and acceptance of the mixed method research approach as a legitimate methodology has influenced researchers to re-examine the previously distinct division between qualitative and quantitative research. The authors also noted that it remains advisable for researchers at all levels to aim for design coherence, particularly, how the research purpose and rationale for mixing influence design, and what extent of integration is enabled through the design and research procedures.

By having the ability to design research studies that combine data collection or data analysis methods from the quantitative and qualitative research approaches, researchers are now better equipped to test and build theories (Williams, 2007). The author also said that researchers are also able to employ deductive and inductive analysis in the same study. Moreover, the mixed methods approach to research

provides researchers with the ability to design a single research study that answers questions about both the complex nature of a phenomenon from the participant's point of view and the relationship between measurable variables (Williams, 2007). However, Charman et al. (2015) also claimed that mixed methods research goes beyond merely mixing different forms of quantitative and qualitative forms of data collection and analysis in order to exactly address our central concern with the scope and scale of the township informal economy. However, the authors cautioned that by including a research paradigm grounded in a participatory worldview in combination with the mixed usage of different forms of quantitative and qualitative tools for collecting and analysing data, a dynamic snapshot of the informal economy can be produced.

### **3.3.4 Selected research methodology**

In this study a mixed method research methodology was used because of “its ability to minimise the weaknesses of the qualitative and quantitative methodologies when used independently” (Williams, 2007:70). Bryman (2007) stated that bringing quantitative and qualitative findings together has the potential to offer insights that could not otherwise be gleaned. The author further noted that even when a fusion of the two sets of findings is not envisioned at the outset of a project, it may be valuable to consider whether the findings suggest interesting contrasts or help to clarify each other. However, Bryman (2007) cautioned that mixed methods researchers may experience barriers to integration in the course of their studies. There may be practical difficulties that impede their ability or inclination to combine or integrate their findings. Williams (2007) also argued that quantitative and qualitative research methods investigate and explore different claims to knowledge and are designed to address different types of research question. Furthermore, the author noted that while the quantitative method provides an objective measure of reality, the qualitative method allows the researcher to explore and better understand the complexity of a phenomenon.

While quantitative instruments are able to describe the quality of observations in numerical terms they fail to provide in-depth insights that can only be explored through interaction among participants. To mitigate against that focus groups are used, however, that means using two methodologies (quantitative and qualitative) making the study a mixed method study. Focus groups are useful for exploring the views of the participant with deeper exploration in meaning. Furthermore, it must be noted in this study a mixed method was chosen based on the research objectives of the study because one of the objectives of the study could only be achieved through a qualitative research method while the other objectives could only be achieved through a quantitative research method.

### **3.4 POPULATION OF THE STUDY**

The population of a research study is defined by Sekaran and Bougie (2016:236) as “the entire group of people, events, or things of interest that the researcher wishes to investigate”. Brynard, Hannekom and Brynard (2014) also argued that the population of the study possesses characteristics that renders its members similar in the eyes of the researcher. According to the information provided by the Livelihoods Organisation (2016), there were 89 small business retail stores owned by South Africans and 90 owned by foreign nationals in the two Cape Town townships of Delft and Eindhoven where the study was conducted, and these formed the population of this study. Before the researcher could select a sample to participate in the study, the researcher considered a number of sampling techniques and these are briefly discussed below.

#### **3.4.1 Sampling strategy**

Having identified the population of the study it was important for the researcher to determine if it would be possible to reach all the members of the population; or if not, how a sample would be obtained from the population.

Brynard et al. (2014) defined a sample as “a subset of the population,” while De Vos et al. (2015:223) stated that “sampling means taking a portion or a smaller number of units of a population as representative or having particular characteristics of that population”. The authors also argued that, in view of the fact that information obtained from the sample must be generalised to the entire population, the sample ought to be representative of the population. Furthermore, the authors noted that by generalisation it is meant that what is true for the sample must be true for the entire population.

Researchers are often forced to use non-random sampling methods such as convenience sampling, in which individuals who fit the criteria of a study are identified in any way possible, or snowball sampling, in which researchers ask the respondents they have identified to tell their friends and acquaintances about the study (Emerson, 2015). The author also noted that these methods might help researchers obtain the number of respondents they desire, but the way the respondents are gathered can easily influence the results by introducing unexpected or uncontrolled factors. The fact is that in both convenience and snowball sampling, all of the resultant respondents will generally be from the same geographical area and they may also have similar socioeconomic statuses or ethnic backgrounds (Emerson, 2015). The author further noted that if all the respondents are similar in terms of one or more factors, it might skew the results of a study. Furthermore, the author said that the best way to reduce the influence of uncontrolled factors is to use random sampling, in which participants are randomly identified from the population of people who meet the criteria for inclusion in the study. Random

sampling is, however, often far too expensive and cumbersome for researchers to accomplish (Emerson, 2015).

### **3.4.1.1 Categories of sampling strategy**

Bickman and Rog (2009) and Sekaran and Bougie (2016) stated that there are therefore two categories of sampling technique, namely probability and non-probability sampling.

#### **Non-probability sampling**

According to Bickman and Rog (2009), non-probability sampling involves human intervention, either purposefully or unintentionally, that determines who will participate in the study. The following are some of the techniques of nonprobability sampling (the descriptions provided by De Vos et al., 2015; and Sekaran and Bougie, 2016)

- **Convenience sampling:** In this type of sampling technique respondents are chosen simply because it is convenient to make use of them.
- **Judgement sampling:** This type of sample is based entirely on the judgement of the researcher, in that a sample is composed of elements that contain the most characteristic, representative or typical attributes of the population that serve the purpose of the study.
- **Quota sampling:** This sampling technique is largely used by market researchers as they need a sample that closely resembles the population. The sampling of the quota is based on the views of the field researcher, which creates an environment for possible bias.
- **Snowball sampling:** Snowball sampling is used when the researcher does not know who else can participate in the study and therefore relies on referrals by the person(s) who have already agreed to participate in the study in order to find other respondents.

#### **Probability sampling**

According to Bickman and Rog (2009), instead of the researcher's judgement, random processes are used to select the sample for the study. The following are among the various techniques of probability sampling:

- **Simple random sampling:** this sampling technique gives a chance for each member of the population to be selected from the sampling frame (De Vos et al., 2015). In other words all members of the population are given an equal chance to participate in the study. Cooper and Schindler (2006:446) remarked that "the unrestricted, simple random sample is the purest form of probability sampling". Furthermore, Walliman (2006) argued that this type of sampling is appropriate when the members of the population are deemed to be homogeneous or similar in significant characteristics.



- **Systematic sampling:** In this type of sampling the researcher uses a specific procedure to select the sample. For example, if the researcher is interested in obtaining information from a class of MBA students, the researcher may decide systematically to select every 4<sup>th</sup> student in the class to participate in the study. Cooper and Schindler (2006), also stated that this type of sampling may introduce some subtle bias in that systematic sampling could coincide with possible periodicity in the population that parallels the sampling ratio.
- **Stratified sampling:** De Vos et al. (2015) and Sekaran and Bougie (2016), noted that the population may be made up of heterogeneous members who can be organised in sub-groups known as strata. Also, the authors argued that in such a case, it may be important to ensure that each stratum is represented in the sample. The authors further argued that there are many characteristics that can be used to stratify or categorise the population into sub groups, including mutually exclusive characteristics such as gender, home language, income levels, and levels of education or age. For example, if the total population is made up of all the members of a particular football team, to achieve stratification the team can be stratified into defenders, strikers, midfielders and goalkeepers. In choosing a sample for the study, the researcher would obtain a sample from each stratum so that all the strata are represented in the study (Sekaran and Bougie, 2016).
- **Cluster sampling:** This type of sampling is used when a geographical area is known but the sampling frame is not available (De Vos et al., 2015).

#### 3.4.1.2 Selected Sampling technique

The population of the study comprised two groups, namely, South African (local) and foreign national small business retailers operating grocery retailer stores. The first group consisted of 55 South African small business retailers while the second group consisted of 75 migrant small business retailers. A random sample was targeted from each group and the mixed research methodology was used in this study using a structured questionnaire with close-ended questions and focus group interviews as a research instruments. The researcher initially intended all the members of the population to participate in the study, meaning a census was envisaged. Following the quantitative data collection, qualitative data was collected through focus group interviews.

According to Tuckett (2004), purposeful/theoretical sampling attempts to select research respondents according to criteria determined by the purpose of the research, but also as guided by the unfolding theorising. The author also noted that there a number of issues that potentially undermined the essence of purposeful/theoretical sampling, including gatekeeper bias, sample frame bias, practicality and logistics. The sample for this study was framed according to the purpose of the study. Consequently, in this study, those sampled were traders in small business retailing in the two townships. In a sense, this

study is biased towards small business retailing because it excludes other small businesses. Tuckett (2004) stated that the issue of limitations to the research as a consequence of sample bias can be countered by the use of a number of research strategies, including different methods of collecting data. In this study the researcher considered the congruence and complementarity of each participant's group and personal data with the data from the participant's in-depth interview (triangulation). Both novice and experienced researchers need to take seriously the issue of sampling in qualitative research if they are to be mindful of the necessity for rigour (Tuckett, 2004). For the focus group (phase two-qualitative), the sample of the population was the local South African and migrant small business retailers who had participated in the quantitative data collection phase. From this group, five traders (i.e. five local South African and five migrant traders) were purposively selected based on high number of years in experience.

### **3.5 DATA COLLECTION**

In this study, the mixed method research methodology meant that various data collection methods were employed. The research process involved a two-group comparison involving (phase one) quantitative and (phase two) qualitative methods. During phase one quantitative data was collected from two randomly-selected groups of respondents. The first group consisted of 55 South African small business retailers and the second group of 75 migrant small business retailers.

For the qualitative part of the study participants were targeted because it was assumed that they are information-rich participants. The focus group allowed the researcher to clarify themes that emerged from the quantitative phase of the study. The focus group took about 2hrs for each group as local South African traders were interviewed separately from the migrant retailers. That was done in order to make sure that each group of participants expressed their thoughts freely.

In this study small business retailers' competitive factors, financial management and control factors, challenges and constraints were determined. This small business retailer assessment was the initial phase of the research project because findings from the data collected were used to inform data collection in the second phase, conducted through two separate focus group interviews. The first group comprised five local traders (selected on the basis of experience, as established in the first phase) and the second group also comprised of five foreign national small business retailers, also selected on the basis of experience as established in the first phase.

### **3.5.1 Data collection instruments**

The main purpose of data collection is to develop answers to the research questions. According to Creswell and Clark (2011: 179), “it is essential to know the general procedures of collecting data in qualitative and quantitative research, because mixed method builds on these procedures”. Saunders et al. (2007:354) observed that “within business and management research the greatest use of questionnaires is made with the survey strategy”. Questionnaires can be used in structured interviews, telephone interviews as well in situations where the interviewer is not present (the self-administered questionnaire). In this study the questionnaires were part of the survey strategy for the collection of the first set of data. Structured questionnaires with closed-ended questions were used in this study to collect the first set of data, which was analysed quantitatively using SPSS software. According to Wenger (2007:31), “Designing a well-structured, unambiguous and undisguised questionnaire requires close attention to the type of question, and includes the order of the questions, the structure and the wording of questions”.

In this study a close-ended questionnaire (administered by the research assistants) was used for the quantitative data collection and an open-ended questionnaire (through focus group interviews) was used for the qualitative data collection. While there are various methods of collecting data, the ones actually used in this study are briefly discussed below. Furthermore, Subedi (2016) argued that research questions are important than methodology in mixed method design. This indicates that research questions drive the selection of research methods, which are often mixed method in nature the complexity of those research questions.

#### **3.5.1.1 Focus Group Interviews**

According to Kvale (2007:7), the interview is a conversation that has a structure and a purpose determined by one party, the interviewer. Furthermore, the authors added that a professional interaction is required when conducting interviews and that involves a careful questioning and listening approach with the purpose of obtaining thoroughly tested knowledge. Moreover, the author added that the qualitative research interview is a construction site for knowledge and one form of research interview is a semi-structured life-world interview. Cassell (2014:4) also added that “interviews can be used to explore a particular phenomenon – an exploratory interview – or can be used to clarify data derived from other sources in a confirmatory way”.

In this study the first set of data was collected using structured questionnaires that were administered during five consecutive weekly small business retailer visits. The quantitative data is presented in the form of descriptive statistics. A second set of data was collected using focus group interviews, and this

data is presented separately in a narrative format. The second set of data was informed by the outcomes of the first set of data analysis. The second set of data was collected from participants selected from the sample involved in the first round of data collection, and the participants we selected based on their experience in the small business retailing sector. Those with the highest number of year trading in the small business retailing sector were selected. Cassell (2015:4) stated that that “the interview can also be used as part of a multi-method study where different data methods can provide different insights into a given organisational phenomenon”. The author also noted that the purpose of [the exploratory, semi-structured] interview is to explore a particular organisational issue from a range of different perspectives. Furthermore, the author said that the interviewer devises a range of questions around particular themes that enables them to gather information about the topic or question. However, Bryman and Bell (2007:218) noted that “before interviewing anybody, an interviewer should be fully conversant with the schedule. Even if you are the only one person conducting interviews, make sure you know it inside out. Interviewing can be very stressful for interviewers”.

### **3.5.1.2 Questionnaire Survey**

In this study the researcher prepared a time schedule and made appointments with all those respondents to be surveyed through a closed-ended questionnaire. Bryman and Bell (2011:199) remarked that “one of the most significant considerations for many researchers is whether to ask a question in an open or closed format. This issue is relevant to both structured interview and self-administered questionnaire research, although the qualitative or quantitative nature of a project invariably leads to questions being either open or closed, respectively”. In this study the questionnaires (for the quantitative data collection) were coded prior the collection of data as a computer software program was used to analyse the questionnaires once they had been collected from respondents. As Wenger (2007) reminds us, statistical findings are of value to researchers only if the information can be interpreted and used effectively.

## **3.6 CONSTRUCTION OF THE RESEARCH INSTRUMENT**

In the research design process it is important for the researcher to decide how data will be collected. In this research the first thing was to decide if the research questions of the study required a mono method or mixed method design. Due to the nature of the research questions the researcher decided that study is best suited by a mix-method design. When the methodology employed is mixed method research, a decision has to be made as to when and how each type of data will be collected. It is possible to collect two types of data using the same instrument. For example, the questionnaire can be divided into a section that asks closed-ended questions and another that asks open-ended questions. The approach most often used is to collect the quantitative data using the questionnaire and the qualitative data using interviews.

An explanatory research design was selected because it allows for the quantitative element of the study to dominate in the mixed-method of the study. Indeed, this study had two categories of data, quantitative data collected using the questionnaire, and qualitative data using focus group interviews. The first (quantitative) and second (qualitative) data sets were collected consecutively. The questionnaire compiled to collect the first set of data was structured with mostly closed-ended (quantitative) questions, but included a few open-ended (qualitative) ones. This data was collected from the South African and foreign national small business retailers. The aim of the questionnaire was to establish the status of the traders in respect of skills and capabilities, among other things. The core assumption of this approach is that the researcher can then combine the statistical trends (quantitative data) with the lived experiences (qualitative data), creating a collective strength to apprehend the research problem more effectively than using a singular approach (Creswell, 2015).

The questionnaire had three sections, Sections A, B and C; both foreign nationals and South African traders were asked to answer Sections A and B, but the migrant traders were not required to respond to Section C of the questionnaire. The questionnaire and interviews are structured as follows:

- Section A: Competitive factors
- Section B: Financial management and control
- Section C: Challenges and constraints of South African traders

According to Remeyi, Williams, Money and Swartz (1998:150), “the main purpose of questionnaire research is to obtain information that cannot be easily observed or that is not already available in written or computerised form. Evidence from the questionnaire survey is then used for one or more of the following purposes – description, explanation, hypothesis testing”.

- **Open-ended Questions**

Authors such as Remeyi et al. (1998), Sekaran and Bougie (2016), describe open-ended questions as those in which the respondents of the study may answer in any way they choose. In such a case the researcher has not provided answers from which the respondents can choose. The authors argue that such questions are often used in exploratory research, but what is of importance to note is that the data so acquired is qualitative in nature.

- **Closed-ended Questions**

Remeyi et al. (1998:152) also argued that in general close-ended questions are used in quantitative studies. When closed-ended questions are used, the researcher(s) provides a range of possible responses formulated from his or her knowledge of the field.

The researcher considered both types before deciding which one to use. In the questionnaire close-ended questions were used whereas in the interviews open-ended questions were used.

### **3.6.1 Administration of the research instrument**

The questionnaire was administered by the researcher with the help of three research assistants. Research assistants mainly helped with translation from English to Afrikaans (one assistant), and from English to isiXhosa (one assistant). There was also a research assistant who helped with interpretation when the foreign nationals were interviewed. It must be borne in mind that some of the foreign nationals interviewed were not fluent in the English language. All the preparations for the interview sessions were done by the researcher, which included the setting up of the appointments with the respondents that were to be interviewed.

### **3.6.2 Pilot study**

The researcher embarked on a pilot study to pre-test the questionnaire. The main aim of the pilot study was to determine if there was ambiguity or a lack of clarity in any of the questions asked. Secondly, pre-testing served to determine how long it would take the respondents to complete the questionnaire. The pretesting process involved 5 small business retailers who were not from the area where the research was conducted. The interview schedule was also pre-tested by three lecturers from a University of Technology in the Western Cape. The lecturers were purposively selected to gauge the accessibility and sensitivity of the language used, and the relevance of the questions asked.

## **3.7 DATA ANALYSIS**

Data analysis begins with ascertaining data relevancy to ensure that it is problem specific. The researcher cannot draw useful conclusions from variables and data that are not relevant to the research objectives (Wenger, 2007). In this study the researcher aligned all the questions in the questionnaire with an overall objective, and then grouped the questions according to specific objectives to avoid gathering any irrelevant data.

The raw data collected was analysed to serve as the basis for the formulation of recommendations emanating from the study. The results of the research identified other stakeholders in the township small business retailing sector such as the South African government small business development agencies (the Small Enterprise Finance Agency and the Small Enterprise Development Agency), and retail sector training authority (the Wholesale and Retail Sector Training Authority). The South African government small business agencies are the official enablers of small business development in the country, and the Wholesale and Retail SETA the training authority for the entire retail sector in South Africa.

### **3.7.1 Mixed method data analysis**

De Vos et al. (2015:249) affirmed that “the purpose of analysis is to reduce data to an intelligible and interpretable form so that the relations of the research problems can be studied and tested, and conclusions drawn”. However, Bickman and Rog (2009:303) also pointed out that “there are several ways that quantitative and qualitative data analyses are used in mixed methods research. In many mixed

method research studies, each type of data (narrative and numerical) is analysed separately”. The process of analysing the numerical or quantitative data is described first. Throughout it was borne in mind that statistical findings are of value to researchers only if the information can be interpreted and used effectively (Wenger, 2007). An advanced statistician was consulted prior to the distribution of the questionnaire for advice regarding a relevant statistical package was used for the study.

### 3.7.2 Quantitative data analysis

Depending on its volume, quantitative data can be analysed using computer software such as SPSS, Excel, etc. The quantification of data can be facilitated by the use of computer programs, as such programs perform statistical analysis with ease (De Vos et al., 2015:249).

Below are some of the key elements of quantitative data analysis:

- Factor analysis: Pallant (2010:182) observes that “there are two main issues to consider in determining whether a particular data set is suitable for factor analysis: sample size, and the strength of the relationship among the variables (or items)”. Furthermore, the author argued that while there is little agreement among authors concerning how large a sample should be, the recommendation generally is: the larger, the better. Also, the author added that in small samples, the correlation coefficients among the variables are less reliable, tending to vary from sample to sample.
- Descriptive statistics: Descriptive statistics refers to the distribution of the sample (frequency, central tendency and dispersion), using a univariate (focusing on one variable) method of analysis (De Vos et al., 2015). The author also noted that descriptive statistics produces data which assists in the summary and interpretation of the data collected. In this study descriptive analysis was carried out on the data set collected in phase one.
- Regression analysis: Render, Stair and Hanna (2006:116) noted that there are generally two purposes for regression analysis. The first is to understand the relationship between variables such as advertising expenditures and sales (Render *et al*, 2006). Also, the author added that the second purpose is to predict the value of one variable based on the value of the other.
- Standard deviation: De Vos et al. (2015) observed that the sample average and standard deviation are the most popular measures of central tendency and variation in statistics. The author further added that the value of the variance and the standard deviation of a sample can be calculated directly by any calculator with scientific functions, and they are part and parcel of all statistical computer packages.

- Frequency distribution: According to De Vos et al. (2015) noted that there are two main types of frequency distribution. They include simple frequency distribution and grounded frequency distribution, which are frequency distributions in table form (De Vos *et al*, 2015). Moreover, the author added that there are various graphic ways in which frequencies may be displayed such as the bar graph, histogram, frequency polygon, pie chart, and pictogram.

In this study the researcher analysed quantitative data using the Statistical Package for Social Sciences (SPSS). The data was arranged and presented in the form of frequency tables.

### **3.7.3 Qualitative data analysis**

De Vos et al. (2015:399) noted that “qualitative data analysis is, first and foremost, a process of inductive reasoning, thinking, and theorising which certainly is far removed from structured, mechanical and technical procedures, to make inferences from the empirical data of social life”. Furthermore, the author added that computer software programs for data analysis typically rely on abbreviations of keywords. Whatever system is planned, it is inevitable that the scheme will undergo changes – coding is not merely a technical task. As one codes the data, new understandings may well emerge, necessitating changes in the original plan. The use of numerous methods reflects the researcher’s effort to secure a deeper understanding of the phenomenon in question, that is, the dominance of foreign national traders in township retailing environments (Denzin, 2012).

The data from focus group interviews were analysed using Atlas.ti software by coding themes. After conducting the focus group study, the recorded interviews were translated and transcribed with assistance of research assistant (to assist with language translation). This was done in order to ensure that research bias risk was reduced.

## **3.8 VALIDITY AND RELIABILITY**

Strategies to secure validity and reliability for the quantitative research component included applied sampling processes, reports on the number of respondents and non-respondents, descriptive analysis of all data, and reports on statistical significance testing (Creswell, 2015). The author further stated that for the qualitative part of the study, the following strategies were applied: triangulation of data, participant scrutiny, extended time spent in the field, the addition of respondent information into the data analysis process, in-depth accounts, reflection on researcher’s predisposition, and transcript scrutiny. For this study a sampling frame was carefully chosen and a representative sample selected to make sure that the study was valid, reliable and generalisable. According to De Vos et al. (2015:234), “generalising the results of a study based on working with such a sample means that any other portion of the same population would yield the same observations”.



### **3.9 ETHICAL CONSIDERATIONS**

There is a tension between knowledge and ethics in research interviewing because ethical issues permeate the research interview (Kvale, 2007). Furthermore, the author said that ethical issues go through the entire process of an interview investigation, and potential ethical concerns should be taken into consideration from the very start of investigation and up to the final report.

In this study all participants signed an informed consent form which was explained to them by the researcher. A copy of the form is attached in this study and it relates to the participants' ability to make a voluntary decision to participate in the research study, due to sufficient information and the format of comprehensive information provided by the researcher. Consent form is important as it implies that participants have a good understanding of the meaning of their participation in the study. The form also assures the participants that their identities will remain anonymous and confidential. Being anonymous means that the participant's identity is known only to the researcher. To ensure anonymity the information about participants was not shared with anyone who is not involved in this study. The recorded interviews did not include any personal details of the participants in order to ensure their anonymity. Data was collected at participant's place of business to ensure the participants safety and convenience. All the data was coded and the raw data is kept safe in line with the University of KwaZulu-Natal (UKZN) policy of data preservation. Furthermore, this research study was cleared by UKZN's ethics committee, and an ethical clearance certificate was duly issued, which is included in the appendices. The University of KwaZulu-Natal (UKZN), like other academic institutions of higher learning, has its own code of research ethics. The researcher adhered to every element in that code. Among other things, the code of ethics covers matters relating to confidentiality, anonymity, and the ability of the respondents to withdraw at any time during the study without any negative implications.

### **3.10 CONCLUSION**

This chapter dealt with the research design of the study, which encompasses the research methodology employed. The instruments and methods of data collection were discussed. The chapter also dealt with the ethical guidelines that the researcher followed in this study. Before choosing the data collection instruments the researcher carefully considered the objectives of the study and chose the instruments that could best achieve those objectives.

The mixed method research design adopted was thoroughly discussed and explained. Although each method seeks to validate sensory knowledge as truth, neither is absolute in its form or significance, which is why a mixed method approach was selected for this study. The next chapter presents and analyses the data that was collected

## CHAPTER 4

### FINDINGS AND ANALYSIS

#### 4.1 INTRODUCTION

This chapter details the findings and analyses of the study using descriptive statistical analysis comparing foreign national and South African small business retailers, based on responses to Sections A and B of the questionnaire. Section C of the questionnaire contains information derived from South African small business retailers only and will be analysed separately. The quantitative data presentation is followed by presentation of the qualitative data.

#### 4.2. PRESENTATION OF QUANTITATIVE DATA

As indicated above, this section is based on the information obtained from responses to questions in Sections A and B of the questionnaire, which comprises a comparison between local and foreign national small business retailers.

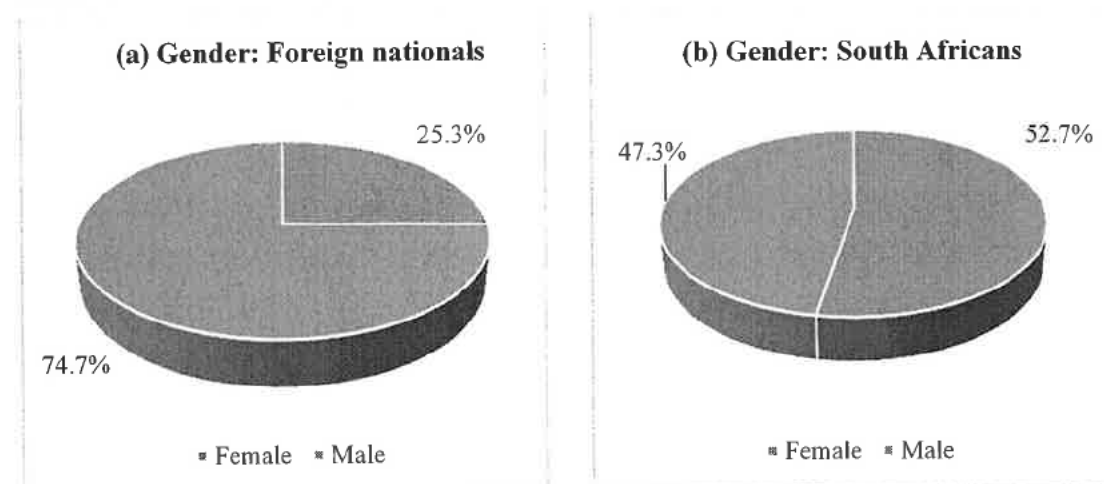
##### 4.2.1 Response rate

The respondents – South African and foreign national retailers trading in township environments – were interviewed face-to-face, and this had a positive effect on the response rate. The researcher was able to provide clarity when respondents could not understand the question. The response rate was 100% for the foreign national small business retailers and 75% for the South African small business retailers.

##### 4.2.2 Comparative factors analysis (Descriptive)

###### 4.2.2.1 Gender

Figure 4.1 (a) and Figure 4.1 (b) outline the gender disparity among local and foreign national traders in relation to the ownership of small business retail stores.

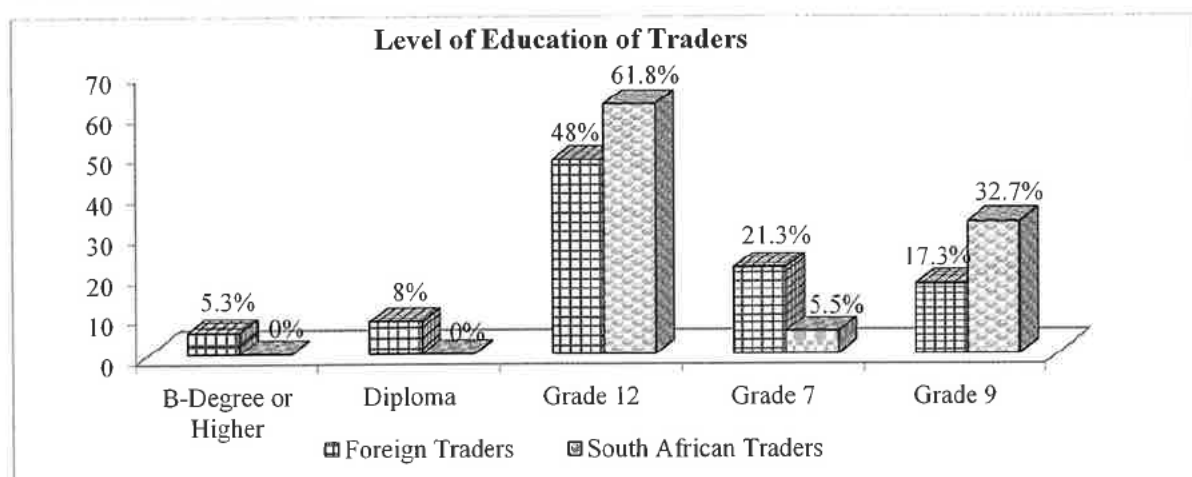


**Figure 4.1 (a) and Figure 4.1 (b) depicting the gender of traders (respondents)**

With regard to South African traders, Figure 4.1 (b) indicates that female traders are the dominant group, accounting for 52.7% of the respondents. Figure 4.1 (a) indicates that with foreign national traders the opposite is true, as male traders account for 74.7% of the total. Figure 4.1 (a) confirms a study conducted among African countries which showed that at least 37% of women (of working age) have start-up businesses, though this figure is 3% lower than that of their male counterparts in that same economies (GEM global monitor report, 2015/16).

In sum, the issue of gender in the informal retailing sector is very important because women experience discrimination in this sector: they are viewed as workers rather than business owners (Crush, Skinner & Chikanda, 2015).

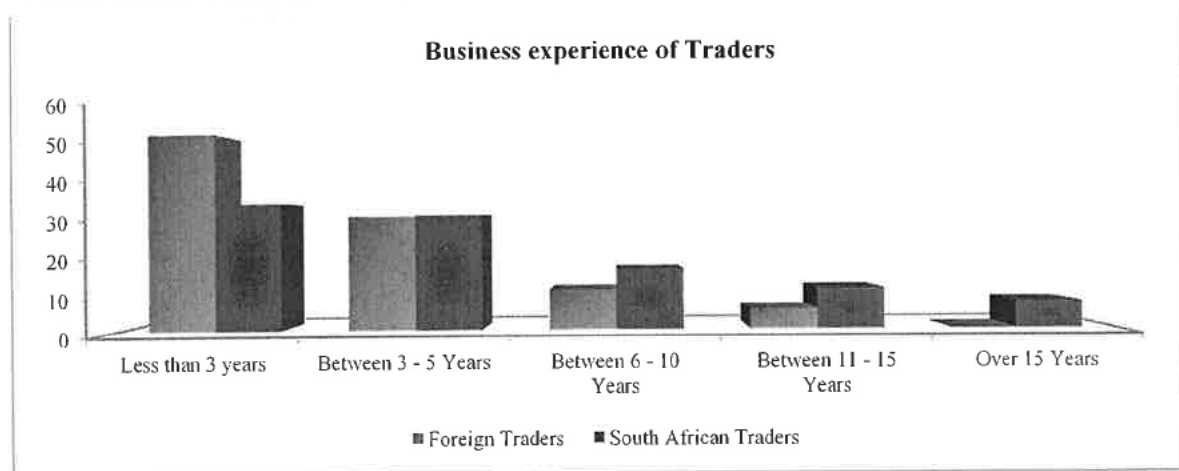
#### 4.2.3.2 Level of education of traders



**Figure 4.2 depicts the education level of traders**

Figure 4.2, above, indicates that 61.8% of South African traders had been educated up to grade 12. While this is also true of foreign national traders (Figure 4.2), several of them had some tertiary qualification, including Bachelor's degrees (5.3%) and Diplomas (8%). Education, is another constraint facing small businesses in the absence of entrepreneurship education from school syllabuses (Xheneti & Bartlett, 2012). Furthermore, the authors noted that entrepreneurship education should be embedded in school curricula so that those who choose entrepreneurship as their vocation do not struggle with basic business knowledge.

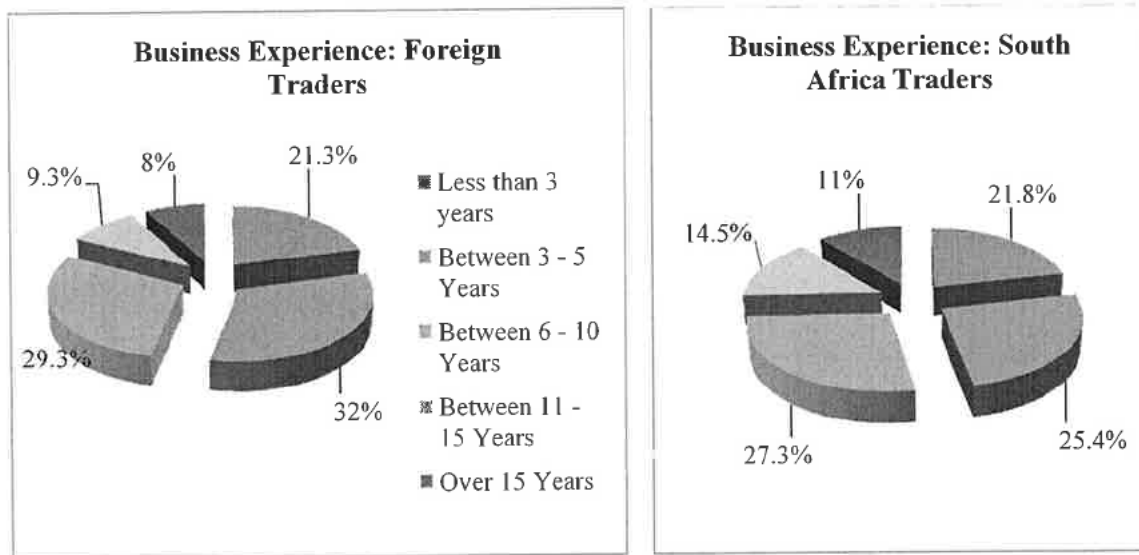
#### 4.2.2.3 Length of time operating business



**Figure 4.3 Number of years the businesses of traders had been in operation**

Figure 4.3 above indicates that 34.5% of South African traders had less than 3 years of trading in the area, while 30.9% had between 3 and 5 years of trading in the area. This means that the 65.4% (34.5%+30.9%) of South African traders had less than 6 years' experience of trading. With regard to foreign traders, as presented in Figure 4.3, 53.3% had less than 3 years of trading in the area, and 30.7% had between 3 and 5 years of trading in the area. The means that a large 84% (30.7%+53.3%) of foreign traders had less than 6 years' experience of trading. Entrepreneurs who have been in business for longer have the advantage of guaranteed and regular customers, while location remains the means-to-the end of street food enterprises (Otoo et al., 2013). Thus vendors who have been in the business for a long period are able to secure a stable and fixed location to operate their businesses, unlike newer vendors, who lack permanent market locations and are obliged to change business locations regularly, affecting their accessibility to potential regular customers (Otoo et al., 2013).

#### 4.2.2.4 Business Experience

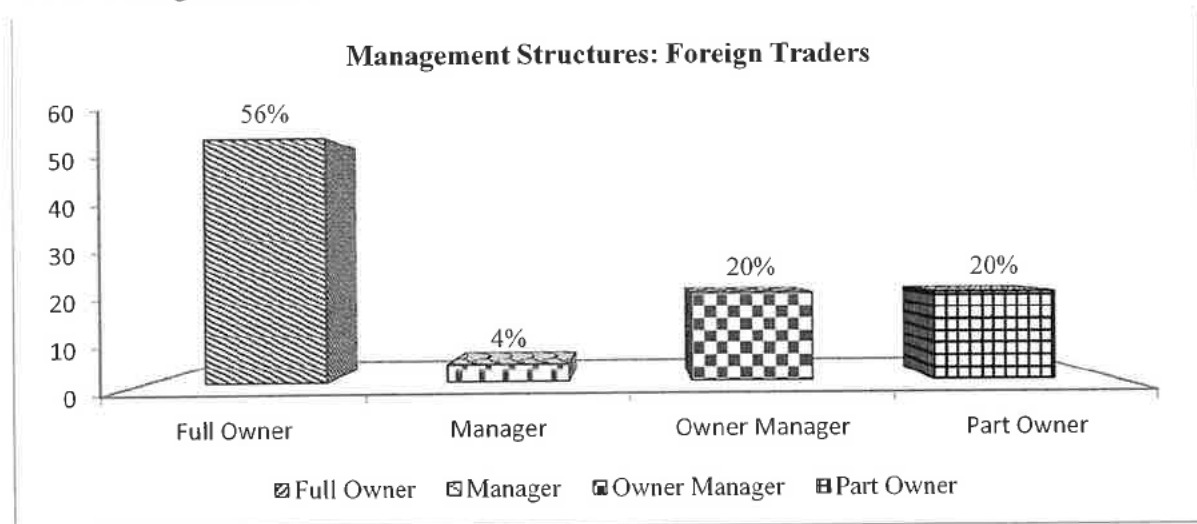


**Figure 4.4 (a) and Figure 4.4 (b) depicting the number of years of business experience among traders**

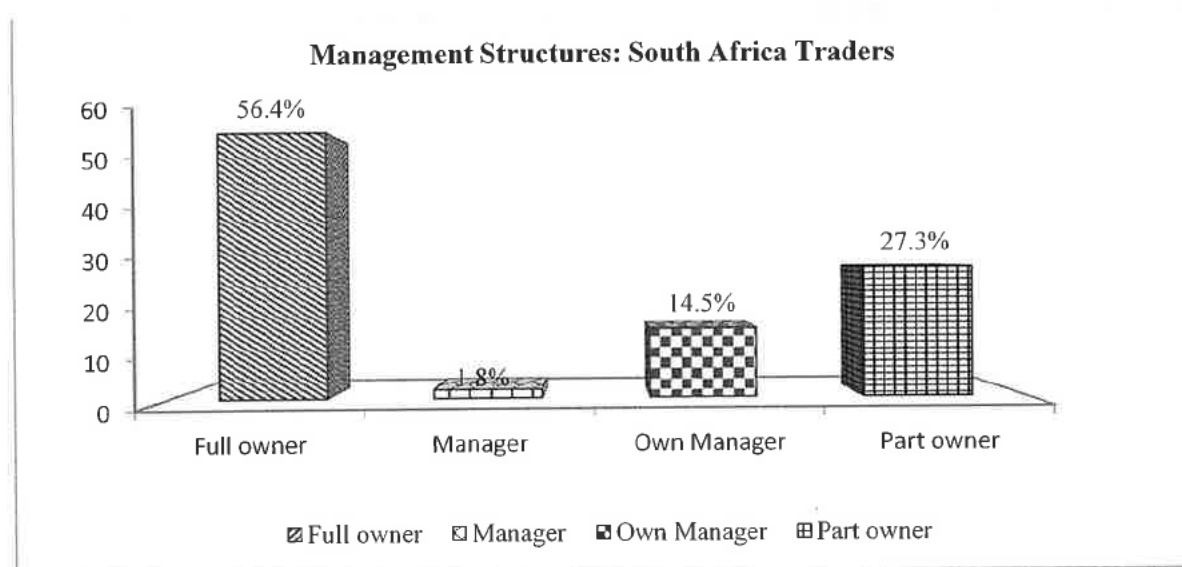
Figure 4.4(a) shows that 21.3% of foreign national traders had less than 3 years' business experience in trading, and 32.0% had between 3 and 5 years of business experience in trading. Thus 53.4% (21.3%+32%) of foreign traders had business experience of less than 6 years of trading. Otoo et al. (2013) observed that entrepreneurs who employ inimitable resources such as business experience are able to gain a competitive advantage. Figure 4.4 (b) indicates that South African small business retailers have more experience in retailing than their foreign national counterparts. Figure 4.4 (b), above, indicates that 21.8% of South African traders had less than 3 years of business experience as traders, while 25.4% had between 3 and 5 years of business experience in trading. Thus 52.8% (21.8%+25.4%) of South African traders had more than 6 years' business experience in retail trading.

Entrepreneurs are also judged on business experience, motives and character when venture capital firms are looking at funding new businesses (Hmieleski & Baron, 2009:485). Similarly, if the South African government is looking at implementing developmental funding programmes for entrepreneurs in the retail sector, there have to be criteria developed and used to assess applications.

#### 4.2.2.5 Management structures



**Figure 4.5 (a) depicting the management format of foreign national traders' stores**

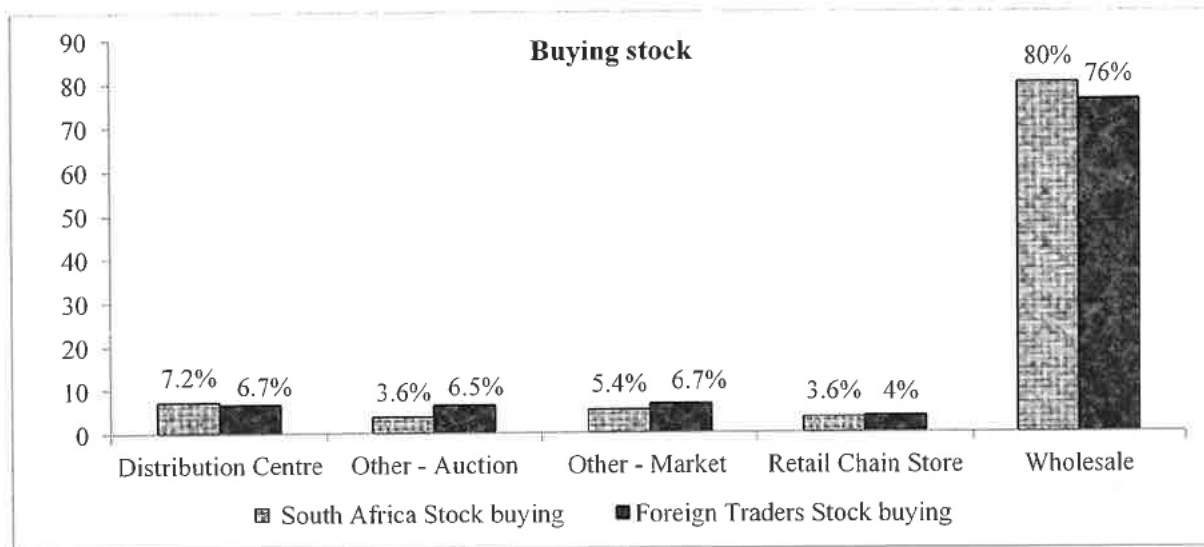


**Figure 4.5 (b) depicting the management format of South Africa traders' stores**

Figure 4.5 (b), above, indicates that 56.4% of South African traders were full owners of their small business retail stores, and 14.5% were owner managers, meaning that the 70.9% (56.4%+14.5%) of South African traders had direct ownership of their small business retail stores. With respect to foreign traders, in Figure 4.5 (a) shows that 56.0% were full owners of their small business retail stores, and 20% were owner managers, meaning that a 76.0% (56%+20%) of foreign national traders had direct ownership of their small business retail stores. The study revealed that for both local and foreign national traders in Figures 4.5 (a) and (b), very few stores were not directly owned by the traders. The co-ownership model is also useful for when a trader takes some time off or away from the business, and knows that there is someone with similar interests looking after the business (Gastrow & Amit, 2013). Furthermore, the authors noted that some local small business retailers do not even reside in the

locations where they trade, but with the co-ownership model they could choose partners that reside in the areas where they trade to make sure that the store opens early and closes late, creating convenience for the consumer.

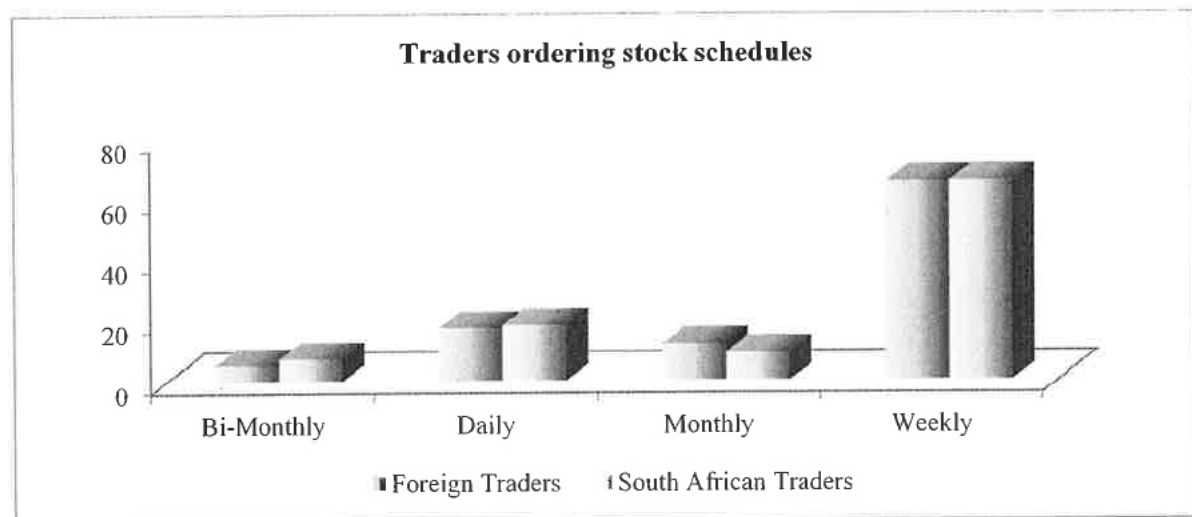
#### 4.2.2.6 Trader buys stock



**Figure 4.6 depicts the area where foreign nationals and South African traders buy stock**

Figure 4.6 indicates that 80% of South African traders bought their stock from wholesalers. In relation to foreign traders in Figure 4.6, 76% buy their stock from wholesalers. Figure 4.6 shows that most South African and foreign national traders prefer to buy their stock from wholesalers rather than from the national franchised chain store supermarkets operating in the same local environment. Small business retailing has a large number of consumers but a low basket price, while the formal retail sector has a lower number of consumers with a higher basket price (Makhitha, 2017).

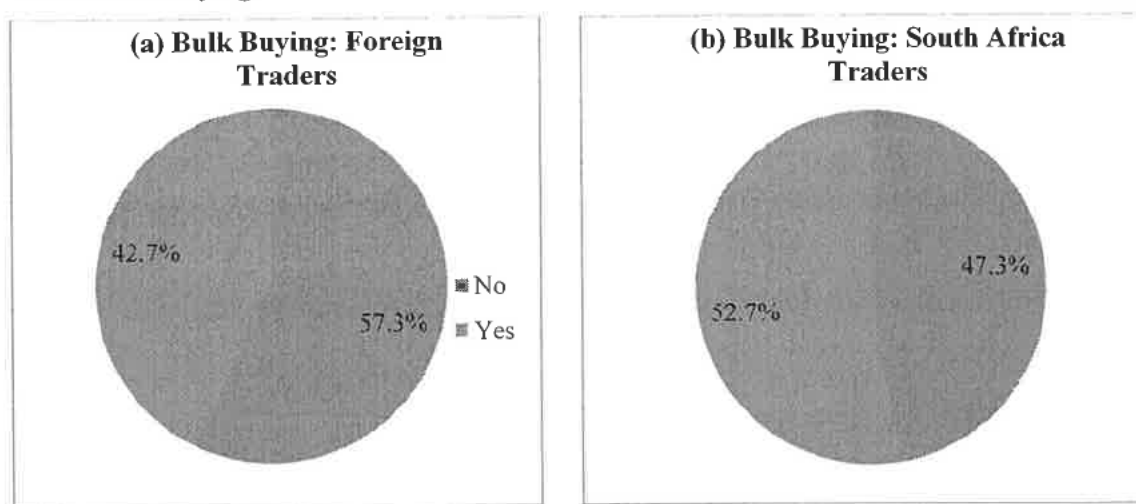
#### 4.2.2.7 Trader orders stock



**Figure 4.7 depicts the number of times foreign national traders order stock**

Figure 4.7, above, indicates that, among South African traders, 18.2% order their stock on a daily basis, and 65.5% order their stock on a weekly basis. Thus the majority (65.5%) of South African traders prefer ordering stock on a weekly basis. As far as foreign traders are concerned (Figure 4.7), 17.3% order their stock on a daily basis, and 65.3% order their stock on a weekly basis. Much as is the case with South African traders, the majority (65.3%) of foreign national traders prefer ordering stock on a weekly basis. The demise of South African trader-owned retail stores cannot be blamed solely on foreign national traders, even though the bulk discounts obtained through collective procurement systems give foreign national traders a competitive edge: South African traders also need to learn how to be competitive (Gastrow & Amit, 2013).

#### 4.2.2.8 Bulk buying



**Figure 4.8 (a) and (b) depicting whether traders buy stock in bulk**

Figure 4.8 (a) reveals that 57.3% of foreign national traders do not buy stock in bulk, a majority. Figure 4.8 (b) indicates that 52.7% of South African traders buy stock in bulk, a narrow majority. Figure 4.8 indicates that a relatively high percentage of South African traders prefer to buy stock in bulk, while a relatively high percentage of foreign national traders do prefer to buy stock in bulk. Bulk buying is a cost saving method for retailers, but it also ties up the retailer's cash flow in the stock. When the need arises for the trader to buy other out-of-stock items, there may not be the necessary cash flow available.

#### **Chi-square test for independence: bulk buying**

$H_0$ : Most traders do not buy in bulk

$H_1$ : Most traders buy in bulk



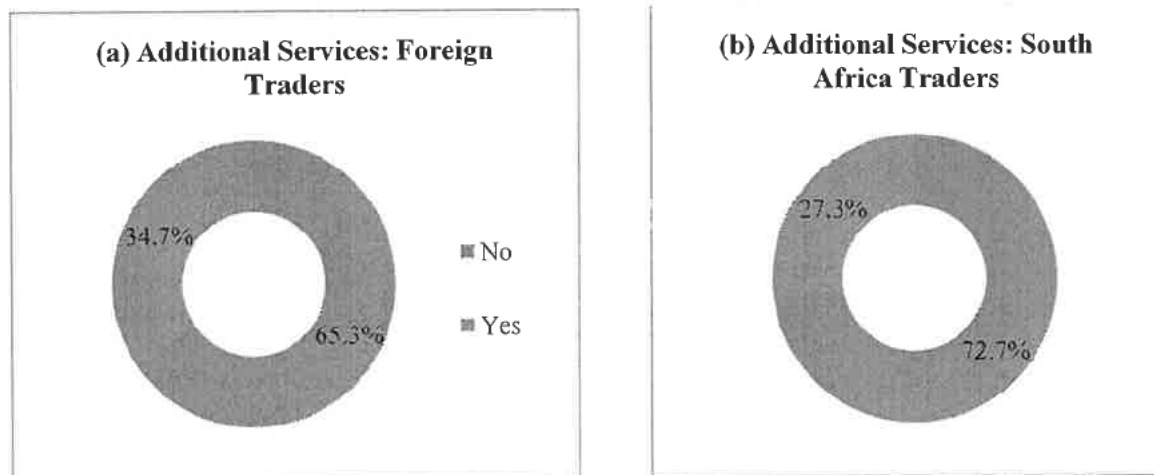
**Table 4.1 Chi-square for traders' nationality and bulk buying**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.290 <sup>a</sup>	1	.256
Likelihood Ratio	1.290	1	.256
Linear-by-Linear Association	1.280	1	.258
N of Valid Cases	130		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 25.81.

The Pearson Chi-square is 1.290 and the degree of freedom is 1, while our significance P value is 0.256 as shown in Table 4.1. There is no significant difference ( $P > \text{Alpha } (\alpha) 0.05$ ). This shows that there is no statistical significance between nationality and bulk buying. Therefore we accept the null hypothesis. Most traders do not buy in bulk because small business retailers do not have the financial resources to stock any extra stock, so even if there is an item on sale from the wholesaler or distributor the small business retailer can neither pay for the stock nor find the space to keep it (Ligthelm, 2003). Furthermore, the author noted that small business retailers usually struggle with limited stock, partly because of the limited room for storage in their small makeshift premises.

#### 4.2.2.9 Additional services

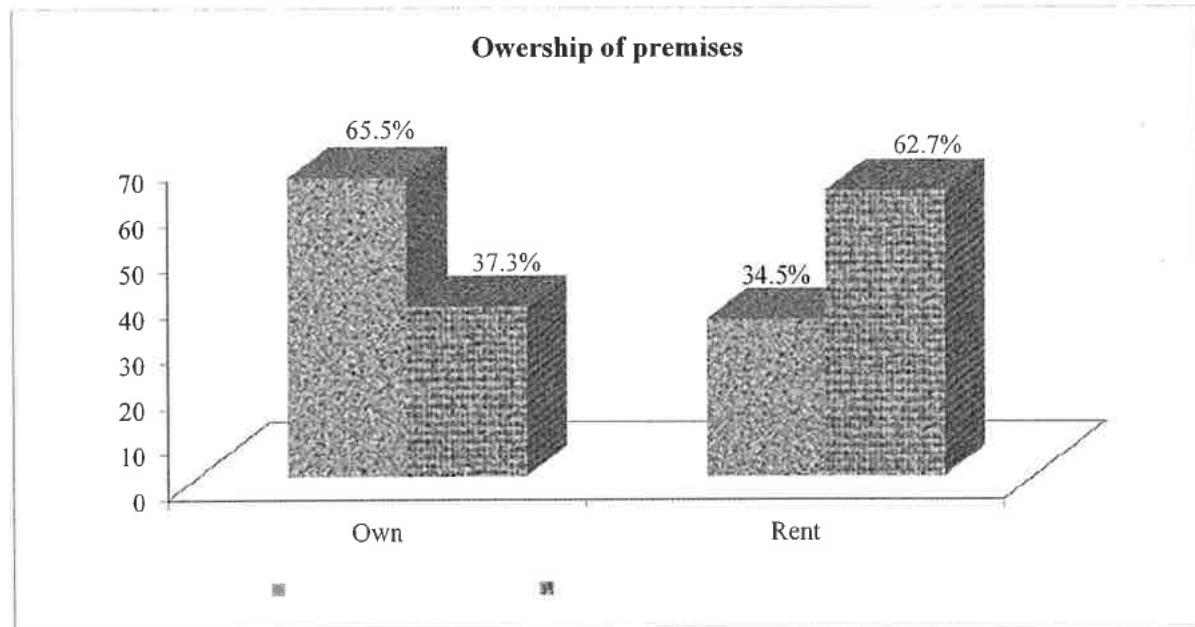


**Figure 4.9 (a) and (b) depicts whether or not traders offer additional services**

Figure 4.9 (b) above indicates that among South African traders, 72.7%, a substantial majority, do not offer additional services (such as use of a telephone, airtime or photocopying) that are not part of their core business. In the case of foreign traders, as depicted in Figure 4.9 (a), 65.3% do not offer additional services, while as many as 34.7% do. Gastrow and Amit (2013) comment that these service offerings make foreign national trader spaza shops owners popular among township customers. Furthermore, the author noted that foreign national small business retailers offer month-end specials to the consumers so

that they can stretch the value of the money they spend on groceries. The author further noted that foreign national small business retailers offer additional services in their stores such as photocopying and selling other goods such as airtime to attract consumers.

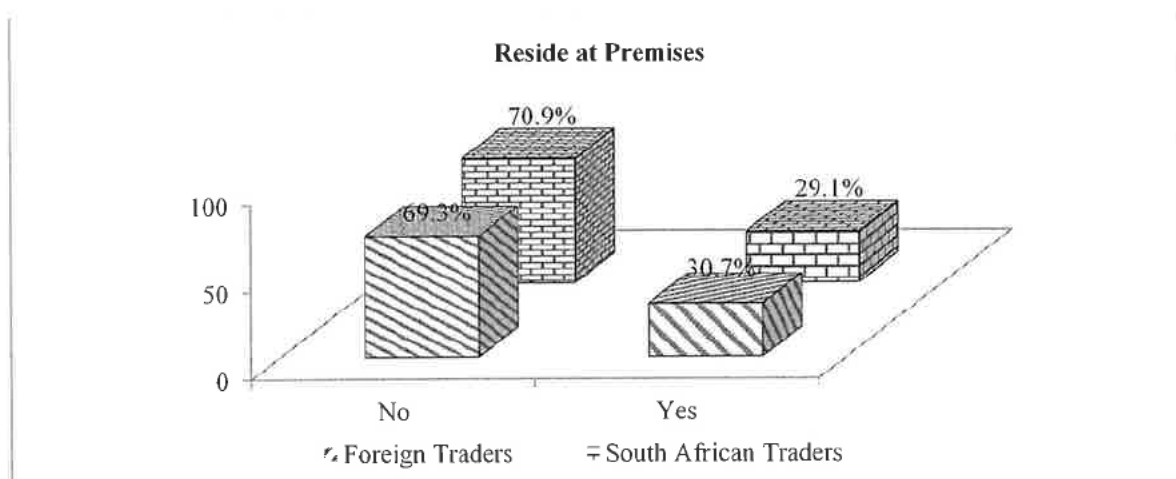
#### 4.2.2.9 Store site: Own or rent



**Figure 4.10 Foreign and South African traders own or rent their store site**

Figure 4.10 above indicates that a majority of 65.5% of South African traders fully own their small retail stores. As far as foreign national traders are concerned, 62.7% rent their stores from South African locals. This reveals that the majority of South African traders do not have to pay rent as they own their stores, while 62.7% of foreign national traders have to pay rent. Rent is one of the high expense items for retailers and a saving on rental costs can ease the cash flow of the trader. Grant (2013) also noted that when suppliers are distant from the small business retailer, the retailers lose money because of what they have to spend on logistics to move the goods from the supplier to the retailer. Thus local South African small business retailers need to improve their small business operational model by socialising and networking with other local small business retailers, including women. Local South African small business retailers do enjoy the benefit of trading within their own homes and saving on the rental fee that foreign national small business retailers have to pay.

#### 4.2.2.10 Reside at Premises

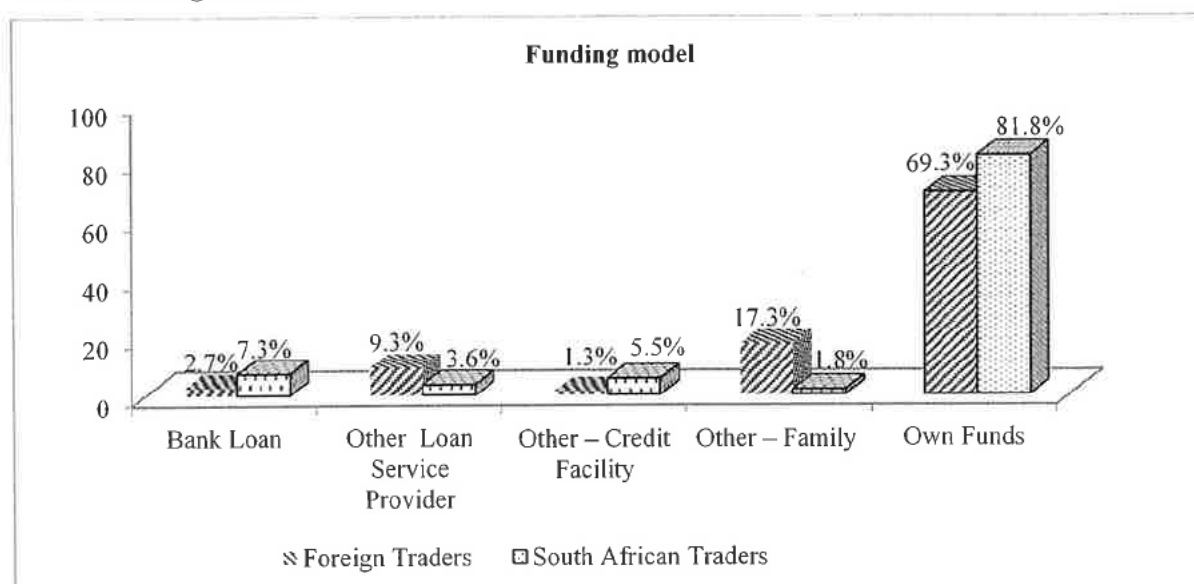


**Figure 4.11 Foreign national and South African traders reside at the store site**

Figure 4.11 above indicates that a majority of 70.9% of South African traders do not reside at their business premises, while 69.3% of foreign traders also do not sleep and live in the store where they trade. Residing at your business premises is a security risk for traders, but it does enable one to trade for longer hours. In order to save on dual rentals (renting space for the shop and renting a house to live in) foreign national traders usually just sleep at the store, meaning that their store doubles up as a home, which also helps to protect the store from criminal elements. However, the failed South African retailer usually accepts economic defeat and probably leases out their business to the foreign national small business retailer for a monthly rental income (Charman & Piper, 2012).

### 4.2.3 Financial management and control analysis (descriptive)

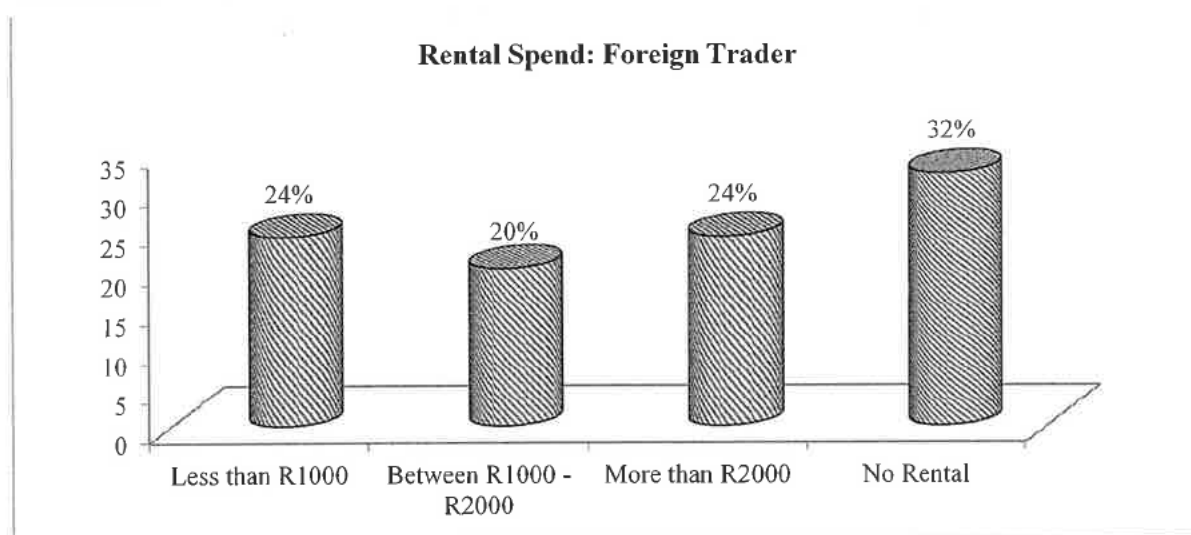
#### 4.2.3.1 Funding method



**Figure 4.12 Funding method of foreign national and South African traders' businesses**

Figure 4.12, above, indicates that among South African traders, a large majority of 81.8% preferred to use their own funds to start their retail business, or were forced by circumstances to do so. A smaller proportion (though still a clear majority) of foreign traders (see Figure 4.12) 69.3% also used their own funds to start their small retail business. The figures indicate that it is a relatively small percentage of both local and foreign traders who use other forms of start-up capital, such as bank loans or family loans. Funding is often viewed as a stumbling block for small business start-ups, and potential new entrants, either local or foreign national, might be discouraged from starting a small business retail because of a dearth of funding options.

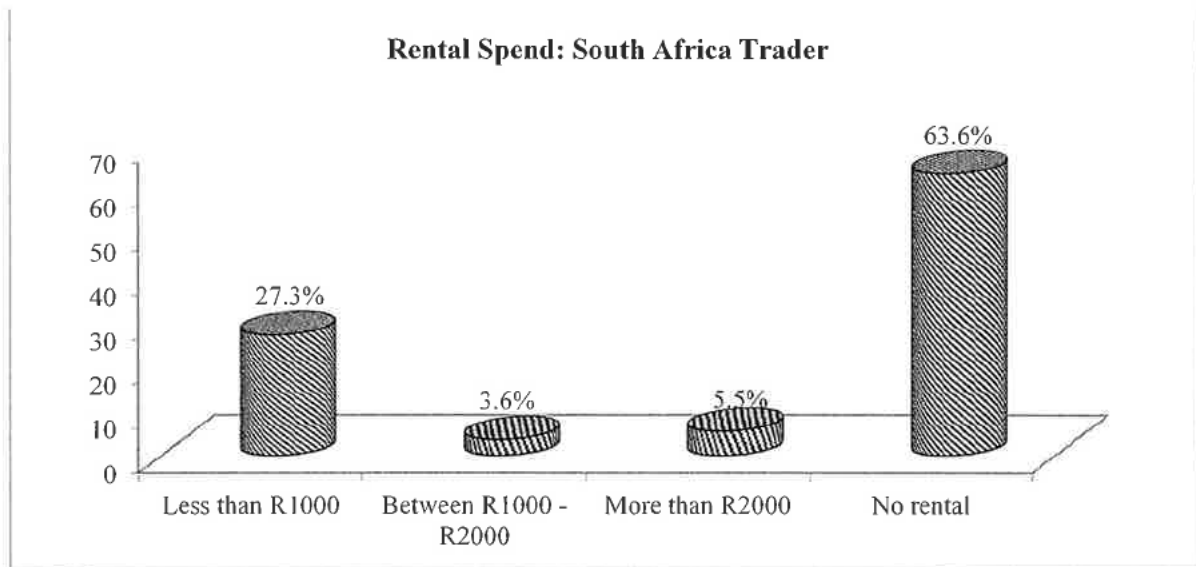
#### 4.2.3.2 Amount spent on rent



**Figure 4.13 (a) depicting the amount spent on rent by foreign national traders**

Figure 4.13 (b) above indicates that, among South African traders, 63.6% pay no rent at all for their business premises, while 27.3% pay a relatively low rental of less than R1000 per month. In respect of foreign traders (Figure 4.13 [a]), only 32.0% pay no rental for their business premises, 34.7% pay a rental of between R1000 and R2000, while 24% pay a rental of less than R1000. This means that a majority of 58.7% pay a rental of less than R2000.

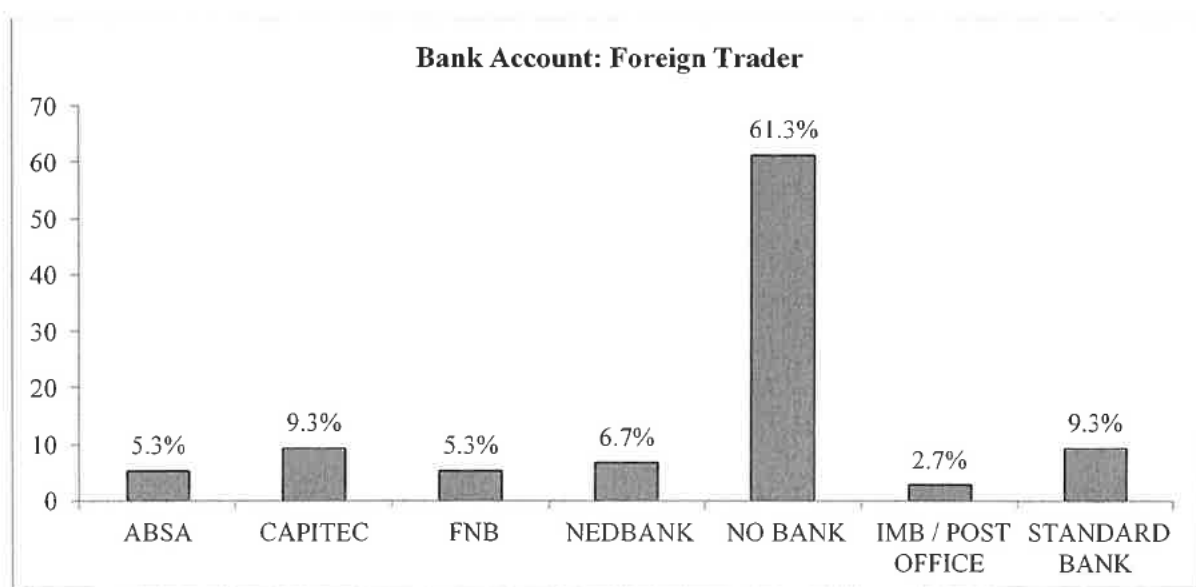
In order to save on dual rentals (renting space for the shop and renting a house to live in) foreign national traders usually just sleep at the store, meaning that their store doubles up as a home, which also helps to protect the store from criminal elements. However, the failed South African retailer usually accepts economic defeat and probably leases out their business to the foreign national small business retailer for a monthly rental income (Charman & Piper, 2012).



**Figure 4.13 (b) depicting the amount spent on rent by South African traders**

Figure 4.13 (b) indicates that a relatively small percentage (9.1%) of South African traders that pay a rental of more than R1000, while this figure for foreign nationals is 44%. Thus the South African traders have some form of advantage when it comes to rental as the majority either own their stores or rent more cheaply.

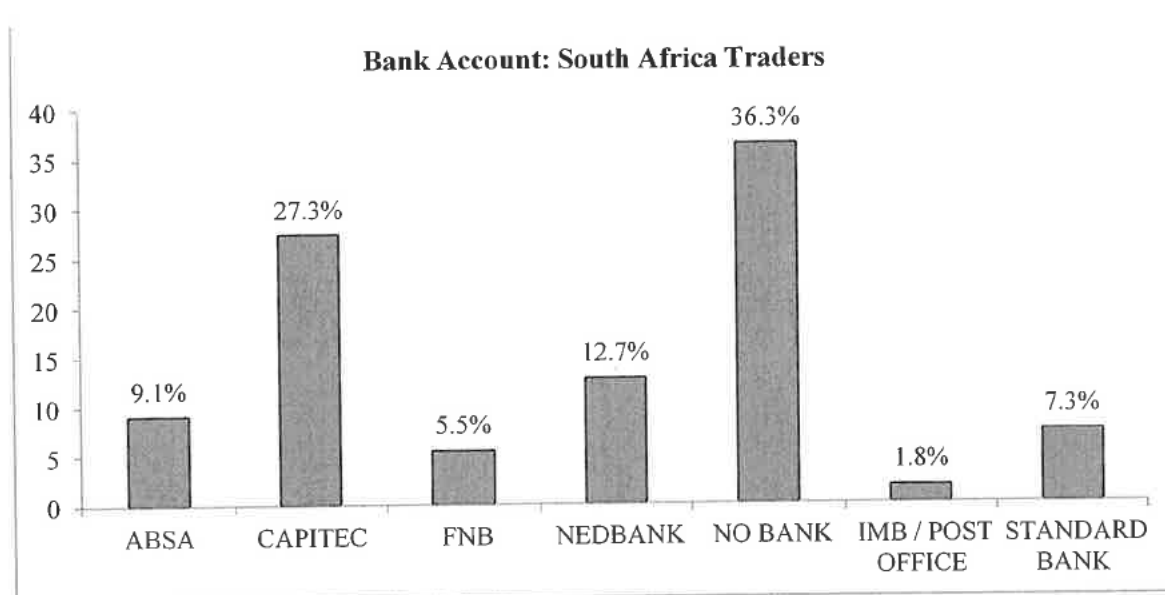
#### **4.2.3.3 Trader has a bank account or not**



**Figure 4.14 (a) depicting the bank where foreign national trader has an account**

Figure 4.14 (b), above, indicates that 36.3% of South African traders do not use any form of banking, meaning that a majority (63.7%) of South African traders use some form of banking for their business. Figure 4.14 (b) also reveals that 27.3% of South African traders prefer to use Capitec bank In South

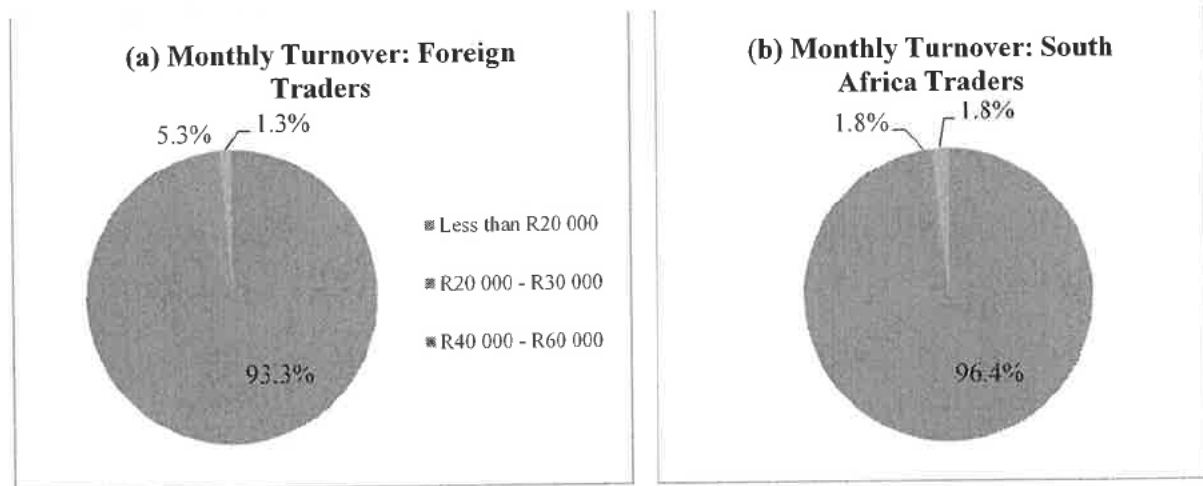
Africa Capitec is known as a bank that targets lower income earners. Among foreign national traders (Figure 4.14 [a] below), 61.3% do not use any form of banking for their businesses.



**Figure 4.14 (b) depicting the bank where the South African trader has an account**

South African traders who are not in the banking system miss the opportunity to be part of the formalised small business sector, which has certain benefits in the form of possible assistance from the government small business development agencies. Adisa et al. (2014) noted that small business owners do not find it necessary to keep business transaction records such as invoices, banking statements (if they bank at all), purchase orders and stock take records. Adisa et al. (2014) argued that in order to manage any business successfully, the business owner needs to keep up-to-date records, including records of all financial transactions. Furthermore, it must be noted that economic challenges for small business entrepreneurs in the informal sector in South Africa affect both local African small business retailers and migrant retailers. They alike lack access to finance, but for different reasons: for the migrant retailer the reasons relate to being a foreigner (at times an asylum seeker), and for the South African retailer the reasons relate to the absence of audited financial and banking records because they don't even have banking records. Despite this shared handicap, migrant retailers seem to thrive compared to their South African counterparts (Crush et al., 2015).

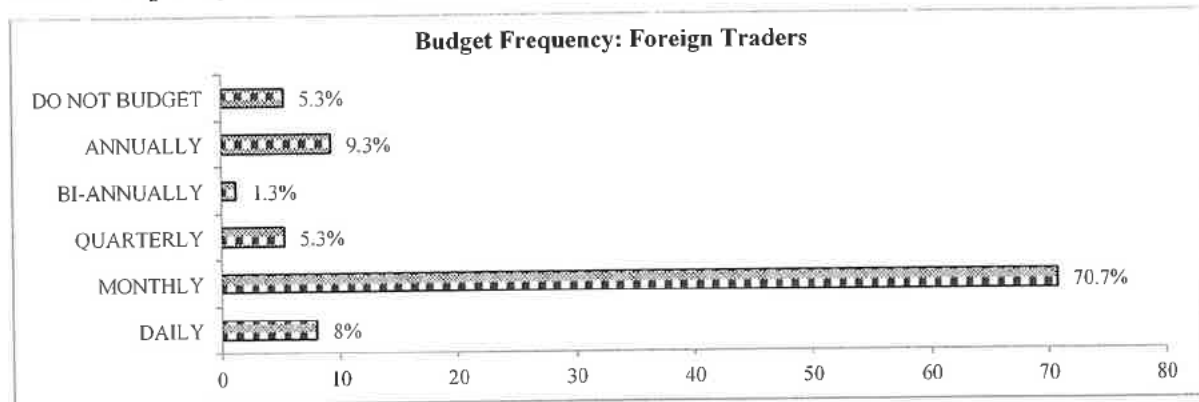
#### 4.2.4.4 Monthly turnover



**Figure 4.15 (a) and (b) depicting the monthly turnover of South African traders**

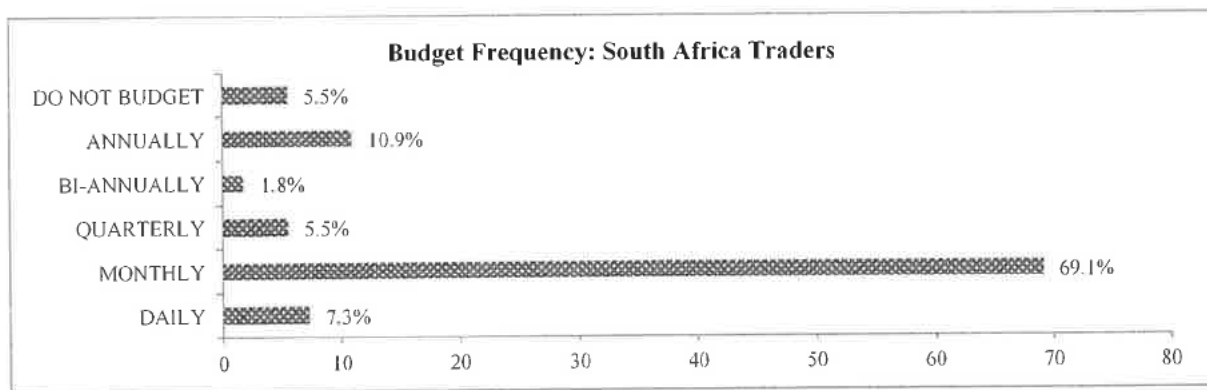
Figure 4.15 (b), above, indicates that 96.4% of South African traders have a turnover of less than R20 000 per month. Among foreign traders (Figure 4.15 [a]), the figure is similar, with 93.3% also recording a turnover of less than R20 000 per month. Therefore, even if these small businesses were to be formalised, they would be exempted from paying any taxes as they are below the tax threshold in South Africa.

#### 4.2.4.5 Frequency of budgeting



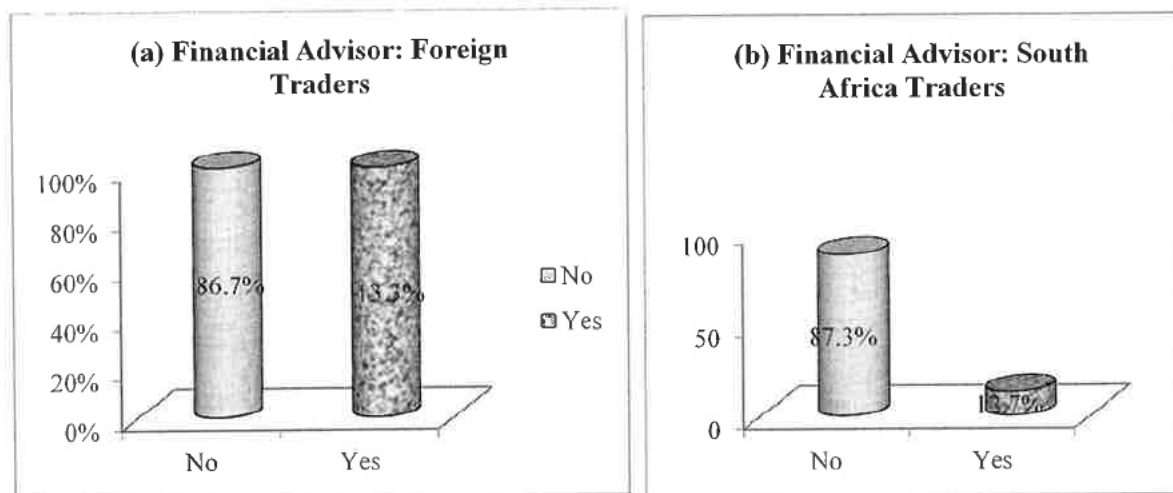
**Figure 4.16 (a) depicting the frequency of budgeting by foreign national traders**

Figure 4.16 (b) below indicates that a majority of 69.1% of South African traders do their business budgets on a monthly basis, the next highest figure being the 10.9% who prefer to do their budgets once a year. Among foreign traders (Figure 4.16 [a]), a similar proportion of 70.7% do their business budgets on a monthly basis, with 9.3% preferring to budget on an annual basis. The figures indicate the existence of a relatively small percentage of both South African and foreign traders who do not budget at all for their businesses. Budgeting is key for any business to succeed as it is the heart of business planning.



**Figure 4.16 (b)** depicting the frequency of budgeting by South African traders

#### 4.2.4.6 Financial Advisor

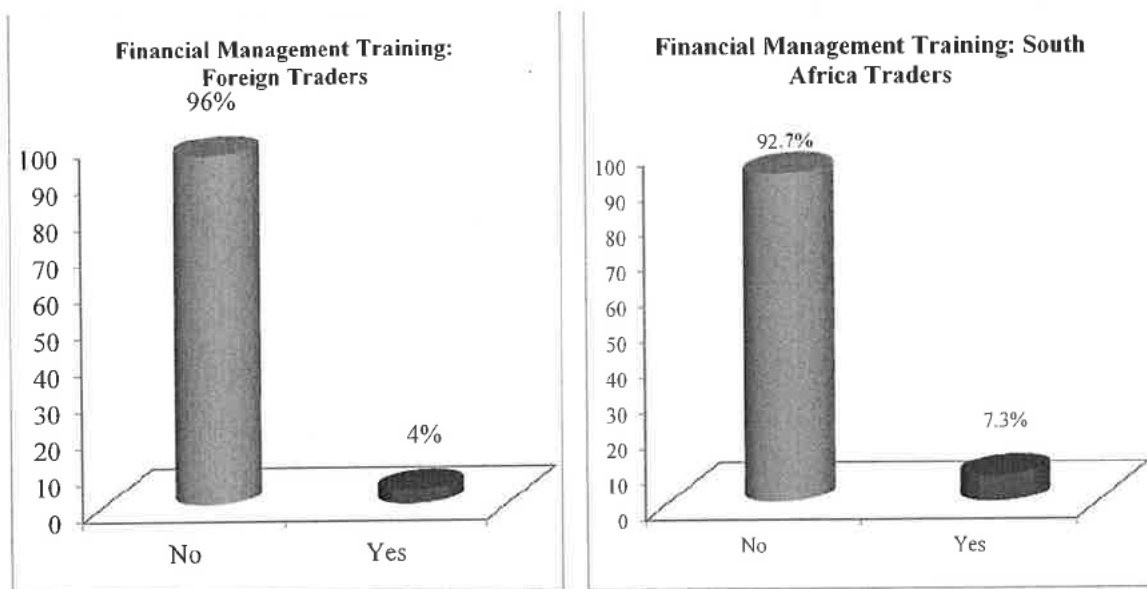


**Figure 4.17 (a) and (b)** depicting whether or not the South African trader has a financial advisor

Figure 4.17 (b) above indicates that among South African traders a significant majority of 87.3% have no-one to provide them with business advice or financial expertise. The figure is similar for foreign traders (Figure 4.17 [a]): 86.7% have no financial advisor. The figures indicate that few traders, whether local and foreign, have anyone to offer them business financial advice. Business finance requires special skills and formal business have highly qualified accountants to help manage the finances of the business. But small business cannot afford to pay for financial management skills and usually have to acquire these themselves.



#### 4.2.3.7 Financial management training

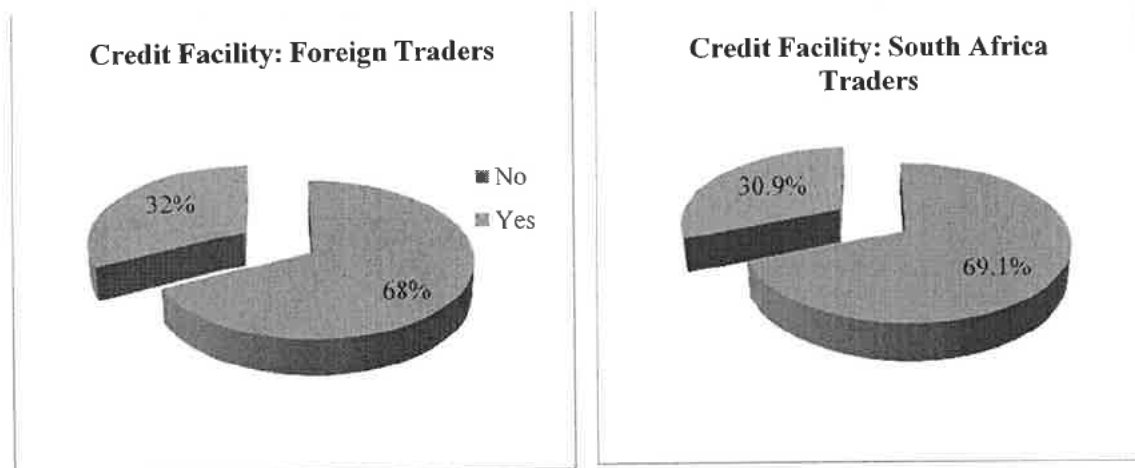


**Figure 4.18 (a) and (b) depicting financial management training**

Figure 4.18 (b) above indicates that a preponderance of 92.7% of South African traders have had no formal business financial training. An even higher percentage of foreign national traders (96%) have had no formal business financial training. This is an area requiring urgent attention. This is in line with a research conducted in Turkey and it depicts that ineffective use of financial statements by SMEs and inadequate training and use of these has resulted in a high degree of failure in SMEs (Karadag, 2015). In Support, Erskine and Young (2020:1) posit that “While there are a variety of reasons why SMEs ultimately fail, financial management skills and performance are two of the most often-cited explanations. Small- and medium-sized practices (SMPs) can play a critical role in helping these SMEs to navigate an increasingly volatile operating environment”.

Furthermore, Brijlal, Enow and Isaacs (2014) observed that financial management education and training of SMEs is vital for success of their businesses and called upon financial institutions to take a leading role in spearheading training and skills development. When business owners have no personal training in financial management they typically make use of external financial management consultants, which unfortunately, small business retailers cannot afford, as cited by Brijlal et al. (2014). The fact that research results in financial management training for both South Africa and Foreign Traders indicated deficiency in financial management training, this calls for attention if traders are to survive in this volatile business environments (Thompson, Strickland & Gamble, 2016).

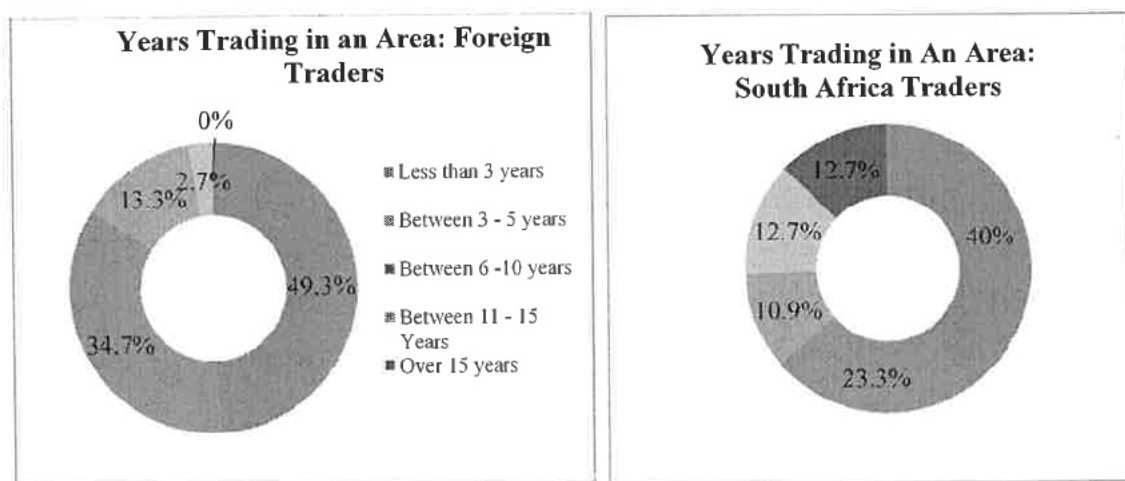
#### 4.2.3.8 Credit facility



**Figure 4.19 (a) and (b) depicting whether or not South African traders offer credit**

Figure 4.19 (b) above indicates that 69.1% of South African traders do not sell on credit to their customers. As far as foreign traders are concerned, Figure 4.19 (b) indicates that a slightly lower proportion (68%) do not provide credit to their customers. Credit can help traders to sell more to their customers but it can also destroy the business if debts owing are not paid. If credit is provided by small businesses, it needs to be managed very carefully.

#### 4.2.3.9 Number of years trading in the area



**Figure 4.20 (a) and (b) depicting the number of years trading in the area**

Figure 4.20 (b) above indicates that among South African traders, 40% have been trading in the area for less than three years, with 23.3% reporting 3-5 years of trading in the area. This means that the majority (63.3%) of South African traders have less 5 years' experience of trading in the area. For foreign national traders, Figure 4.20 (a) indicates that 49.3% of foreign national traders have less than 3 years' experience of trading in the area and 34.7 % have between 3 and 5 years.

### 4.3 ANALYSIS OF CHALLENGES AND CONSTRAINTS FOR SOUTH AFRICAN TRADERS

This section of the questionnaire only covers responses from South African trader respondents.

**Table 4.2 depicting whether or not local traders view their businesses as successful**

Do you view yourself as successful?				
	Frequency	Percent	Valid Percent	Cumulative Percent
No	11	20.0	20.0	20.0
Yes	44	80.0	80.0	100.0
Total	55	100.0	100.0	

Table 4.2 above indicates that 80% of South African traders view their businesses as successful, while only 20% perceive themselves as not successful in small business retailing. Thus a large majority views their small business endeavours as successful.

**Table 4.3 depicting whether or not the South African traders' businesses are affected by crime**

Are you affected by crime?				
	Frequency	Percent	Valid Percent	Cumulative Percent
No	46	83.6	83.6	83.6
Yes	9	16.4	16.4	100.0
Total	55	100.0	100.0	

Table 4.3 above indicates that among South African traders, 83.6% are not affected by crime in the areas where they trade, the remaining 16.4% reporting being affected by crime. The percentages indicate that it is a relatively small percentage of local traders who suffer from the effects of crime in their business locations. Given that South African township environments are reputed to be swamped with crime, this is a modest figure. The businesses affected are probably built of corrugated iron or other temporary materials vulnerable to invasion. Cant and Wiid (2013:712) noted that "it is evident that crime is a major issue not only affecting SMEs but South Africa as a whole. SMEs are likely have direct losses due to theft and indirect losses due to security costs, both reducing profits and diverting funds that could have been invested into the business". Furthermore, the authors stated that for small business retailers crime is a major factor because their stores are mainly made of corrugated iron and located on the boundary of the house yard for ease of access by customers.

**Table 4.4 depicting whether or not South African traders have a business mentor**

Do you have a business mentor?				
	Frequency	Percent	Valid Percent	Cumulative Percent
No	49	89.1	89.1	89.1
Yes	6	10.9	10.9	100.0
Total	55	100.0	100.0	

Table 4.4 above indicates that 89.1% of South African traders have no business mentor providing them with business knowledge and access to networks. A relatively small percentage (10.9%) of local traders have business mentors. Mentors are critical in business as they can share their wealth of business experience and at times introduce contacts to help the small business to grow. According to Masutha and Rogerson (2014:226), businesses undergoing incubation programmes require “the provision of a comprehensive and integrated business support service under one roof and focused mentorship programmes aimed at supporting new start-ups get off the ground”. Furthermore, the authors stated that businesses under incubation require a strong mentorship team with expertise on the business models that a company is pursuing.

**Figure 4.21 depicting local traders’ views about their competitors**

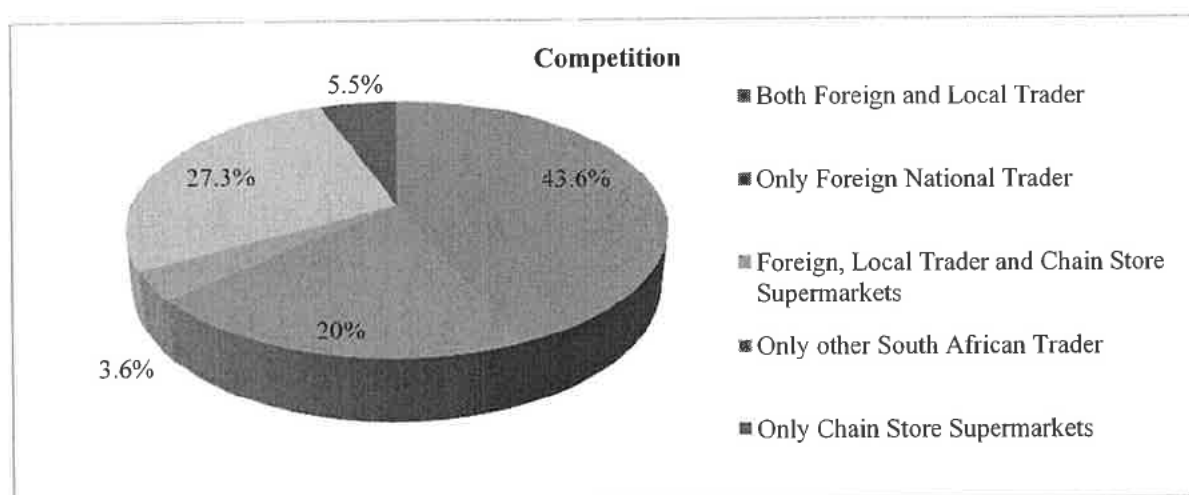


Figure 4.21 above indicate that, among South African traders, 43.6% view foreign national traders and other local traders as the key competitors in small business retailing, while 27.3% view only other South African traders as their competitors. This indicates the extent to which local South Africans traders operate in silos, and the lack of collaboration among local traders. The figure indicates that only a small percentage (5.5%) of local traders view chain store supermarkets as their competitor. According to Basardien et al. (2014:58), the distinct differences between South African and foreign national traders is their buying methods, where foreigners do collective buying and thereby qualify for bulk discounts which impacts directly on their pricing strategies and competitiveness.

**Table 4.5 depicting South African traders who view foreign national traders as competitors**

Do you view foreign national traders as competitors?				
	Frequency	Percent	Valid Percent	Cumulative Percent
No	25	45.5	45.5	45.5
Yes	30	54.5	54.5	100.0
Total	55	100.0	100.0	

Table 4.5 above indicates that a narrow majority of South African traders (54.5%) view foreign national traders as competitors. With 45.5% saying the opposite, the figures are inconclusive. The presence and growth of foreign national small businesses in township environments has severely affected most local South African traders in the small business retailing sector, with some of them having to close their stores because of the competitiveness of foreign national traders (Gastrow & Amit, 2013).

**Table 4.6 depicting South African traders who own registered businesses**

Did you register your small business?				
	Frequency	Percent	Valid Percent	Cumulative Percent
No	46	83.6	83.6	83.6
Yes	9	16.4	16.4	100.0
Total	55	100.0	100.0	

Table 4.6 above indicates that 83.6% of the businesses of South African traders are not registered, meaning that the vast majority of trade occurs in the informal sector. It is difficult for unregistered businesses to receive assistance from the South African small business development agencies as business registration is among the conditions for receiving assistance. Mukata and Swanepoel (2017) noted that small business retailers struggle with business registrations and do not know how to prepare business plans for their own business and business loan applications. Williams and Kedir (2018: 163) also noted that if governments want to reduce non-registration of start-ups businesses then they need to tackle structural problems preventing start-ups registrations such as taxation.

**Figure 4.22 depicting traders' views about their customers' buying behaviour**

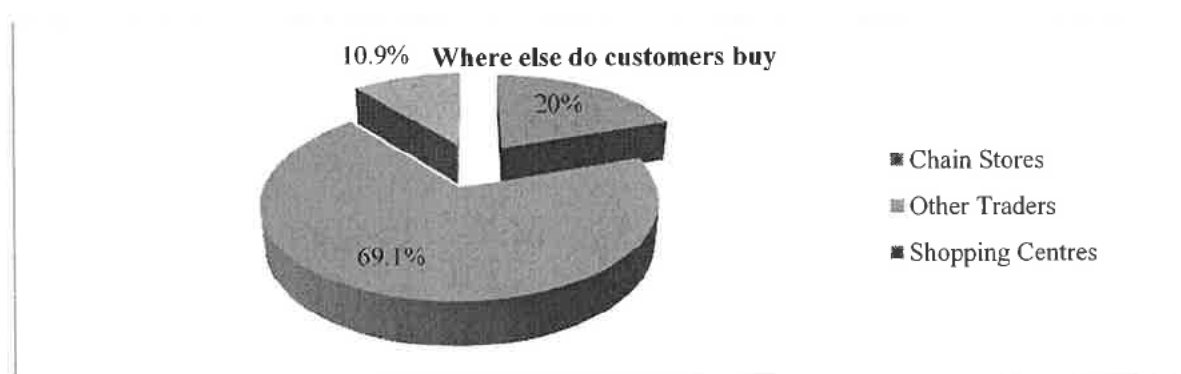


Figure 4.22 above indicates that, among South African traders, 69.1% are of the view that their customers buy from other traders if not from them. A considerably smaller percentage (20%) saw chain stores as alternatives for their customers. It is important for retailers to understand their customers' behaviour patterns for market positioning purposes.

**Table 4.7 depicting if South African traders know their customers personally**

<b>Do you personally know your customers?</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
<b>No</b>	7	12.7	12.7	12.7
<b>Yes</b>	48	87.3	87.3	100.0
<b>Total</b>	55	100.0	100.0	

Table 4.7 above indicates that most South African traders (87.3%) know their customers personally. Knowing the consumers personally does create trust between the consumer and the business owner. Knowledge of the customer's character, place of residence or work, etc., and may encourage the owner to offer credit and enable him or her to do so wisely. Gastrow and Amit (2013) noted that foreign national small business retailers offer additional services in their stores such as photocopying and selling other goods such as airtime to attract consumers. Furthermore, the authors stated that these service offerings make foreign national trader spaza shops owners popular among township customers.

**Table 4.8 depicting whether/not South African traders allow their customers to return goods**

<b>Do you allow your customers to return goods purchased from your store?</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
<b>No</b>	10	18.2	18.2	18.2
<b>Yes</b>	45	81.8	81.8	100.0
<b>Total</b>	55	100.0	100.0	

Table 4.8 above, indicates that a large majority of South African traders (81.8%) allow their customers to return goods purchased from their stores if the consumer feels they no longer need that particular product or it is damaged or expired. Only a small percentage of local traders do not allow customers to return goods purchased from their stores. The Consumer Protection Act of South Africa guarantees consumers the right to return goods to the seller within a reasonable period.

### 4.3.1 Independent samples (comparison) t-test

#### 4.3.1.1 South African and foreign national traders' trading hours

$H_0: \mu_1 - \mu_2 = 0$  ("the difference between the two population means is equal to 0")

$H_1: \mu_1 - \mu_2 \neq 0$  ("the difference between the two population means is not 0")

where  $\mu_1$  and  $\mu_2$  are the population means for group 1 (Foreign national traders) and group 2 (South African traders)

**Table 4.9 Independent sample t-test - South Africa and foreign national traders' trading hours**

Table 4.9 illustrates the independent sample t-test output of traders against the trading hours. The p value of the Levene's test is  $p < 0.001$  i.e. p is very small, so we reject the null hypotheses of Levene's test and conclude that the variance in trading hours of the south African traders is significantly different to that of foreign nationals. This tells us that we should look at the "Equal variances not assumed" row for the t test (and corresponding confidence interval) results.

Group Statistics					
	Group	N	Mean	Std. Deviation	Std. Error Mean
Trading_hours	Foreign Traders	75	10.7467	2.86212	.33049
	South African Traders	55	10.5636	1.88330	.25394

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Trading_hours	Equal variances assumed	14.596	.000	.413	128	.680	0.18303	.44318	-.69387	1.05993
	Equal variances not assumed			.439	126.668	.661	0.18303	.41679	-.64173	1.00779

#### t-test of Equality of means

The mean difference (mean of the first group minus the mean of the second group) i.e. the mean trading hours for South African traders was subtracted from the mean trading hours for foreign nationals ( $10.7467$  minus  $10.5636 = 0.18303$ ). The positive t value indicates that the

mean trading hours for the first group, foreign traders, is significantly greater than the mean for the second group, South African traders. The associated p value of the t-test equality of means is printed as 0.661 and thus  $p > 0.05$ . Therefore, the difference between the two means is not statistically significantly different from zero at the 5% level of significance and we conclude that the population means are approximately equal. For that reason, the two variables are not statistically significant.

The confidence interval (CI) is [-.64173, 1.00779] which does not contain zero; this agrees with the small p-value of the significance test. Since p is 0.661 which is greater than our chosen significance level  $\alpha = 0.05$ , we do not reject the null hypothesis, and conclude that the mean trading hours for South Africans and foreign national traders is not significantly different.

Based on the results, we can state the following:

- There was no significant difference in mean trading hours between foreign nationals and South Africans ( $t_{126.668} = 0.439$ ,  $p < .661$ ).
- The average trading hours for foreign national traders was 0.18303 minutes faster than South Africa traders.

**Table 4.10 Independent sample t-test - South African and foreign national traders' experience**

Group Statistics										
	Group	N	Mean	Std. Deviation	Std. Error Mean					
Traders' _Experience	Foreign Traders	75	6.8000	5.10167	.58909					
	South African Traders	55	7.6545	5.59503	.75443					

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Traders' _Experience	Equal variances assumed	1.135	.289	-.906	128	.367	-.85455	.94362	-2.7216	1.0125





### 4.3.2 Chi-Square tests of independence – Local Traders

**Table 4.12 Chi-Square test: “Level of education” and “Years of Experience”**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.745 <sup>a</sup>	8	.217
Likelihood Ratio	12.656	8	.124
Linear-by-Linear Association	1.936	1	.164
N of Valid Cases	55		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 13.3.

Table 4.12 above shows that the two variables have a statistical significance level of 0.59. This significance level is higher than the conventional cut off level of 0.05 therefore the two variables are not statistically significant. This also means that there is not likely to be a relationship between the two variables. N reflects the number of respondents who answered the two questions. 55 respondents out of a total of 55 respondents indicated both their ‘Level of education’ and their ‘Years’ Experience’.

**Table 4.13 Chi-Square test: “Level of education” and “Trading hours”**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.080 <sup>a</sup>	2	.354
Likelihood Ratio	2.068	2	.356
Linear-by-Linear Association	.797	1	.372
N of Valid Cases	55		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 1.25.

Table 4.13 above shows that the two variables have a statistical significance level of 0.000. This significance level is lower than the conventional cut off level of 0.05 therefore the two variables are statistically significant. This also means that there is likely to be a relationship between the two variables.

N reflects the number of respondents who answered the two questions. 55 respondents out of a total of 55 respondents indicated both their ‘Level of education’ and their ‘Trading Hours’.

**Table 4.14 Chi-Square Test: “Trading hours” and “Turn-Over”**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.545 <sup>a</sup>	3	.315
Likelihood Ratio	4.615	3	.202
Linear-by-Linear Association	.476	1	.490
N of Valid Cases	55		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 15.58.

Table 4.14, above shows that the two variables have a statistical significance level of 0.000. This significance level is lower than the conventional cut off level of 0.05 therefore the two variables are statistically significant. This also means that there is likely to be a relationship between the two variables.

N reflects the number of respondents who answered the two questions. 55 respondents out of a total of 55 respondents indicated both their ‘Trading Hours’ and their ‘Turn-Over’.

**Table 4.15 Chi-Square Test: “Trading hours” and “Number of Customers”**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.236 <sup>a</sup>	5	.100
Likelihood Ratio	11.036	5	.051
Linear-by-Linear Association	1.789	1	.181
N of Valid Cases	55		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 4.52.

Table 4.15 above shows that the two variables have a statistical significance level of 0.00. This significance level is lower than the conventional cut off level of 0.05 therefore the two variables are statistically significant. This also means that there is likely to be a relationship between the two variables.

N reflects the number of respondents who answered the two questions. 55 respondents out of a total of 55 respondents indicated both their ‘Trading Hours’ and their ‘Number of Customers’.

### 4.3.3 Comparative factors (Cross Tabulations) – Foreign National Traders

**Table 4.16 Cross-Tabulation between the Variables: “Level of Education” and “Years of Experience”**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.045 <sup>a</sup>	16	.450
Likelihood Ratio	17.802	16	.336
Linear-by-Linear Association	.490	1	.484
N of Valid Cases	130		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 37.15.

Table 4.16 above shows that the two variables have a statistical significance level of 0.63. This significance level is higher than the conventional cut off level of 0.05 therefore the two variables are not statistically significant. This also means that there is not likely to be a relationship between the two variables. N reflects the number of respondents who answered the two questions. 75 respondents out of a total of 75 respondents indicated both their ‘Level of education’ and their ‘Years of Experience’.

**Table 4.17 Cross-Tabulation between the Variables: “Level of Education” and “Trading hours”**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.063 <sup>a</sup>	8	.058
Likelihood Ratio	16.769	8	.033
Linear-by-Linear Association	8.347	1	.004
N of Valid Cases	130		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 65.3.

Table 4.17 above shows that the two variables have a statistical significance level of 0.000. This significance level is lower than the conventional cut off level of 0.05 therefore the two variables are statistically significant. This also means that there is likely to be a relationship between the two variables.

N reflects the number of respondents who answered the two questions. 75 respondents out of a total of 75 respondents indicated both their ‘Level of education’ and their ‘Trading Hours’.

**Table 4.18 Cross-Tabulation between the Variables: “Trading hours” and “Turnover”**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.092 <sup>a</sup>	6	.231
Likelihood Ratio	6.337	6	.387
Linear-by-Linear Association	1.590	1	.207
N of Valid Cases	75		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 21.24.

Table 4.18 above shows that the two variables have a statistical significance level of 0.000. This significance level is lower than the conventional cut off level of 0.05 therefore the two variables are statistically significant. This also means that there is likely to be a relationship between the two variables.

N reflects the number of respondents who answered the two questions. 75 respondents out of a total of 75 respondents indicated both their ‘Trading Hours’ and their ‘Turn-Over’.

**Table 4.19 Chi-Square Test: “Trading hours” and “Number of customers”**

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.206 <sup>a</sup>	10	.020
Likelihood Ratio	21.932	10	.015
Linear-by-Linear Association	9.634	1	.002
N of Valid Cases	130		

a. 0 cells (0%) have expected count less than 5. The minimum expected count is 15.12.

Table 4.19 above shows that the two variables have a statistical significance level of 0.02. This significance level is lower than the conventional cut off level of 0.05 therefore the two variables are statistically significant. This also means that there is likely to be a relationship between the two variables.

N reflects the number of respondents who answered the two questions. 75 respondents out of a total of 75 respondents indicated both their ‘Trading Hours’ and their ‘Number of Customers’.

#### 4.4 QUALITATIVE DATA PRESENTATION (FOCUS GROUP)

This section presents the answers to the qualitative questions that were posed to traders of both South African and foreign origin who participated in the focus group interviews. The focus group meetings were held separately for the populations of South African and foreign national retailers, each group comprising six traders chosen from the same sample that was selected for quantitative study. The criterion for selection was 10 or more years of trading experience. A total of twelve participants were interviewed in the focus group. The twelve were formed by the two groups, the first group had local South African retailers only and the second group had foreign national traders only. These two groups were interviewed on separate days. The focus group interviews started with the introduction of participants, followed by detailed explanation of the consent form which was signed by the participants.

The researcher had open-ended questions to guide the focus group. There were, generally speaking, four themes in the questionnaire to be discussed with the focus group participants: business start-ups, competition, operations, and future business plans. The questions were similar but in-depth as the questions in the quantitative section of this study. Local South African participants were labelled Participant A, B, C, D, E and F while foreign national participants were labelled Participant 01, 02, 03, 04, 05, 06. The details of the population groups are outlined in Table 4.20 below.

**Table 4.20 – Population Group of Traders**

Participants	Region	Number of Participants (Focus Group)
Small Business Retail	Local – South Africa	6
	Foreign National	6
<b>Total</b>		<b>12</b>
SEX	Male - Local	4
	Female - Local	2
	Male –Foreign National	6
<b>Total</b>		<b>12</b>
<b>Overall Total</b>		<b>24</b>

#### 4.4.1 Business start-ups

Table 4.21: Themes and Research Questions - <b>Business start-ups</b>	
<b>Business start-ups</b>	Q1: Why did you start a small retail business and why did you chose this area?
	Q2: How did you finance your business when you started?
	Q3: What makes you successful in small business retailing?
	Q4: How do you organise yourselves with other small business retailers?
	Q5: What is the process you followed in opening your small business retail business?

Both focus groups discussed the questions in table 4.21 above. The questions were not discussed in a chronological order but rather they guided the discussion around the theme. In the comments below, the retailers discuss their business start-up challenges when opening a new store or expanding their existing stores.

##### *Theme 1: Business- start-up.*

Q1: *Why did you start a small retail business and why did you chose this area?*

Q2: *How did you finance your business when you started?*

Q5: *What is the process you followed in opening your small retail business?*

*Participant B (local South African) - I started trading in this area in 2008 but my father has been trading in the same business since 1998. When I could not get a job, I joined my father in this business and he has since gone home to the village and I am left running this business. I didn't need finance since the business was already operating, I just need finance to buy more stock and maybe expand.*

*Participant 3 (foreign national) – Most of us joined our fellow brothers when we arrived in this country. It was a logical choice since we already knew some-one trading in this area. For us the only way to have a store is to start by managing some-ones store and then later on that person can help you set-up your own store when a new site becomes available or one the local South African are selling their store. In that case the brothers can borrow you money to buy the store and you pay back in small amounts.*

The migrant traders indicated that they wanted to exploit a business opportunity created by the fact that shopping centres are quite distant from where most of the people reside and in any case close early in the afternoon and open late in the morning. Most South African local traders indicated that they were pushed by unemployment to open up new shops. The majority of the foreign national traders indicated

that they used their own savings to open their small business retail stores. Some of the local South African traders indicated that they had to borrow money from different sources such as relatives, stokvels in order to finance their start-up retail business.

*Q3: What makes you successful in small business retailing?*

*Participant C (local South African) – I cannot say I am successful, I am operating a hand to mouth business but I am surviving. Participant D (local South Africa) – I agree that we can't say we are successful sine we are facing tough competition, it is hard to say we are successful, however were are surviving. Participant 04 (foreign national) – the issue of success is a relative one, for us there is no other work in this country except trading. So we have to manage, we have to try every day.*

Foreign national traders did not see themselves as successful in small business retailing. Furthermore, they indicated that the little success they had achieved was attributable to the low and affordable prices they charge, long trading hours, a wide range of products, and close proximity to the customers. They nevertheless viewed themselves as better traders than their South African counterparts. Local South African traders indicated that they were not successful at all due to the competition posed by their counterparts, the foreign national traders. Foreign national traders were also viewed by their South African counterparts as lacking in business ethics, as corrupt and/or selling fake goods more cheaply.

*Q4: How do you organise yourselves with other small business retailers?*

*Participant F (South African) – Our problem as locals is trust, that is our problem, we can't work together because we don't trust each other. We call each other by native names and tribal identities, so we can't work with each other while those guys (foreign national) work with each other.*

*Participant 05 (foreign national) – it's not like we work with each that much but normally you work with the brothers that took you in when you arrived in South Africa, the one that gave you a job and a shop. So I can't say we help each other that much. We put money together and buy together then we share the stock.*

The majority of South African traders indicated that they did not organise themselves into business networks. *Participant E stated that: "I do my own things and do not worry about other people"*. Thus most of the South African traders who participated in the study indicated that they operate in silos. At the same time, the majority of the respondents who were of foreign origin denied the assertion that they organised themselves into business networks that enabled them to buy in bulk and thus enjoy large discounts. However, the agreed that they have small group of about 3-5 store owners that work together to achieve a common goal.



#### 4.4.2 Competition

Table 4.22: Themes and Research Questions - **Competition**

<b>Competition</b>	<p>Q1. Do you monitor your competitors' prices, and if so, and how do you do that and who do you view as your competitor(s)?</p> <p>Q2: What are the external challenges your business experiences?</p>
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Both focus groups discussed the questions in table 4.22 above. The questions were not discussed in a chronological order but rather they guided the discussion around the theme. In the comments below, the retailers discuss their business start-up challenges when opening a new store or expanding on their existing stores.

##### **Theme: Competition**

*Q1. Do you monitor your competitors' prices, and if so, and how do you do that and who do you view as your competitor(s)?*

*Q2: What are the external challenges your business experiences?*

*Participant 01 (local South African) – Our challenge is the foreign national trader, they are very competitive and full of tricks. They open their businesses at 4:30 a.m. because they sleep in their business premises. With us, when we close we go home to our families, you can't just run a business without holding the family together. Those guys (foreign national) trade until 12 midnight because they don't have families, their families are back home in their countries of origin and I have children to check and their school work to check and those guys don't have those responsibilities. Participant 02 (local South African) – Yes, it's true if we didn't have families we can also trade the same hours they trade but those guys don't have the burdens of family like us. Participant 06 (local South African) – another challenge we face is that we only receive stock around 8am when we open but those guys have their own suppliers that deliver anytime, so even if I open at 6am I will not have the stock I need for the morning rush except giving people change for the taxi fare. That where the foreign national traders are beating us in competition.*

*Participant 04 (local South African) – when you have stock, you can open early and close late. Our customers don't like out stock so I avoid opening early because I don't have stock and since I don't have storage I can't stock too much. I believe those guys (foreign national) have storage facilities where they keep their stock close by and that's why they get their stock anytime. I stock Monday and Friday and sometimes I don't get everything I need. We buy from credible wholesalers like Makro because sometimes they give us 3.5% discount while those guys buy from unknown wholesalers who sell unbranded or unknown branded products.*

*Participant A (foreign national) – Our challenges is not the competition from the local traders, our challenge is the shopping centres that have chain store supermarkets in the township. We also have a challenge of unreliable water and electricity in the area where we trade, we also have small spaces for our shops. Participant E (foreign national) – Price is key for our customers, we sell small sizes and not packs so that the price is low. Another challenge is that I pay rent to the previous owner because the store is in their yard. If it was outside the yard I was going to buy the store but I like it in the yard because I get security. Participant D (foreign nation) - I like my customers, I help them and they help me, I have 5 shops because I can't survive with one shop and my shops share the products because I sometimes move items from one shop to another. Our business is better than the local South African businesses because we give customer what they want. We make sure our customer enjoy the service we provide so when the customer comes, we appreciate that customer. We keep prices low for the customer to enjoy.*

The majority of foreign national traders viewed local South African traders as competitors (interestingly, the foreign national traders from North Africa and Asia also viewed other Southern African traders such as Zimbabweans as competitors). Furthermore, they indicated that they did monitor the prices of their competitors. South African traders, on the other hand, simply add their mark-up onto the products they sell without doing any market research on what their competitors are charging. The South African traders indicated that they were often obliged to adjust their prices after getting complaints from their customers.

The South African traders noted that their external challenges are competitors, price fluctuations, lack of security, the poverty of their customers (their target market), crime in the area where they trade, and lack of infrastructure (such as access to electricity and water supplies). Most migrant traders indicated that there is too much competition in their area, and that they usually feel unsafe whenever there are service delivery protests, because the protestors target them.

#### 4.4.3 Operation and Finance

Table 4.23: Themes and Research Questions - Operation and finance	
<b>Operation and finance</b>	Q1: How do you keep records of your business? How do you track your sales record and expenditure?
	Q3: How do you do costing for your products?

Both focus groups discussed the questions in table 4.23 above. The questions were not discussed in a chronological order but rather they guided the discussion around the theme. In the comments below, the retailers discuss their business start-up challenges when opening a new store or expanding on their existing stores.

### ***Theme: Operation and Finance***

*Q1: How do you keep records of your business? How do you track your sales record and expenditure?*

*Q3: How do you do costing for your products?*

*Participant 03 (local South African) – There are things I don't sell like bread and canned products since I can't compete with the prices of foreign national traders. My mark-up is between 1-3% or say R1 to R1.50c, however, I also consider the profitability of the whole shop. The problem is that those guys don't mind selling expired products. Participant 05 (local South African) – my mark-up is based on the unit cost of a product and then I add 50c to R1 to the unit cost and that's my selling price. I then watch the customer reaction to my selling price, if they don't complain I keep the price. I don't have any records written down, everything is in my head, I know this business. I only write things to order so that I don't forget when I go to the shops to buy.*

*Participant B (foreign national) – we sell for low prices than the local South African businesses, we monitor their prices and sell maybe 50c lower than them. We also get alternative cheaper products than what they sell in their stores and makes our customer happy. We have our bakeries and that we way we can make a cheaper bread. Participant C (foreign national) – the key is pricing, if you get it right then the customer will come to you. I do have records, mainly the sales and stock records because I need to know the money I make every day.*

The majority of local South African traders indicated that they did not separate their own funds from those of the business. The South African traders also noted that they drew stock from the business for personal use without paying for the stock, as they do not pay themselves any salary for running the business. These South African traders indicated that taking stock for personal use and using the business profits for personal use is a way of paying themselves a salary. However, most migrant traders indicated that they separated the business money from their own money and paid themselves very little from the business proceeds. The South African traders also reported that they did not keep purchase records, only recording the money made on each day. However, the foreign national traders indicated that they only checked the buying price and number of items inside the pack, and based on that they decided the selling price. These traders of foreign original also noted that sometimes when the customers complained about the price they did drop it a little, since they did not have a set mark-up percentage.

#### 4.4.3 Future Business Plans

Table 4.24: Themes and Research Questions - <b>Future business plans</b>	
<b>Future business plans</b>	Q1. What do you think can be done for you to do better in business and become a better trader, and what sort of assistance do you think you need in your business going forward?
	Q2: What is your view on fake or expired products attributed to foreign national traders in the South African social media?

Both focus groups discussed the questions in table 4.24 above. The questions were not discussed in a chronological order but rather they guided the discussion around the theme. In the comments below, the retailers discuss their business start-up challenges when opening a new store or expanding on their existing stores.

##### **Theme: Future Business Plans**

*Q1. What do you think can be done for you to do better in business and become a better trader, and what sort of assistance do you think you need in your business going forward?*

*Q2: What is your view on fake or expired products attributed to foreign national traders?*

*Participant 01 (local South African) – I wish I had an assistant who can look after the shop when I go to buy stock or attend to family matters because at the moment I have to close the business every time I am away. I hate competing with the foreign national traders, they sell in their shops and also sleep there, I wish the South African government or health department can do something about that because it's not right. Participant 06 (local South African) – I think we need a small business stockvel (clubbing money) of R500 per week to help each other, every week one person will get those R500 and stock up properly. If there is six of us in an area we can give that person R3000 together to stock and that will help, we can take turns every week and that way our stock will increase. Participant 02 (local South African) – we need support from the government, we know that their offices offer support but don't know how to access that support. They once called into a meeting and said they are going to support us but they never came back. We are not afraid of the competition but we need to be able to stock like them (foreign national trader). Only government can get rid of expired stock in those shops, they must inspect all the shop on a regular basis because the foreign national traders sell cheap fake products.*

*Participant A (foreign national) – We need bigger space to trade and better infrastructure such as electricity and water. The government must also do something about crime and more especially when there are xenophobic attack outbreaks. We, foreign national suffer the most because people burn our stores and loot all our stock, all we need is the protection from the police.*

The local South African traders indicated that they needed a reliable transportation system, well-designed secure containers which they could use to operate their businesses, access to electricity and a close-by storage facility, and access to technology networks so that they could have electronic payment systems in their stores. The South African traders also indicated that they needed some form of training since they were uneducated in the practice of business, and some capital in order to open accounts with wholesalers which required a positive balance on store cards. The foreign national trader participants indicated that they only wanted a way to eliminate rental payments in order to improve their cash flow.

The foreign national traders indicated that they still intended to do business in the area where they were located, despite the sporadic xenophobic attacks by locals whenever there were community service delivery protests. These traders also indicated that small business retailing was their way of life in South Africa as the laws did not allow them to enter formal employment, even though some of them were asylum seekers. However, most South African traders indicated that, even though it was tough to run a business in a crime-infested environment, they planned to continue trading as they could not enter formal employment because of their lack of education. These South African traders also indicated that they wanted to grow the business, sell more products and employ assistants, and maybe that will also help to reduce crime by alleviating poverty.

The foreign national traders indicated that in their view they sold affordable goods to customers who had very little income. The well-known brands were very expensive, although they also sold them. However, those brands did not sell as quickly as the alternative cheaper brands. The foreign national traders did not view these cheaper alternative products as fake. On the issue of expired stock, the foreign national traders indicated that all stores had expired stock and that even organised national retailers sold expired stock as mark-downs. They did not view expired stock as necessarily harmful to the consumer. However, the South African traders indicated that they were duty bound as caring citizens not to sell fake products or expired stock to consumers, as these consumers were South Africans just like them. They alleged that foreign national traders could afford to sell fake products as they had no allegiance to South Africa, and if anything went wrong (maybe a consumer dies) they could run back to their country of origin and not face the might of the South African law. South African trader respondents were aware that they could face jail time if convicted of harming a consumer.

## **4.5 CONCLUSION**

The results reported in this chapter indicate the South African traders identified, among the challenges facing them, lack of funding, lack of collaboration among themselves, lack of price monitoring strategy, lack of adequate security in the light of the high crime rate, lack of business acumen, and more importantly, the selling of fake products by migrant traders. The chapter indicates that migrant traders have strong business networks that enable them to collaborate when it comes to a number of business-

related issues such as the buying of stock, or raising the finance to resuscitate their business after attacks associated with political unrest. While the South African traders felt that migrant traders sold fake goods, the migrant traders disputed this, saying instead that they sold cheap alternative products. In the light of the statistics and the answers presented in this chapter, the next chapter will provide a broad discussion of the salient issues.

## **CHAPTER 5**

### **DISCUSSION OF FINDINGS**

#### **5.1 INTRODUCTION**

In this chapter we discuss the three broad areas covered by the quantitative data derived from the questionnaire: the competitive factors in township retailing, the financial management and control challenges faced by South African traders, and the more general challenges and constraints faced by South African small business retailers in township retailing environments. The chapter also covers the qualitative data emerging from the four areas explored in the focus groups. These areas are the business start-up challenges, competition challenges, operational challenges and future business outlook of small business retail traders in township environments.

#### **5.2 QUANTITATIVE FINDINGS**

This part of the data was collected using a questionnaire. The questions were asked under different themes: competitive factors, financial management and control, and challenges and constraints.

##### **5.2.1 Competitive Factors**

Under the theme “competitive factors”, the analysis of this section of the questionnaire compared foreign national and local South African small business retailers. The factors concerned are those that are critical for small business success, as these were identified in the literature review. They include business experience, business location, supply chain strategies, promotion and marketing, and business operation model.

The research found that most of the South African small business retailers who participated in the study do not have an education level beyond matric (Grade 12), while some foreign nationals have some form of tertiary education. The level of education is important as a form of literacy assessment (financial literacy included). Although most traders, both local and foreign national, have an education level of matric (Grade 12), in terms of education, on average, foreign national traders have a competitive edge over South African traders. Xheneti and Bartlett (2012) argued that one of the constraints facing small businesses is the absence of entrepreneurship education in the school curriculum. Furthermore, these authors stated that entrepreneurship education should be embedded in school curricula so that those who choose entrepreneurship as their vocation do not struggle with basic business knowledge. Amadi-Echendu, Phillips, Chodokufa and Visser (2016) claimed that regardless of where the business training is offered, it should build future enterprise-oriented students.

The study found that there is a higher rate of new foreign national traders entering the township small business retailing market than South Africans. The study was also able to reveal that South African traders have been trading in township environments for longer than foreign national traders. However, the higher rate of new entrants among foreign national traders shows that foreign national traders will become a majority in township retailing, and South African traders might become obsolete. Segatti (2011) argued that the dawn of democracy in South Africa brought structural changes in the informal retailing sector in the townships. Foreign national traders began to dominate in this sector, and this has created tension between them and their South African counterparts (Segatti, 2011).

When it comes to stock management systems the study revealed that both groups of traders prefer to purchase their stock from wholesalers, and prefer to order on a weekly basis. However, when it comes to bulk buying we found that the majority of South African traders prefer to buy in bulk. There was a significant group that preferred to order on a daily basis among both local and foreign national traders. Bulk buying is a cost saving method in retailing because traders who buy in bulk are able to pass the saving on to the consumer by offering lower prices than their competitors. This was consistent with what has been reported in the literature: Segatti (2011), for instance, noted that foreign national retailers in the small business retailing sector sell at lower prices and have a better product range as they use bulk buying procurement methods via their social networks. Segatti (2011) concluded that this has resulted in their customers getting goods at lower prices than from South African small business retailers. The authors further observed that South African small business retailers are now struggling to compete meaningfully with foreign national retailers in this sector.

Most foreign national traders were found to be renting their business premises, while South African traders mostly do not pay rental as their stores are located at the premises where they reside. This gives South African traders some competitive edge as they do not have to pay rent. Grant (2013) notes that many South African small business retailers enjoy the benefit of trading from within their own homes, thus saving on the rental fees that foreign national small business retailers have to pay.

The study also found that most traders in both groups do not reside in the stores where they trade, which means they lose out in terms of the ease of opening for longer hours. However, foreign nationals have a competitive edge over locals to the extent that they are prepared in any case to operate for longer hours. The majority of both local and foreign national traders indicated that affordable prices, good customer service, a wide range of products and close proximity to the customers ranked highly as reasons for customers to buy from their stores. This was followed by long trading hours and selling on credit as draw cards. Finally, hygiene and selling fresh produce was at the bottom in their ranking order of reasons for customers to buy from them. This means that traders have an understanding of customer needs. The literature review revealed that understanding customers' needs is one of the critical factors for success in retail business. Gastrow and Amit (2013) noted that foreign national traders offer services



that make them popular among consumers in small business retailing, and these services include special offers and food packs. Once they have attracted customers to their stores they upsell more products. They also offer month-end specials so that their customers can stretch the value of the money they spend on groceries. Foreign national small business retailers also offer additional services in their stores, such as photocopying and the selling of airtime to attract customers and market their other goods (Gastrow & Amit, 2013).

The study has revealed that the main factor for the success of small business retailers of foreign origin is that they are part of strong business networks, unlike their South African counterparts. In terms of overall competitive factors, foreign national traders were found to have a competitive edge over South African traders. This is consistent with the findings in the literature review that foreign national traders come from an advanced entrepreneurial culture compared with South African traders. Smith and Barrett (2014) noted that “networks can provide small business owners with exposure and access to a potential pool of mentors and business coaches”. Segatti (2011:5) also commented that “this comparative advantage of Somali and certain other groups of foreign shop owners often relies on long histories of trade culture in their communities of origin. These traders benefit from networks of business contacts that can help them access specific goods, capital and prices”. Grant (2013) concurred that social networks play a huge role in the entrepreneurial activities of a small business retailer within the informal retailing sector.

### **5.2.2 Financial management and control**

In this section of the questionnaire, under the theme “financial management and control” questions were asked about factors of financial management and control affecting South African traders. Among these factors were funding models for new stores (new entrants), banking, monthly turnover and budget systems, financial advisors and financial literacy.

Foreign national traders were found to be opening new stores at a higher rate than South African traders, and it was confirmed in the focus group interviews that foreign national traders mostly they saved up the money themselves to fund new stores. South African traders do not have a benefit of such networks and have to rely on their own funds to open new stores, which means those with no access to funds cannot open new stores. This is the reason why the rate of opening new stores is lower among South African traders than among foreign national traders. If the rate of local new entrants remains lower in the small business retailing sector in township environments, foreign national traders will in due course completely dominate the market. It must be noted, however, that most South African traders have the advantage of owning their stores, which means that they do not have to pay rent.

While it was found that most of foreign national small business retailers did not have a bank account for their businesses, many South African traders were found to be using one of the major banks in South

Africa. But there was still a significant number of South African traders who do not use any form of banking. In the literature review it was noted that foreign national traders export their profits to their countries of origin, which becomes a missed opportunity for the South African economy. Local traders who are not in the banking system miss the opportunity to be part of the formalised small business sector, which has certain benefits in the form of possible assistance from the government small business development agencies. Adisa et al. (2014) noted that small business owners do not find it necessary to keep business transaction records such as invoices, banking statements (if they bank at all), purchase orders and stock take records. Also, the author argued that in order to manage any business successfully, the business owner needs to keep up-to-date records, including records of all financial transactions.

The study found that most traders, both foreign national and local have a monthly turnover of below twenty thousand rands. Monthly turnovers are used in South Africa to classify businesses, and this study reveals that township traders therefore fall into the small business category. It was also found that most traders, both local and foreign national, only budget on a monthly basis. Budgeting should be the primary focus of managing the finances of the business in order also to project growth targets. Small businesses in retailing require daily assessments of budget, since one is likely to be doing daily and weekly orders. Strydom (2015:466) maintained that “informal businesses that keep track of business activities such as financial records, do budgeting, prepare cash flow statements and have procurement documentation have a higher proclivity for survival”.

The study revealed that South African traders lacked understanding of financial management, and most had never been trained in business finance. Financial management and control is a key aspect of managing any business; and while big businesses can enjoy the benefit of hiring the financial skills through the use of audit and finance advisory firms, small business owners need to acquire the necessary skills for themselves. Basardien et al. (2014:58) commented that most locals do not implement financial management practices in their business which means that there are no financial records of daily transactions to capture vital financial information that will allow the owner to see growth patterns in the business. Financial information is very important for the owner to understand the financial status of the business. Skills and knowledge such as financial management and business management are critical factors for the success of any business (Xheneti & Bartlett, 2012).

In summary, the problem facing South African traders is their financial illiteracy, which manifests itself in their lack of understanding of the impact of financial decisions on their businesses. A targeted retail finance literacy programme that can be integrated as part of the business intervention model recommended in the next chapter is required by South African traders in order to succeed. Financial literacy is the big part of running a small business in the retailing sector, and South African traders need thorough training in it.

### 5.2.3 Challenges and constraints

Under the theme “challenges and constraints”, this section of the questionnaire focused only on South African small business retailers. Among these were perceptions of business success, internal business challenges, external business challenges, business registration, perceptions of competitiveness and perceptions of customer service and loyalty.

The challenge facing South African traders is that they are trapped into being small businesses since they have no access to information or systems that might assist them to grow and formalise their businesses, so as to move from small enterprise to medium enterprise. Traders appear to need targeted business support to address areas such as collaboration and networking with fellow South African small business retailers. Targeted support (small business retail specific support) for South African traders will help to mitigate some of the challenges and constraints they face. It must be noted, however, that profitability plays a big role in business growth, a decrease in profitability meaning a reduction in business growth (Döckel & Ligthelm, 2005). Profitability is key to the long-term sustainability of any business. According to Ishengoma (2018), small businesses only grow and become big businesses through the will and character of the entrepreneur driving that particular business.

The study found that most South African traders perceive their businesses to be successful, and believe that their major external challenges are their competitors, a lack of security, and the poverty of their customers (their target market). Most South African traders believe that foreign national traders are doing better than them. This is despite the fact that most South African traders thought that their businesses were successful. Most foreign national retailers did not regard their businesses as successful, yet what success they had achieved can be attributed to their resilience, hardiness, optimism and resourcefulness (Fisher et al., 2016). These entrepreneurs had found a way of operationalising their individual resilience, and that had led to their business success.

South African small business retailers indicated that crime was a problem in the township environments where they traded, and that this created a problem, especially for those whose shops were built of corrugated iron sheeting. This sort of structure is very popular among traders as it is cheap to put up and remove when one wants to relocate one's business. However the study found that it poses a great security risk for traders. Cant and Wiid (2013:712) noted that “it is evident that crime is a major issue not only affecting SMEs but South Africa as a whole. SMEs likely have direct losses due to theft and indirect losses due to security costs, both reducing profits and averting funds that could have been invested into the business”. For small business retailers, crime is a major factor because their stores are made of corrugated iron and located on the boundary of the house yard for ease of access by customers (Cant & Wiid, 2013). Schlake (2007) argued that the small business retailers in township retailing environments must find a way of dealing with crime by improving their security measures through

employee engagement, community engagement, improving banking methods, and collaboration with other traders in the area.

The study revealed that the majority of South African traders have not registered their businesses with the relevant South African authorities. This prevents these small businesses from receiving assistance from the South African small business development agencies (registration being a prerequisite). However it can be argued that South African traders actually require assistance to get to the stage of registration. Through such support, South African small business retailers can get to benefit from products already made available by the small business development agencies in South Africa. The support will capacitate the traders to grow from small business to medium enterprise owners over time. Ishengoma (2018) observed that the drive to register small businesses without creating real opportunities in the market for those businesses to grow will not transform them into big businesses: small businesses can only transform when they are presented with real opportunities for growth. Of course, some businesses prefer to remain small in order to avoid the responsibilities associated with being classified as a medium or large business, which tax compliance, vat registration, labour levies for the staff and filing tax returns (Ishengoma, 2018).

The study found that most South African traders know their customers personally in the areas where they trade and allow them to return goods purchased from their shops. It is important for South African traders to understand the consumer behaviour of their customers so that they can position themselves properly in the township small business retailing market. Chen and Bell (2012) suggested that segmenting a market requires market intelligence, using customer returns as a tool to analyse the returns policy. They add that there is a need for retailers dealing with customer returns to take these returns into consideration when making pricing and ordering decisions.

### **5.3 QUALITATIVE FINDINGS**

Qualitative data was collected using focus group interviews. The questions asked were grouped under the following themes: business start-ups, competitiveness and operational challenges, and future business plan outlook.

#### **5.3.1 Business start-up challenges**

The study revealed that many foreign national traders have the advantage of taking over existing businesses, while South African traders are the ones who faced with the actual start-up challenges such as finding a location for the business and ensuring that the trading structure, whether a container or bricks and mortar, is secured. It is the responsibility of the South African trader to attract the first customers, thus creating a market share. Chimucheka (2014) points out that business success can be improved if the problems projected are understood and solutions explored prior to the business start-

up, through entrepreneurship education. In the context of Cape Town townships, it seems that in most cases migrant traders find ready-made businesses, to which they make some improvements to increase the market share. They do that by procuring what they term cheaper alternative products. The research has revealed that the migrant trader's main challenge is to secure the capital to buy the business from the local trader. Choto et al. (2014) has a contrary view where the authors said that while entrepreneurs normally cite finance as the biggest challenge, this is usually the result of poor strategic thinking and implementation. The authors further stated that entrepreneurs who are unable to produce business results also typically blame the banks for not providing adequate support. However Fraser et al (2015) argued that migrant entrepreneurs usually start their small businesses much faster than local South Africans, as they do not have many options in the job market. Furthermore, the authors also stated that migrant entrepreneurs usually rely on other migrant entrepreneurs for start-up funds, while local South Africans typically rely on family loans or savings. Starting a business with a loan also puts the ownership of the business at risk in the event that you are unable to pay back the loan, perhaps especially a loan from a family member.

South African traders are the ones who has to negotiate with the local counsellor to secure the space where your shop or container is to be located. Once that has been done you are the one that has to ensure that the shop or container is secured by burglar bars and alarms. Furthermore, South African trader are the ones who has to ensure that the business is branded in any form you deem appropriate to attract customers. The research revealed that it is the South African trader who has to create the initial customer base for the business. The study indicates that some South African traders end up selling their stores after undergoing considerable difficulties. It is the researcher's considered view that when such difficulties cannot be overcome, to sell the business is indeed the most sensible thing to do. But when one sells a business in this sort of situation one does not have the opportunity to search for a better deal. The likelihood is that one would accept a price that one would not accept if the business was sold while it was doing well. The study revealed that when prices increase, it is hard for South African traders to pass this increase on to the local consumer, as they know and sympathise with the fact that their customers are already struggling. Badenhorst-Weiss et al. (2014) noted that pricing strategy and competitive advantage should be considered collectively because pricing decisions always affect profitability. Small businesses with low revenues need to look into their pricing strategies very carefully, as pricing decisions can either make or break a small business in its endeavours to increase its market share.

In the townships, research reveals that in most cases South African traders can find the funds to start up the business and in most cases need funding to expand or sustain their businesses. More importantly, they have a need for funding when social unrest has destroyed their businesses. Abor and Quartey (2010) suggested that in order to gain access to finance SME's owners need to be encouraged to form

cooperatives as there is institutional funding targeted to cooperatives from government funding agencies. Furthermore, the government through tax incentives can encourage its funding agencies to target more cooperatives and to provide training to entrepreneurs on simple record keeping and managerial know-how.

In South African townships, service delivery protestors have a tendency to destroy and loot small business retail stores. When that happens South African traders have great difficulty in raising funds to start over again. The research reveals that migrant traders can normally resuscitate their businesses within a short space of time. This is attributed to the strong business networks that they have. The research revealed that South African traders do not consult with other existing retailers before settling, which means that they lack market research skills. On the other hand, it appears from their responses that foreign nationals do some form of market research: for instance, they are very safety conscious as their lives are put at risk when there are service delivery protests. Some South African traders set up businesses not because they perceive an existing business opportunity but because of desperation, as they are unable to find work in the job market. This confirms the finding that noted that the township retailing market offers retailers (formal and informal) an opportunity to be closer to the consumer, but it brings with it many challenges for the retailer such as a lack of infrastructure, lack of land for development, congested traffic, lack of adequate water supply and high rate of crime (Grant, 2013). Furthermore, the author noted that for South African small business retailers the township market have another challenge, and that is the presence of foreign national small business retailers who are more competitive than the local South African retailer. As a result of the presence of foreign national retailers the township market has sporadic xenophobic violence targeting foreign national small business retailers, and also sporadic social service delivery protests (Grant, 2013). The author also observed that the sporadic xenophobic violence in the South African townships usually target the businesses of successful foreign national traders, who are of capturing the retail market from local small business retailers.

### **5.3.2 Competitiveness and operational challenges**

The study revealed that South African traders in the main share the challenge of operating in silos, whereas the foreign national collaborate with each other. That creates a problem for South African traders, who apparently do not discuss common issues among themselves as foreign national traders do. Grant (2013) also argued that it is more common for women rather than men to work in silos and not share their entrepreneurial endeavours with their social networks. When it comes to security, foreign national traders share the risk, just as they share the cost of buying stock in bulk. When operating in collaboration with fellow traders, it is easier to strategise and come up with solutions to problems that affect them as a group. This confirms findings by Gastrow and Amit (2013) who pointed out that foreign national traders not only use good pricing strategies and sourcing strategies but also save on logistic costs within the supply chain process. Moreover, the authors said that savings come in the form of the

transport sharing model that they use to collect their goods from the suppliers. The authors further added that this transport sharing model has created the perception that foreign national traders always use a bulk buying model.

Foreign national traders are thus able to share business risks with fellow traders. This seems to be the factor distinguishing foreign national traders from local South African traders. Foreign national traders have systematic security measures in all their stores, while South African traders differ from one trader to another. South African traders dislike the reserve of foreign nationals and describe them as selfish and secretive. Foreign national traders do not share their supplier details with South African traders, making sure that their suppliers do not deliver directly to their stores.

South African traders have families and therefore close early in the evenings in order to spend time with their families. They also have social responsibilities such as attending funerals, community meetings and other social events. Foreign national traders, on the other hand, do not have their families with them in South Africa, nor do they have social responsibilities, as they do not truly belong to the communities where they trade. Some small business owners experience not only business problems but also social problems where they trade, to the extent that running a business interferes with their social life (Ligthelm and Cant, 2003). Furthermore, the authors observed that this puts severe pressure on small business owner, who have very little time to care for their families. The authors also stated that for South African small business retailers who have no-one to relieve them in the business, this issue is especially problematic, even making it difficult for them to attend funerals over weekends, since they have to close the business for a day to attend a family function. However, on the other hand the foreign national small business retailers do not have as much of a social burden as the majority of their families have remained in their home countries (Ligthelm and Cant, 2003). South African traders have to bear the opportunity costs of community membership in that they have to close their stores whenever they attend to social responsibilities. Some social activities require financial commitments from the South African trader, and put more pressure on their already constrained financial position. Foreign national traders, on the other hand, have no financial commitment to community activities.

Many foreign national traders reside in their stores (since they are single), therefore saving on rental, while South African traders have to pay rental for places where they live with their families. It is the researcher's considered view that religious beliefs affect the competitiveness of local and foreign national traders. Religious beliefs can constrain traders: for instance, Rastafarian traders do not sell cigarettes as they say that they are poisonous. For religious reasons, South African traders refuse to sell cheaper inferior products that they deem unhealthy, while foreign national traders who do not share the same religious beliefs have no problem with selling those cheaper inferior products.

Gastrow and Amit (2013) noted that South African traders who reside outside the townships where they trade usually employ a relative who resides in the township to manage the business in the absence of

the owner, so as to build trust between the store and potential customers. The authors also report that foreign national traders who reside outside the township usually employ a male person to manage the store in their absence.

In case of South African traders, when the operator and the owner of the store are same person there tends to be no separation of business and home goods: traders simply take business goods for personal usage. The study revealed that foreign national traders, on the other hand, treat their personal money and business money separately. Among other things, South African traders' trading capabilities require improvement and they also need to acquire basic business skills, basic retail financial literacy, and learn to collaborate more among themselves (Iwu et al., 2016:62).

On the operational level, what was noticeable was that neither foreign nor South African traders use any form of technology to manage their businesses. They do not use any cash registers, and at best they record manually if they record at all. This tends to have a negative effect on stock control and financial management, the situation being worse for South African traders who use business stock for home consumption without accounting for it.

Whenever they go and buy stock, South African traders either close the shop or ask some-one to help while they are away. On his or her return, the operator does not do any stock count and that opens the door to pilferage.

### **5.3.3 Future business plan outlook**

In terms of "future business outlook", the researcher meant to obtain the respondents' view of their future in business, whether they wanted to carry on their business venture or intended to sell it. If their intent was to remain in business, the researcher wanted to know what enablers they might require in order to succeed in business.

South African traders feel that they need some protection from foreign national traders who are in competition with them, as they deem them to be in the country illegally. In South Africa, before you can obtain a business permit you are required to prove to the authorities that you will invest a certain amount of money in excess of a million rands. The study revealed that South African traders feel that foreign national traders do not meet such requirements, and this has resulted in an influx of foreign small business traders into South Africa. Therefore, for the local South African traders this increases competition for South African traders unnecessarily. Foreign national traders were reluctant to get into details regarding business permits. The researcher is of the view that the concern voiced by South African traders is legitimate. In this regard, going forward, South African traders believe that the South African government needs to enforce current legislation in order to protect them from what they deem to be illegal competition from foreign national traders. According to Segatti (2011:7,) "The presence of foreigners in South Africa is regulated by the Refugees Act (No. 130 of 1998) and the Immigration



Act (No. 13 of 2002) and amendments. Under the law and the Constitution, asylum seekers and refugees are entitled to work and operate businesses under exactly the same conditions as South Africans, provided they are legally registered. The same applies to other migrants with business permits. Foreign nationals are also subject to the same taxes and levies as South Africans”.

Foreign national traders require protection whenever there is unrest, as they usually become the first casualties of any service delivery protest in the townships. Foreign national traders have very few recommendations for the future other than demanding visible local policing from the municipality. It is the researcher’s view that migrant traders find themselves in a difficult situation since they are illegitimate business owners for the very reason mentioned above: that they operate without business permits. It makes little sense to argue that migrant traders do not hold business permits because they are asylum seekers, since asylum seekers do not have the right to operate a business. Grant (2013) noted that foreign national small business retailers operate in fear of xenophobic attacks and criminal elements, while South African traders operate only in fear of criminal elements in the township retailing market.

The study has found that foreign national traders have a competitive edge over South African traders in various aspects of business operations. In terms of financial management and control, the study has found that South African traders are lacking, especially in financial literacy skills. This deficiency needs to be addressed.

## **5.4 CONCLUSION**

The above discussion has indicated that the problems faced by South African traders are different from those faced by foreign national traders. In the main, foreign national traders do not seem to have challenges relating to factors such as lack of funding, lack of business networks and professional cooperation. The main problem faced by foreign national traders is the security in areas where they trade. The security they need is twofold: first, it is protection from general public during unrest, and secondly, protection from general criminal elements in the townships.

On the other hand, the study revealed that South African traders are faced with challenges relating to funding and a lack of collaboration among themselves. It is important to note that traders, both local and foreign, suffer from criminal depredations, the severity of which depends in part on the structure of their shops. For example those traders whose shops are made from shipping containers are safer than those whose shops are constructed out of corrugated sheet iron. Generally shipping containers are easy to secure with burglar bars and some form of alarm system than other structures. The discussion also touched on a very crucial issue relating to enforcement of the laws of the land. It is the researcher’s considered view that if the laws were to be enforced, unnecessary competition from foreign national traders could be reduced. That might serve to reduce animosity between local and migrant traders.

The data presented in the previous chapter and the discussion above have been pivotal in assisting the researcher to answer the research questions and make recommendations. These answers are given in the next and final chapter, together with recommendations aimed at addressing the situation reported. These include a business intervention model that South African traders can use to improve their trading capabilities.

## CHAPTER 6

### RECOMMENDATIONS AND CONCLUSION

#### 6.1 INTRODUCTION

The main purpose of the study was to identify the challenges and constraints facing South African small business retailers in township retailing environments. It also aimed to develop a business intervention model for South African traders to enable them to improve and become more competitive in the township small business retailing sector. Thus this chapter will first provide answers to the research questions, make recommendations, introduce the proposed model and then provide a brief interpretation of the proposed model.

#### 6.2 ANSWERS TO THE RESEARCH QUESTIONS

**What are the challenges and constraints of South African small business retailers in the township small business retailing environments?**

The first challenge facing South African small business retailers in township environments is their lack of support for each other, as they effectively operate in silos. Also, there is lack of targeted support for them on the part of the South African government's small business development agencies. Therefore, any challenge that a small business retailer faces, is faced alone, and it is very difficult to deal with as an individual. The second challenge the SA small business retailer faces in the township environment is crime, (especially in times of service delivery protest action). Criminal elements find it easy to break into the stores of traders that are built out of corrugated iron. The third challenge facing South African traders is that they are trapped into being small businesses, since they have no access to information or systems in place that can assist them to grow and formalise their businesses so that they can progress from micro or small enterprise to medium enterprise. The fourth challenge facing South African traders is their financial illiteracy, which manifests itself in their lack of understanding of the impact of financial decisions in their businesses.

- **What are the core competitive factors that differentiate foreign national small business retailers from South African small business retailers in the way they run their small retailing businesses?**

The first competitive advantage of foreign national traders is their bulk buying behaviour through the use of their advanced networks and storage facilities. Through this buying behaviour foreign national traders are able to buy in bulk products that are on promotion and pass the savings on to the consumer

through lower prices, while their South African counterparts continue to sell at higher prices. In other words, foreign nationals have a more competitive pricing strategy than South African traders.

The second core differentiator is the funding model used by foreign national traders to start their small retailing businesses. These traders use their networks to fund each other, which mean that even when their stores are destroyed by service delivery protesters or criminal elements they are able to get back in business faster than South African traders can do. South African traders do not have access to comparable networks.

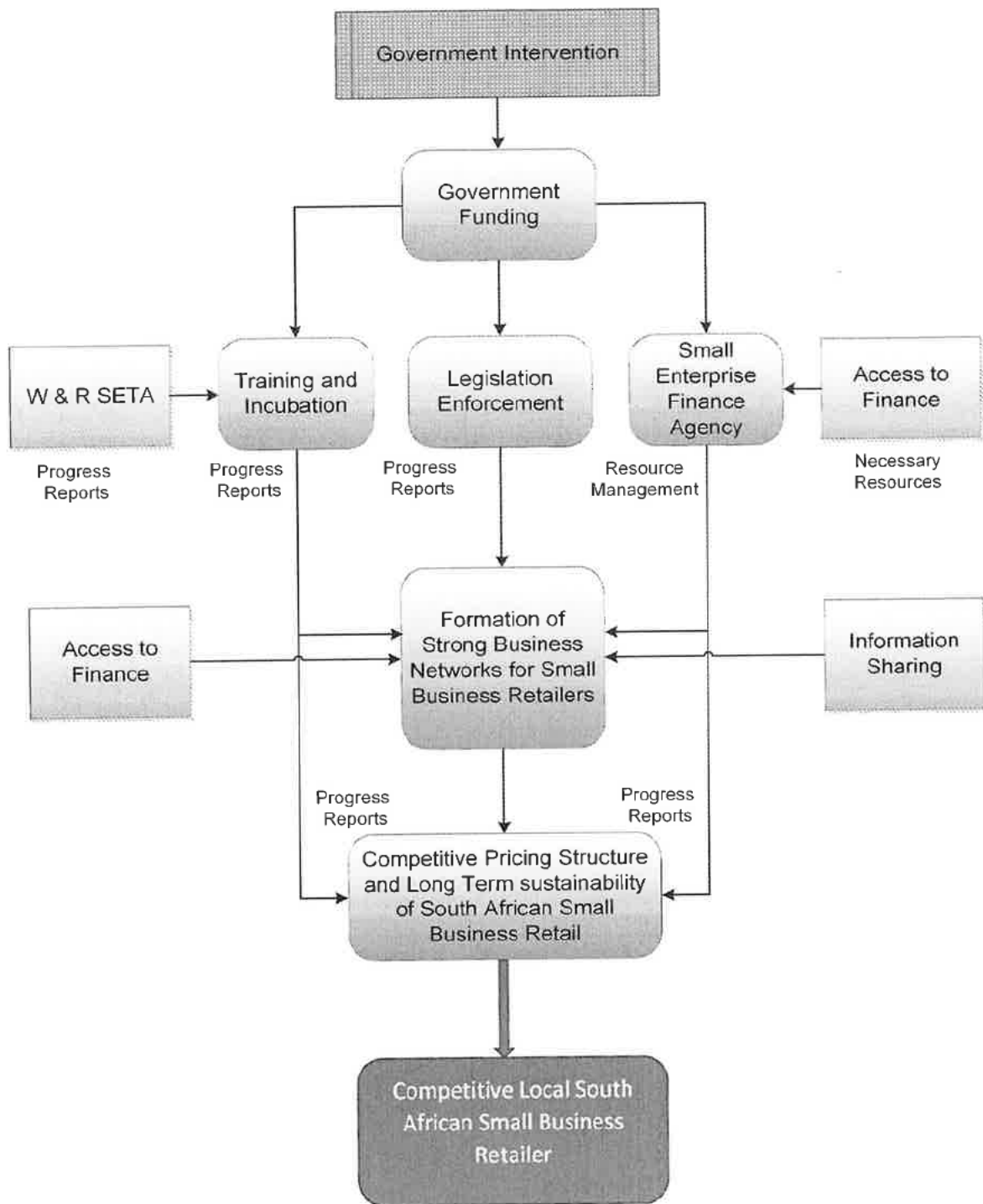
The third core competitive factor is the operational model of foreign national traders as they open longer hours and offer more products or services than their South African counterparts. This makes their retail stores more convenient for the consumer in the township retailing market.

- **Do retailers of foreign origin operating in South Africa comply with the minimum legislation of operating a business as a foreigner in South Africa?**

The above question was posed to the retailers of foreign origin, but none of them could provide the researcher with a clear and definite answer. Some declined outright to answer the question. It is the researcher's considered view that there is a high possibility that retailers of foreign origin do not comply with the minimum legislative requirements.

- **What business intervention model can be used by South African small business retailers in the township retailing environments to improve their trading capabilities?**

The model depicted below can be used to assist small business retailers in township retailing environments:



**Figure 6.1: Recommended Business Intervention Model**

This business intervention model is based on the findings of the study. Government intervention is the critical element for the development of South African small business retailers. The success of South African small business retailers will have a positive impact on the efforts to reduce unemployment in South Africa. Furthermore, it must be noted that this is informed by the mandate of four South African government entities that seem to be operating in silos i.e. Small Enterprise Finance Agency (SEFA), Small

Enterprise Development Agency (SEDA), Wholesale & Retail Sector Training Authority (W&R STEA) and Department of Small Business Development (DSBD). SEFA has a mandate to finance small enterprises, SEDA's mandate is further development of small enterprises, W&R SETA's mandate is training and development of small enterprises and DSBD's role is policy development for the betterment of small enterprises. The South African government through its small business development agencies needs to have a funding model targeted specifically at small business retailers.

Through government funding the W&R SETA is proposed as custodian of the training needs of small business retailers as it is in their mandate to train business retailers. The training must be specifically targeted at small business retailers and cover various aspects of managing a small retail business in the South African township environment. The training programme will afford traders an opportunity to undergo a period of incubation. On completion of the incubation programme, the trader should also undergo mentorship, in terms of which the trader will benefit by getting new business knowledge and capacity from a mentor, and perhaps benefit from being introduced to new business suppliers and networks known to the mentor.

The model proposes the formation of formal business networks for small business retailers, to be initiated by the South African government's Department of Small Business Development. The network will be responsible for information sharing and exploration of further business opportunities among the small business retail community.

The model suggests that the local traders require training, incubation (for sustainability over time) and funding (for storage facilities of the trader). Furthermore, the W&R SETA should appoint programme managers to guide small business retailers through the various stages proposed in this model. The core stages being training and Incubation. The training component of the recommendation can be done by some of the South African leading national retailers. Training of local traders can form part of BBBEE enterprise development for the national retailers and also get an opportunity to form networks while identifying the needs of the traders. That way the training component will not have strain on the fiscus of the country because national retailers already have training facilities and training personnel and therefore a service level agreement is a realistic possibility. Another alternative is to look for institutions of higher learning that have retailing qualifications and engage them to design a short course (mobile training) for local traders.

The incubation component of the recommendation will ensure sustainability and change of culture. During the incubation stage traders should receive a container to enable them to trade in a secure place which cannot easily be broken into. The container will be equipped with the storage capacity that the traders so much need and be ready for electricity connection.

If these suggestions are implemented the model envisages an outcome where South African traders will improve their competitiveness through appropriate pricing strategies than can sustain and grow their

small enterprises into medium enterprises. It must be noted that in South Africa during the Covid-19 lockdown period the Department of Small Business Development announced an agreement with Nedbank to support spaza shops and general dealers on the back of the Credit Guarantee Scheme of Small Enterprise Finance Agency (SEFA). The scheme was only targeted to South African owned spaza shops as a relief for them to survive the lockdown period during which all businesses closed as mandated by the South African government. During the lockdown period small business from different sectors of the economy suffered greatly and had to close down. However, small businesses in small retailing sector were reported to facing challenges of accessing the support programme because of the following reasons:

- Small business owners mentioned that it is difficult to take many hours away from a business to search for the information and apply for the support programme.
- Some spaza shops are just frightened by a mere mention of mention of UIF and SARS as parts of the qualifying criteria for the support programme. One example is that of an extremely excited spaza shop owner in Delft who runs two successful spaza shops, one in Leiden and the other in Delft South, who got frightened away when a reporter explained the qualifying criteria and who never showed any further interest.
- Some weeks since the programme was announced most shop owners were still not familiar about the programme which therefore suggest an intense outreach is needed if the programme is to be successful (<https://www.iol.co.za/business-report/economy/bbc-starts-its-facilitation-activities-in-small-business-development-programme-49561000>).

The challenges stated above are consistent with the outcome of this study. Battersby (2020:1) argued that the South African government's lockdown (as a result of Covid-19) regulations have demonstrated considerable bias towards the large-scale formal actors and pushed towards formalization of the informal sector through the conditions about who is able to operate and the conditions placed on relief measures.

### **6.3 RECOMMENDATIONS**

- It is recommended that the South African government through its Department of Small Business Development embarks on a drive that is specifically targeted at helping local small business retailers form business networks. The researcher is aware that there are agencies such as the Small Business Development Agency (SEDA) that aims at helping Small and Medium Enterprises (SMMEs), but such agencies deal with different types of SMMEs.
- It is recommended that once the South African government, through its Department of Small Business Development, has assisted with the programme of establishing strong business networks amongst local small business retailers, a fund for assisting South African traders with

their funding be established. The researcher is aware that there are small business funding agencies such as Small Enterprise Finance Agency (SEFA), but these are not specifically earmarked for small business retailers in township environments.

- It is recommended that a task force be established to deal with specific issues relating to compliance with existing legislation in township environments.
- The business intervention model depicted above in Fig. 6.1 can be used to assist South African small business retailers in township retailing environments.
- The study also recommends a review of the legislative framework relating to the setting up of small and medium enterprises in the township environment.
- It is recommended that similar studies be conducted in other township environments, which might serve to produce different and or additional outcomes.

## **6.4 CONCLUSION**

Chapter One of this study provided a statement of the research problem, the aim and objectives of the study, and most importantly, its significance. Chapter Two provided a literature review of what the researcher deemed relevant to the issue being investigated by the study. Chapter Three offered a clear account of how the study was designed and conducted. The research findings were presented in Chapter Four and discussed in Chapter Five. Chapter Six offered conclusions based on the findings presented in Chapter Four and discussed in Chapter Five. Through the arguments and evidence presented in these chapters, the researcher has been able to provide answers to the research questions and make appropriate recommendations.



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## APPENDICES

### APPENDIX 1: RESEARCH INSTRUMENT (QUESTIONNAIRE)

#### SECTION A

OBJECTIVE 2	COMPETITIVE FACTORS
-------------	---------------------

A series of questions regarding your demographics are raised. Please go through each question and place a tick (✓) in the relevant block.

1. Indicate nationality by placing a tick (✓) in the appropriate block.

South African Trader	
Foreign National Trader	
Foreign Trader - Nationality	

2. Indicate your highest qualification by placing a tick (✓) in the appropriate block.

Early School Leaver (Grade 7)	
Grade 9	
Grade 12	
Diploma	
B-Degree or Higher	

3. Indicate your gender by placing a tick (✓) in the appropriate block.

Male	
Female	

4. Indicate how many years have been operating your store by inserting a tick (✓) in the appropriate block.

Less than 3 years	
Between 3 -5 years	
Between 6-10 years	
Between 11-15 years	
Over 15 years	



5. Indicate how many years of business experience (including operating your store) do you have by placing a tick (✓) in the appropriate block.

Less than 3 year	
Between 3 - 5 years	
Between 6-10 years	
Between 11-15 years	
Over 15 years	

6. Indicate how many years have you traded in this area by placing a tick (✓) in the appropriate block.

Delft	
Eindhoven	

Less than 3 years	
Between 3 - 5 years	
Between 6-10 years	
Between 11-15 years	
Over 15 years	

7. Indicate your role in the business by placing a tick (✓) in the appropriate block.

Full Owner	
Part Owner	
Owner Manager	

8. Indicate how many employees you have?

Fulltime	
Part-time	
Casual	

9. Indicate where you buy your stock by placing a tick (✓) in the appropriate block.

Wholesale	
Retail chain store	
Distribution Centre	
Other:	

10. Indicate on average how often you buy your stock by placing a tick (✓) in the appropriate block.

Daily	
Weekly	
Bi-Monthly	
Monthly	

11. Indicate if you buy in bulk by placing a tick (✓) in the appropriate block.

Yes	
No	

12. Indicate what time do you open or close your store  
OPEN \_\_\_\_\_

CLOSE \_\_\_\_\_

13. Indicate if you offer any other services outside selling groceries by placing a tick (✓) in the appropriate block.

Yes	
No	

14. If "Yes" what services do you offer \_\_\_\_\_

15. Indicate if you own or rent your business premises by placing a tick (✓) in the appropriate block.

Yes	
No	

16. Indicate if you reside in the premises where you operate the business by placing a tick (✓) in the appropriate block.

Yes	
No	

## SECTION B

<b>Objective 1 and 2</b>	<b>FINANCIAL MANAGEMENT AND CONTROL</b>
--------------------------	---

1. Indicate how you started the business by placing a tick (✓) in the appropriate block.

Own Funds	
Bank Loan	
Other:	

2. Indicate how much you spend on rental if any by placing a tick (✓) in the appropriate block.

Less than R1000	
R1000 – R2000	
More than R2000	

3. Indicate who you bank with for your business by placing a tick (✓) in the appropriate block.

Capitec	
Standard Bank	
ABSA	
Nedbank	
Other:	
None	

4. Indicate the average monthly turnover of your business by placing a tick (✓) in the appropriate block.

Less than R20,000	
R20,000 – R 30,000	
R40,000 – R60,000	
More than R60,000	

5. Indicate how often do you do budget for your business by placing a tick (✓) in the appropriate block.

Annually	
Bi-Annually	
Quarterly	
Monthly	

#### 6. Business Profile

What is the mark-up % for your business	
What is the gross profit % for your business	
How many customers do you have in a day	

7. Indicate if you have an external person who looks at your finances by placing a tick (✓) in the appropriate block.

YES	
NO	

If yes explain \_\_\_\_\_

8. Indicate if you have ever been trained on financial management of the business by placing a tick (✓) in the appropriate block.

YES	
NO	

9. Indicate if you sell on credit by placing a tick (✓) in the appropriate block.

Yes	
No	

If YES explain \_\_\_\_\_

10. Why do customers mostly buy from your store \_\_\_\_\_

END OF QUESTIONNAIRE FOR FOREIGN NATIONAL TRADER

### SECTION C [ONLY SOUTH AFRICAN TRADER RESPONDANTS]

OBJECTIVE 1:	CHALLENGES AND CONSTRAINTS OF SA TRADERS
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1. Indicate if you think your business is successful by placing a tick (✓) in the appropriate block.

YES	
NO	

If yes explain \_\_\_\_\_

If no explain \_\_\_\_\_

2. Indicate the external challenges of your business in your location by placing a tick (✓) in the appropriate block.

Theft	
Crime	
Competition	
Lack of security	
Poverty	
Infrastructure (amenities/services)	
Other:	

3. Indicate if you have security after hours by placing a tick (✓) in the appropriate block.

Yes	
No	

4. Have you ever had a business mentor?

Yes	
No	

5. Indicate if you live in the area by placing a tick (✓) in the appropriate block.

Yes	
No	

6. Indicate who do you think is your business competitor in this area by placing a tick (✓) in the appropriate block.

Foreign national trader	
South African trader	
Both of the above	
Chain store Supermarket	

7. Indicate if you think foreign national traders are doing better than you in doing business in this area by placing a tick (✓) in the appropriate block.

Yes	
No	

If yes explain \_\_\_\_\_

If no explain \_\_\_\_\_

8. What do you think makes your store different from your competitor?

9. What customer complaints do you usually receive \_\_\_\_\_

10. Is your business registered?

Yes	
No	

11. Indicate why do think customers buy from your store by placing a tick (✓) in the appropriate block.

Price	
Proximity	

Wide Range of products	
Trading hours convenient	
Good Service	

12. Indicate where else do your customers purchase in your location by placing a tick (✓) in the appropriate block.

Other traders	
Chain stores	
In the shopping centers	

13. Indicate if you know most of your customers by placing a tick (✓) in the appropriate block.

Yes	
No	

14. Indicate if your customers are permitted to return goods or exchange products purchased from your store by placing a tick (✓) in the appropriate block.

Yes	
No	

## INTERVIEW SCHEDULE

### (FOCUS GROUP)

OBJECTIVE	RECOMMENDATIONS FOR SA TRADER
3and4:	

### Foreign National and South African traders

#### Business Start-up

Q1: Why did you start a small retail business and why did you chose this area?

Q2: How did you finance your business when you started?

Q3: What makes you successful in small business retailing?

Q4: How do you organize yourselves with other small business retailers?

Q5: What is the process of opening and running a retail small business in South Africa for a foreign national?

#### Competition

- Q1: Do you monitor your selling prices from you competitors and how do you do that and who do you view as your competitor?
- Q2: What are the external challenges your business experience?
- Q3: Do you collaborate with other small business retailers (e.g. sharing costs by in buying in bulk) and how does that collaboration happen?
- Q4: What other business services does your business offer? Do you have some form extra services that you offer in the business (e.g. airtime, fax, phone etc.). Services that might give a competitive advantage

### **Operation**

- Q1: Do you have a way of separating the business money from your personal money and how do you do that?
- Q2: How do you keep records of your business? How do you track your sales record and expenditure?
- Q3: How do you do costing for your products?
- Q4: What is your product manufacturing and distribution strategy?

### **Future Business Plans**

- Q1: What do you think can be done for you to do better in business and become a better trader?
- Q2: What sort of assistance do you think you need in your business going forward? And from who must the assistance come from?
- Q3: Do you think your infrastructure is adequate (such as the container, payments, transportation).
- Q4: Do you still plan to run this business in the near future, please explain why?
- Q5: What is your view on fake or expired products attributed to foreign national traders in the South African social media?

**APPENDIX 2: LETTER OF INFORMED CONSENT AND  
DECLARATION BY THE PARTICIPANT**





UNIVERSITY OF  
**KWAZULU-NATAL**  
Graduate School of Business

Research Administrator: Marriete Snyman

031-2608350

Email: Snymanm@ukzn.ac.za

Supervisor: Dr Wellington Zondi

Email:zondiw@ukzn.ac.za

Researcher: Maphelo Malgas

### **Letter of Informed Consent**

Dear Participant,

My name is Maphelo Malgas (*student no. 203501400*). I am a Doctor of Business Administration candidate studying at the University of KwaZulu-Natal, Graduate School of Business and Leadership-Westville Campus. The title of my research is: **DEVELOPING A BUSINESS INTERVENTION MODEL FOR SOUTH AFRICAN SMALL BUSINESS RETAILERS IN CAPE TOWN'S TOWNSHIP RETAILING ENVIRONMENTS**. The main aim of the study is to identify the challenges and constraints facing small business retailers in township retailing environments then develop a business intervention model for the retailers to improve. I am interested in interviewing you so as to share your experiences and observations on the subject matter.

Please note that:

- The information that you provide will be used for scholarly research only.
- Your participation is entirely voluntary. You have a choice to participate, not to participate or stop participating in the research. You will not be penalized for taking such an action.
- Your views in this interview will be presented anonymously. Neither your name nor identity will be disclosed in any form in the study.
- The interview will take about 20 minutes.
- The record as well as other items associated with the interview will be held in a password-protected file accessible only to myself and my supervisors. After a period of 5 years, in line with the rules of the university, it will be disposed by shredding.
- If you agree to participate please sign the declaration attached to this statement (a separate sheet will be provided for signatures)

If you have questions regarding your rights as a research respondent, please contact any one of the above mentioned contact persons.

Yours sincerely

Maphelo Malgas

Signature-----

## **DECLARATION BY PARTICIPANT**

### **TO WHOM IT MAY CONCERN**

I hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire. I understand the intention of the research. I hereby agree to participate.

I consent to have this interview recorded in form (if applicable)

---

Signature of Participant

---

Date

### **APPENDIX 3: ETHICAL CLEARANCE LETTER**

08 June 2017

Mr Maphelo Malgas (203501400)  
Graduate School of Business & Leadership  
Westville Campus

Dear Mr Malgas,

Protocol reference number: HSS/0578/017D

Project title: Developing a Business Intervention Model for South African Small Business Retailers in Cape Town's Township Retailing Environments

**Full Approval – Expedited Application**

In response to your application received on 19 May 2017, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and FULL APPROVAL for the protocol has been granted.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully



Dr Shenuka Singh (Chair)

/ms

Cc Supervisor: Dr B Zondi  
Cc Academic Leader Research: Dr Muhammad Hoque  
Cc School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee  
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