

The impact of the entry of national retailers into townships
on South African spaza shops in Bloemfontein

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Abstract

Purpose: The primary objective of this research was to investigate the impact of the entry of national retailers into the Bochabela, Bloemanda, Freedom Square, Grassland, Heidedal, Joe Slovo, Namibia Phahameng, and Rocklands locations on South African-owned spaza shops in Bloemfontein.

Methodology: The research methodology was positivist in nature and used a quantitative method design with a survey research strategy using a 5-point Likert scale questionnaire. A simple random sampling strategy was used, and the study respondents comprised 104 spaza shop owners. The online questionnaire was distributed to all respondents using the online questionnaire.

Findings: The main results confirm that spaza shops near shopping malls are more likely to be negatively impacted than those in outlying areas. In a competitive market, spaza shops are vulnerable to prices. Very few of the spaza shops have adopted business strategies in response to their larger competitor.

Conclusion: Local spaza shop owners therefore need to implement measurable competitive strategies to improve competitiveness in the retail industry.

Keywords: national retailers, spaza shop, sustainable competitive advantage, competition strategies, small business, shopping mall

Declaration

"I declare that the Field Study hereby submitted for the Masters in Business Administration at the UFS Business School, University of the Free State, is my own independent work and that I have not previously submitted this work, either as a whole or in part, for a qualification at another university or at another faculty at this university. I also hereby cede copyright of this work to the University of the Free State."

Name: Gosiamo Moanaco Masisi

Date: 20 November 2020

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Chapter 1: Introduction

1.1 Background

The local retail enterprises in townships, mainly spaza shops and independent general dealers, are relatively small and cannot compete with the national retailers; the gap between the two is widening and forcing the former to face financial crisis and threat to their existence (Petersen, Thorogood, Charman, & Du Toit, 2019). Research shows that the overall positive versus negative impact on a particular shopping centre is often less clear cut and will be affected by factors related to its specific location and development process (Ndaba, 2018).

Before 1994, the retail sector in townships was dominated by small informal shops selling essential goods and services to locals (Lemon, 2017). Township retail shops operated as convenience stores, mainly targeting low-income households, and attracting only a small portion of the township's consumer spending (Hare & Walwyn, 2019). The main expenses for low-income households were food and essential goods. However, retail shops in the townships did not benefit so much because households mostly shopped outside township areas, in central city centres or shopping malls (Lemon, 2017).

After 1994, the South African Government stepped up its efforts to improve the social efforts of blacks. As a result, South Africa has seen an exponential increase in the black middle class. It is estimated that the black middle class has more than doubled in size from 2.2 million in 1993 to 6 million by 2014 (Mattes, 2015). This change has enabled individuals to move out of townships to urban living (Lemon, 2017). However, many black middle-income class people remained in townships (Kanoga, Njugana & Bett, 2015).

Another knock-on effect of the rise of the middle class was growing spending power. This increase in spending power, together with middle-income householders, who remained in townships, has attracted shopping malls and national retailers to focus increasingly on market expansion strategies targeting townships (Peterson et al., 2019). This growing

trend of shopping malls targeting township markets has led to an increase in the development of shopping malls in townships. This movement of national retailers into township markets impacts the business communities of townships (Mashaba & Wiese, 2016). It is essential to understand the impact of the development of shopping malls in townships on the responses of small township businesses to minimise competition.

1.2 Problem statement

The South African independent retail market, specifically spaza shops, has played an essential role in providing livelihoods to locals outside the formal economy in townships and rural areas (Mashaba & Wiese, 2016). Locals generate income from the spaza shop businesses, enabling them to provide for their families and to supplement income from formal employment (Bokolo, 2018:6).

The problem is that spaza shops are not competitive and have high failure rates (Hare & Walwyn, 2019). There are many factors behind the low levels of competitiveness of South African black-owned spaza shops. However, the development of malls in townships has attracted national grocery retail chains such as Pick 'n Pay, Shoprite Checkers, and Spar, which is often cited as one of the biggest threats to small businesses (Mathu, 2019). The spaza shops will now have to compete directly with national retail chains, which have huge turnovers (Mathenjwa, 2010:3). Such national retailers offer goods similar to some offered by spaza shops at a lower price, using price discounting as a strategy; this undoubtedly leads to increased competition (Ligthelm, 2011). Given this intense competition, the issue stems from the fact that national retailers are displacing spaza shops and extracting money from circulation, especially from township economies. (Das Nair, 2019:¶10).

Moreover, the escalating presence of shopping malls has increasingly been viewed as harming the growth and development of indigenous small businesses in the townships (Madlala, 2015). This perception, which is predominantly held by local small business owners, has led to the belief that shopping malls have effectively seized this important economic sub-sector. Consequently, if spaza shops are forced to close owing to increased competition from national retail chains, poverty and the unemployment rate will

continue to soar to high levels in our country, leading to many social problems like crime (Mathenjwa, 2010:3).

1.3 Research questions

- What is the literature saying about the definitions of retail and spaza shops?
- What is the impact of spaza shops following the entry of TwinCity, Lemo Mall, and Rocklands Shopping Centre into the township?
- What are the competitive strategies used by spaza shop owners to deal with competition to ensure their survival?

1.4 Objectives

1.4.1 Primary objective

The primary objective of this research is to investigate the impact of the entry of national retailers into the Bochabela, Bloemanda, Freedom Square, Grassland, Heidedal, Joe Slovo, Namibia Phahameng, and Rocklands locations on South African-owned spaza shops in Bloemfontein.

1.4.2 Secondary objectives

The following secondary objectives will support the primary objective:

- To define retail and spaza shops, according to literature.
- To review the impact of spaza shops according to literature, following the entry of TwinCity, Lemo Mall, and Rocklands Shopping Centre into the township.
- To determine the strategies of spaza shop owners to dealing with competition in order to ensure their survival, according to literature.

1.5 Research methodology

The research methodology discussed in this chapter is derived from the background and literature review. This chapter presents the philosophical assumptions underpinning this research and outlines the research methodology, design, sample selection used in the study, data collection methods, data analysis, and ethical considerations.

1.5.1 Research philosophy

The philosophical assumptions underlying this research stem from the positivism paradigm. The positivism paradigm methodology is often quantitative in nature, and data is collected through 'questionnaires and surveys.' In an interpretive paradigm, the researcher and participant influence each other because of this interaction (Saunders, Lewis & Thornhill 2016).

Positivism is the opposite of interpretivism. The positivist paradigm is based on the belief that the social world can be studied in the same manner as the natural world (Saunders, Lewis & Thornhill, 2016). Positivists believe that there is only one objective truth: if understood, we can predict and control it (Sekaran & Bougie, 2013:28). Surveys and experimental designs have been the primary methods used in positivist approaches, with statistical techniques used to achieve generalisation across populations (Sekaran & Bougie, 2013). The positivist approach was chosen for this study because it is analytical in interpreting quantifiable data.

1.5.2 Research design

The research design is the overall strategy that the researcher uses to incorporate the study's various components coherently and logically while ensuring that the research problem is addressed adequately; it is the blueprint for data collection, measurement, and data analysis (Dikko, 2016:521). There are two types of research methodologies, namely, quantitative and qualitative research. Quantitative analysis uses statistical data and numerical formulae to provide results. On the other hand, qualitative research uses interviews and descriptions to convey results (Bryman et al., 2018). Quantitative research describes, explains, and test relationships. In particular, it examines the cause and effect relationship (Bryman et al., 2018). Quantitative studies typically use large samples to evaluate numerical results by comparing or identifying similarities between sample attributes so that the findings can be generalised. In carrying out quantitative analysis, the researcher defines the problem first (Tracy, 2019).

The diagnostic function is that the techniques used often produce numerical data, which are then analysed. This analysis can be easy in mathematical terms, like tables, charts, and diagrams. This kind of interpretation is referred to as descriptive statistics. A quantitative analysis approach would be used since it involves numerical data to express the findings.

1.5.3 Sampling strategy

The sampling plan is designed to choose sources accurately for the data (Tracy, 2019:134). A sample is a subset of a population or universe considered reflective of the total population (Boddy, 2016:5). Sampling can be an effective way to collect data without using the entire population, particularly where the researcher has budgetary and time constraints (Etikan, Musa, & Alkassim, 2016:1). According to Etikan, et al. (2016:1), two main groups of sampling are probability (random) sampling and non-probability (non-random) sampling. The non-probability sampling or judgment sampling depends on subjective judgment. The non-probability sampling method is a mechanism in which the probabilities cannot be allocated objectively to the units. For non-probability sampling, the researcher also selects a sample based on its ease of generality.

Probability sampling works best with a very accurate and up-to-date sampling frame. It is the preferred method to carry out any form of statistical analysis (Etikan & Bala, 2017). With probability sampling, each member of the population has an equal chance of being selected for research purposes (Bryman et al., 2018:173). For the probability sampling, each unit is either drawn with known probability or has a non-zero chance of being selected. These samples are usually selected using random numbers. With probability sampling, a measure of the sample's variance can be obtained objectively (Boddy, 2016:5).

1.5.4 Sampling method

To ensure representativeness and a valid sample of the population of spaza shop owners, a simple random sampling technique will be employed to recruit respondents for the study. This technique is proper, where the sampling frame is not too large, and each unit

is easily accessible (Etikan & Bala, 2017). The only issue with this technique is whether to sample with or without replacement (Cevallos-Torres & Botto-Tobar, 2019). If the item with the same number can be used more than once, it is termed sampling with replacement. This means that data from a particular unit can be used more than once. Sampling without replacement is where each item may not be used more than once, and another number is selected. From a statistical point of view, sampling without replacement is more precise and preferred. For the purpose of this study, a simple random technique without replacement will be used.

1.5.5 Sample size

The target population of this study consists of spaza shop owners within the Bloemfontein township area, which encompasses Bochabela, Bloemanda, Freedom Square, Grassland, Heidedal, and Joe Slovo, Namibia, Phahameng, and Rocklands locations. The spaza shops in these locations are within a five-kilometre radius of the Twin City Mall, Lemo Mall, and Rocklands Shopping Centre. According to Bullen and Brack (2013), the minimum sample size for any meaningful result is 100. A population of less than 100 is deemed small, and thus the entire population should be surveyed. Using the Mangaung Metropolitan Municipality registered spaza shop list, the total population of spaza shops is approximately 190. For the purposes of this study, a sample size of 140 will, therefore, be selected to mitigate the risk of refusal to participate in some units of the target population or in the event that some spaza shops are out of business or have been sold to foreigners (primarily, Bangladeshis, Ethiopians, and Zimbabweans).

Table 1:1. Total number of spaza shops

Bloemfontein Townships	Total number of spaza shops	Malls
Bochabela location	9	Twin City
Bloemanda	7	Rocklands Shopping Centre
Freedom Square	48	Lemo Mall
Heidedal	17	Twin City
Grassland	21	Twin City and Lemo Mall
Joe Slovo	13	Lemo Mall
Namibia	26	Lemo Mall

Phahameng	33	Lemo Mall
Rocklands	16	Rocklands Shopping Centre
Total spaza shops	190	

1.5.5.1 Inclusion criteria

Respondents suitable for inclusion in this study are South African spaza shop owners based in Bochabela, Bloemanda, Freedom Square, Grassland, Heidedal, Joe Slovo, Namibia, Phahameng, and Rocklands locations in Bloemfontein.

1.5.5.1.1 Data collection

In support of the research design, questionnaires will be employed as the data collection tool, as this is useful for providing discussions of the variables of interest (Tracy, 2019). The justification for using a questionnaire is based on the research design that will be employed and the stated objectives. The questionnaire will be made available to the respondents in an online format. The questionnaire will be distributed to all respondents using the WhatsApp application and emails, and their contact details will be obtained from the registered spaza shop list database from the municipality. This approach will be adopted to avoid physical contact with respondents as a precautionary measure against the Covid-19 pandemic. Furthermore, the online version is much easier for the researcher to use as it omits the data entry stage, which is more tedious in the printed paper version. Therefore, it will decrease the likelihood of introducing errors during the data entry process.

1.5.5.1.2 Research instrument

The questionnaire format is divided into two sections to ensure that it is easier for the respondent to navigate and understand. Section A of the questionnaire is focused on biographical information, which includes background information such as the location of the business, race, age, gender, the highest level of education, and business experience.

1.5.5.2 Section B

Section B is further divided into two sections. The first section is focused on questions that seek to understand the impact on spaza shops by the entrance of shopping malls in townships. Fifteen items are formulated to test the perception of the respondents of the impact of spaza shops by the entrance of shopping malls in townships. The questions are developed based on the Ligthelm (2008) study and conducted by Yadav, Verma and Singh (2016). The dimensions of the questions are described in Chapter 2, the literature review, and are expressed as follows:

- The perceived reduction in profit
- The number of customer visits
- The perceived competitive prices
- The perceived increase in better service
- The perceived reduction in employment of spaza shops

The second part of the questions is formulated to probe the perceptions of respondents of the different competitive strategies used by spaza shop owners to ensure their co-existence alongside shopping malls. A total of nineteen questions have been formulated, based on a study conducted by Ligthelm (2011). The questions focus on determining whether the respondents are aware of the strategies used to respond to competitive pressure from national retailers in the shopping mall. The dimensions of the questions are described in Chapter 2, the literature review, and are formulated as follows:

- Entrepreneurial acumen
- Competition from malls
- Competitive advantages of spazas

The intent of the questions corresponds with the objectives of the study, as highlighted above in this chapter. The questionnaire design uses a 5-point Likert scale, which helps to classify opinions from 'strongly agree' to 'strongly disagree' on the scale. The Likert

scale is chosen as it is easy to construct and produces highly reliable data (Bryman et al., 2018). The 5-point Likert scale is used as follows:

- (1) Strongly disagree
- (2) Disagree
- (3) Neutral
- (4) Agree
- (5) Strongly Agree

The questionnaire is included as Annexure B.

1.5 Data analysis

Data analysis includes data management before data entry. Data will be cleaned and checked to ensure suitability before entry. Responses will be coded onto a single coding sheet, and data obtained from the survey will be analysed using descriptive statistics, such as frequency tables (Bryman et al., 2018). The nominal data will be analysed using frequency distribution and correlation coefficient. The range and the standard deviation will be calculated as spread measures. The ordinal data will then be ranked from the highest mean value to the lowest mean value. For occurrences where two or more mean values are similar, the proposition with the lowest standard deviation will be ranked higher than that with a lower standard deviation. The standard deviation provides insight into the spread of responses from the target population concerning the same proposition.

1.6 Reliability and validity

An expert will be asked to comment on the representativeness and suitability of the questions and the structure of the questionnaire. The expert suggestions will then be used to make amendments to the questionnaire.

1.6.1 Reliability

Reliability refers to whether the data collection techniques and analytic procedures will reproduce consistent results if repeated on another occasion or replicated by another

researcher (Bryman et al., 2018:36). Other reliability types are stability, internal reliability, and inter-observer consistency (Heale & Twycross, 2015:66). Heale and Twycross (2015) further argue that, although reliability is important to every study, it is not sufficient unless combined with validity. The internal reliability of the instrument will be used to test the variables using Cronbach's Alpha. Cronbach Alpha provides a measure of the internal consistency of a test or scale, and it is expressed as a number between 0 and 1 (Bryman et al., 2018:36). Cronbach's Alpha coefficient score is described as 'excellent (0.93–0.94), strong (0.91–0.93), reliable (0.84–0.90), robust (0.81), fairly high (0.76–0.95), high (0.73–0.95), good (0.71–0.91), relatively high (0.70–0.77), slightly low (0.68), reasonable (0.67–0.87), adequate (0.64–0.85), moderate (0.61–0.65), satisfactory (0.58–0.97), acceptable (0.45–0.98), sufficient (0.45–0.96), not satisfactory (0.4–0.55) and low (0.11)' (Taber, 2018). For the purposes of this study, Cronbach's Alpha coefficient scores with a value of more than 0.70 will be acceptable (Heale & Twycross, 2015). Cronbach Alpha coefficient scores will be calculated using the SPSS computer program.

1.6.2 Validity

Tracy (2018) defines validity as the degree to which the test measures what it claims to measure. Different ways of establishing validity are face validity, concurrent validity, predictive validity, construct validity, and convergent validity (Bryman et al., 2018). This study will apply the following checks:

- Face validity is concerned with whether or not an indicator appears to reflect the content of the concept in question. The questionnaire's face validity will be used in this study. This means that a process will be followed to evaluate the questionnaire's ability to measure what the researcher intends to measure with maximum accuracy. The questionnaire will be referred to someone knowledgeable on the subject to assess whether questions are likely to test what they intend to do.
- Content validity will also be assessed. This refers to how the measurement device covers the investigative question (Bryman et al., 2018). Content validity will be

achieved through a process of careful definition of the research through the literature review. The expert will comment on the representativeness and suitability of the questions and on the structure of the questionnaire. The expert suggestions will then be used to make amendments to the questionnaire.

1.7 Ethical considerations

Each prospective respondent will be provided with an information leaflet and an informed consent form. The researcher will observe ethical considerations by ensuring that there are no foreseeable risks associated with the study. Respondents will be informed that their participation is voluntary and that they are at liberty to withdraw from the study without consequences. The questionnaire will take approximately 20 minutes to complete. No incentives will be paid to respondents, nor will respondents be charged to participate. Only the researcher will have access to the completed questionnaires. Anonymity will be maintained because questionnaires will be coded, and the researcher will not associate data with specific respondents. The research report will only be shared with the UFS upon completion of the study. After the data is extracted, a completed soft copy of questionnaires will be saved on two memory sticks and stored in two separate locations (memory sticks will be locked in a cabinet for safety both in the researcher's office and at home) for backup purposes.

1.7.1 Permission to conduct the study.

The permission to conduct a study refers to the researcher's approval from the gatekeepers or organisation involved before getting permission from the respondents (Byerley et al., 2017). For the purposes of this research, permission will be obtained from the Bochabela, Bloemanda, Freedom Square, Grassland, Heidedal, Joe Slovo, Namibia, Phahameng, and Rocklands location councillors in order to conduct this study.

1.7.1.1 *Do not harm*

Researchers need to consider the principle of 'no harm' regarding the study subjects to ensure that no potential harm is inflicted on the participants. Conflict may occur between

the right to know, which will benefit society, and the right of privacy advocated to protect the individual (Orb, Eisenhauer & Wynaden, 2001; Tracy, 2019:234). For the purposes of this study, the researcher will ensure that the respondents are not exposed to any harm during the research study.

1.7.1.2 Reputational harm

The researcher will ensure that the questionnaire is structured not to cause reputational harm to respondents participating in this study or to the Mungaung Metropolitan Municipality.

1.7.1.3 Voluntary participation

Voluntary participation refers to the exercise of free will by the respondents in determining whether to participate in a study activity (Tracy, 2019). According to Sekaran and Bougie (2013), it is important for the researcher to ensure that the involvement of potential respondents in the study is completely voluntary and that they would be able to discontinue their participation at any time. The information should also be conveyed to the respondents that the failure to participate or the decision to withdraw does not result in any penalty or deprivation of benefits to which the applicant is otherwise entitled. For the purposes of this study, all respondents who participate in this research will do so voluntarily. The researcher will explain to them their right to withdraw from the study if their rights are violated.

1.7.1.4 Informed consent

Informed consent is about respondents giving their permission to be part of a study, and they must be given pertinent information in order to give their 'informed' consent to participate (Tracy, 2018). For this study, respondents will fully be informed about the purposes of the research and the process to be followed. They will read an electronic informed consent statement at the beginning of the survey, and they will click the 'agree' button to give consent for being part of the study. If they do not wish to participate in this research study, they will decline participation by clicking on the 'disagree' button.

1.7.1.5 Confidentiality and privacy

Confidentiality and privacy pertain to the treatment of information that respondents have disclosed in the expectation that it will not be divulged without permission. Respondents should be informed of the precautionary measures that will be taken to protect the confidentiality of the data (Bryman et al., 2018:122). The researcher will ensure that the information provided by respondents will be treated with strict confidentiality at all times. Information obtained during the research that may reveal the respondents' identity will not be mentioned anywhere, and no one would be able to connect respondents to the answers they give. The questionnaire from the respondents will be treated with the utmost confidentiality and will be used solely for purposes of the study.

1.7.1.6 Safeguarding of data

The researcher will save soft copies of respondents' answers on two memory sticks for backup purposes. The two memory sticks will be stored for five years in two different locations, in a locked cabinet at the researcher's office and home, for future research or academic purposes. Future use of the stored data will be subject to further research ethics review and approval, if applicable. The two memory sticks will be physically destroyed after five years.

1.7.1.7 Loss of work time

Time loss is a potential risk, but the researcher will encourage respondents to complete the questionnaire after work hours.

1.8 Demarcation of the study

The primary purpose of this research, which will be conducted in the Bloemfontein area, is to investigate the impact of national retailers on local spaza shops. This study will focus on Twin City Mall, Lemo Mall, and Rocklands Shopping Centre, where the owners of the spaza shops will be sampled.

1.9 Chapter layout

1.9.1 Chapter 1: Introduction

The research problem is presented to the reader in this chapter. It also offers a way forward for research. It gives a background to the retail industry and its environment. The definition of spaza shops is introduced, and the purpose and objectives of this study are set out.

1.9.2 Chapter 2: Literature review

This chapter's literature review focuses on the impact of the entry of national retailers into townships on South African spaza shops.

1.9.3 Chapter 3: Research methodology

In this chapter, the research design, sampling method, data collection method, and data analysis for this study are clarified. It also provides information regarding the research instrument and the validity of the study as a whole.

1.9.4 Chapter 4: Data analysis and findings

The results obtained from respondents in the form of an online questionnaire are explained in this chapter. The quantitative data will be analysed, and the details collected from the literature review will be compared.

1.9.5 Chapter 5: Conclusion and recommendations-

Based on the results obtained from the data analysis and literature review, Chapter 5 presents the conclusions and recommendations.

1.10 Conclusion

Research indicates that spaza shops are vital in addressing high unemployment and poverty levels. However, there is agreement in the literature that many spaza shop businesses fail to survive owing to numerous challenges, including the entry of national retailers into townships. In the light of this problem, it is clear that proper intervention is

needed to tackle the challenges that affect the spaza shops. This will enable spaza shops to make a significant contribution to the economy of South Africa.

A quantitative study will be conducted in Bochabela, Bloemanda, Freedom Square, Grassland, Heidedal, Joe Slovo, Namibia, Phahameng, and Rocklands locations in Bloemfontein. The study will assess and attempt to understand the impact of national retailers on the spaza shops at above locations. The study sample will be restricted to spaza shop owners.

Chapter 2: Literature review

2.1 Introduction

This chapter begins with the definition of retail and spaza shops, according to the literature, which is achieved by providing appropriate definitions of retail and discusses different types of retailers, followed by what constitutes formal and informal retailers. This section also highlights the importance and economic contribution of retailers in both developed and emerging markets, emphasising South Africa retailers. It further discusses the expansion of national food retailers into townships. Furthermore, it critically assesses the impact of the business performance of spaza shops owing to the entry of TwinCity Mall, Lemo Mall, and Rocklands Shopping Centre into the township, according to literature. Finally, it discusses the strategies that spaza shop owners can use to retaliate against national food retailers.

2.2 Definition of retail and spaza shops according to literature

Although various researchers have suggested many definitions of retail, there is consensus that retailing refers to all activities entailed in the selling of goods or services directly to final consumers for their consumption, and not for resale (Kotler & Armstrong, 2016:397). In agreement, Kotler and Keller (2016:549) define retail as any entity that channels its marketing activities to satisfy the end customer by organising the sale of goods and services as a form of distribution. Retailers are also called 'intermediaries' or 'middlemen' (Khin, 2018:156). Being an intermediary means that the retailers are in the middle position, receiving and distributing on goods from producers and wholesalers to customers. Retailers buy goods from producers and wholesalers, and sell them at places that consumers can easily access. They also offer customers greater variety and hence greater satisfaction, and they add value by providing services such as delivery. There are different types of retailers (Chrisinger, et al., 2018).

2.2.1 Types of retailers

Store retailers, non-store retailers, and retail organisations are different types of retailers (Chrisinger et al., 2018). While most retailers are in retail stores, non-store retailing has expanded much faster in recent years than retail stores (Kotler & Keller, 2016:553). Non-store retailing includes selling to end-users through "direct mail, catalogues, telephone, internet, TV, home shopping shows, home and office parties, door-to-door contact, vending machines and another direct selling approach" (Minh & Tram, 2016:7; Kotler & Keller, 2016:549). The main types of store retailers are speciality stores, department stores, supermarkets, convenience stores, drug stores (pharmacy), discount stores, off-price retailers, catalogue showrooms, superstores, and hard-discount stores (Zentes, Morschett & Schramm-Klein, 2017).

Corporate retail and franchises, on the other hand, enjoy economies of scale, higher buying power, greater brand awareness, and better-trained staff than independent stores (Kotler & Keller, 2016:553). This type of corporate retail includes corporate chain stores, voluntary chains, retailer cooperatives, consumer cooperatives, franchise organisations, and merchandising conglomerates (Subin, 2019). In South Africa, the corporate retailers include 'hardware, paint and glass, textiles, clothing, footwear and leather, goods and food, beverages and tobacco in speciality stores' (Statistics South Africa, 2019). For the purposes of this study, the discussion is confined only to the food or food retail sector.

2.2.2 National food retailers

2.2.2.1 *Global perspective*

Global food and grocery retail are among the world's most critical industries and play a predominant role in the economic development of countries (Retail Market Analysis, 2020). The market size of this industry was valued at approximately US\$ 12 trillion in 2019, and the Compound Annual Growth Rate (CAGR) was projected to be 6.9% in the forecast period 2016 – 2020, to reach the gross domestic product (GDP) of approximately US\$ 32 trillion (O'Connell, 2020). Growth in this sector is driven mainly by countries in the Asia-Pacific region (Reardon, 2018). Countries like India, China, and Indonesia have

seen prominent growth because of increased new outlets (Kasemsap, 2018). However, markets in developed countries, especially in North America and Western Europe, are mature, highly competitive and facing saturation (Bajpai & Adhikari, 2018).

The growing economy of China is due to the contribution made by its retail sector (Hardaker, 2018). Cheng (2016:76) points out that the food retail sector has played a key role in the transformation of China's once-sluggish economy into the world's fastest growing economy. According to the eMarketer Report (2019), China's retail sector became the world's largest retailer in 2018, valued at \$5,636 trillion and \$100 billion more than the United States (US). This sector contributed 9.7% of China's gross domestic product, and accounted for about 20% of China's total employment (Stern, 2019). It is the largest private-sector employer in the United States. With 35 million stores and many suppliers, the retail industry is responsible for 42 million jobs and \$1.6 trillion in labour income. It accounts for \$2.6 trillion of the US gross domestic product (GDP).

Similarly, in Africa, the food retail sector has emerged as an essential driver of economic growth. It plays a critical role in achieving the macro-economic objectives of countries, such as job creation, poverty eradication, and economic growth (McConnell, Brue & Flynn, 2018). If fully exploited, countries can address most of the socio-economic problems currently facing the world. Confirming the above statement, Allen, Heinrigs and Heo (2018) indicated that Africa's retail sector plays an essential role in the continent's economic stability and contributes up to 90% of overall employment, around 60% of GDP. Citing West Africa as an example, Allen, Heinrigs and Heo (2018) maintain that these entities account for 66% of total employment.

2.2.2.2 South African perspective

PwC's 2016 report points out that the food retail sector is one of the most competitive and largest in the sub-Saharan Africa (SSA) countries including South Africa. As is the case in China and West Africa, the sector plays a crucial role in fostering growth and reducing unemployment in South Africa (Aterido et al., 2019). In 2016, the sector contributed more than R49 billion to South African GDP (9%) and employed 183 502 people (Ntloedibe, 2017). Makhitha (2019:14) attributes this growth to increase in the numbers of shopping

malls and retail outlets in the country and the macroeconomic variables such as interest rate levels, the country's GDP, and availability of credit.

This sector's market structure is highly concentrated and competes in the oligopolistic market, with seven significant players collectively accounting for 80% of all wholesale and retail sales (Sole, 2018:2). These major players are "Shoprite, Pick 'n Pay, Massmart (Walmart owned), Spar, Woolworths, the Food Lover's Market, and Choppies (Botswana owned)" (Das Nair & Dube, 2017). Das Nair and Dube (2017) argue that this level of concentration in the industry is reinforced by the high entry barriers that appear to exist at this level of the value chain. In 2017, Shoprite was a market leader in the South African retail sector with a 33.2% market share, followed by Pick 'n Pay at 13% market share, Spar at third position with 9.5%, and fourth position by Woolworths at 12% (Mathekga & Maciko, 2018).

2.2.2.3 The supply chain of the South Africa national food retail sector

Figure 2:1 below illustrates the supply chain of the South Africa food retail sector. The supply chain is a network of entities which, through upstream and downstream linkages, are involved in various activities that generate value in the form of products and services to the end user (Fan & Stevenson 2018). These entities may include retailers, distributors, storage facilities, transporters, suppliers, and customers. The supply chain of the South African food retail sector is sophisticated and developed compared to other markets on the Africa continent and consists of the following entities: producers or suppliers of retail food products; purchasers and distributors; wholesalers; hybrid wholesaler retailers (wholesalers that also have retail supermarket offerings); national supermarket chains and independent retailers (formal and informal); and consumers.

For the purposes of this study, the discussion focuses on corporate retail chains and independent retailers. Corporate retail chains are considered formal retailers, while independent retailers are classified as informal retailers (Strydom, 2015:464; Dhayanithi Sudhakar & Ranjit, 2014:1).

2.2.3 Formal and informal food retailers

2.2.3.1 *Formal food retailers*

The formal food retailers refer to registered companies that contribute to taxes (Mokgabudi, 2011:18). Battersby (2017:420) points out that retailers in the formal food retail sector dominate and operate various store types to accommodate different consumers. The retail sector is considered the most significant contributor to the South African GDP, employing 20% of the economically active workforce (Statistics SA, 2016). It is the largest in the Southern African Development Community (SADC) region and is the world's 20th largest retail market (Smith, 2015:465).

PMA Research (2017) points out that informal retailers operate in an intensely competitive environment. Many retailers 'focus on price war, compete for prime-store locations, train staff, modernise their stores with wider aisles, and offer dedicated product category alcoves for easy navigation'. Part of the renewed sustainable growth strategies of the major formal retail chains is to target township areas. Petersen (2016) points out that retailers increase their access to township customers independently (i.e. Shoprite USave) or in shopping mall developments. This trend of formal retailers moving to townships changes the retail landscape in the townships, especially for informal retailers such as spaza shops.

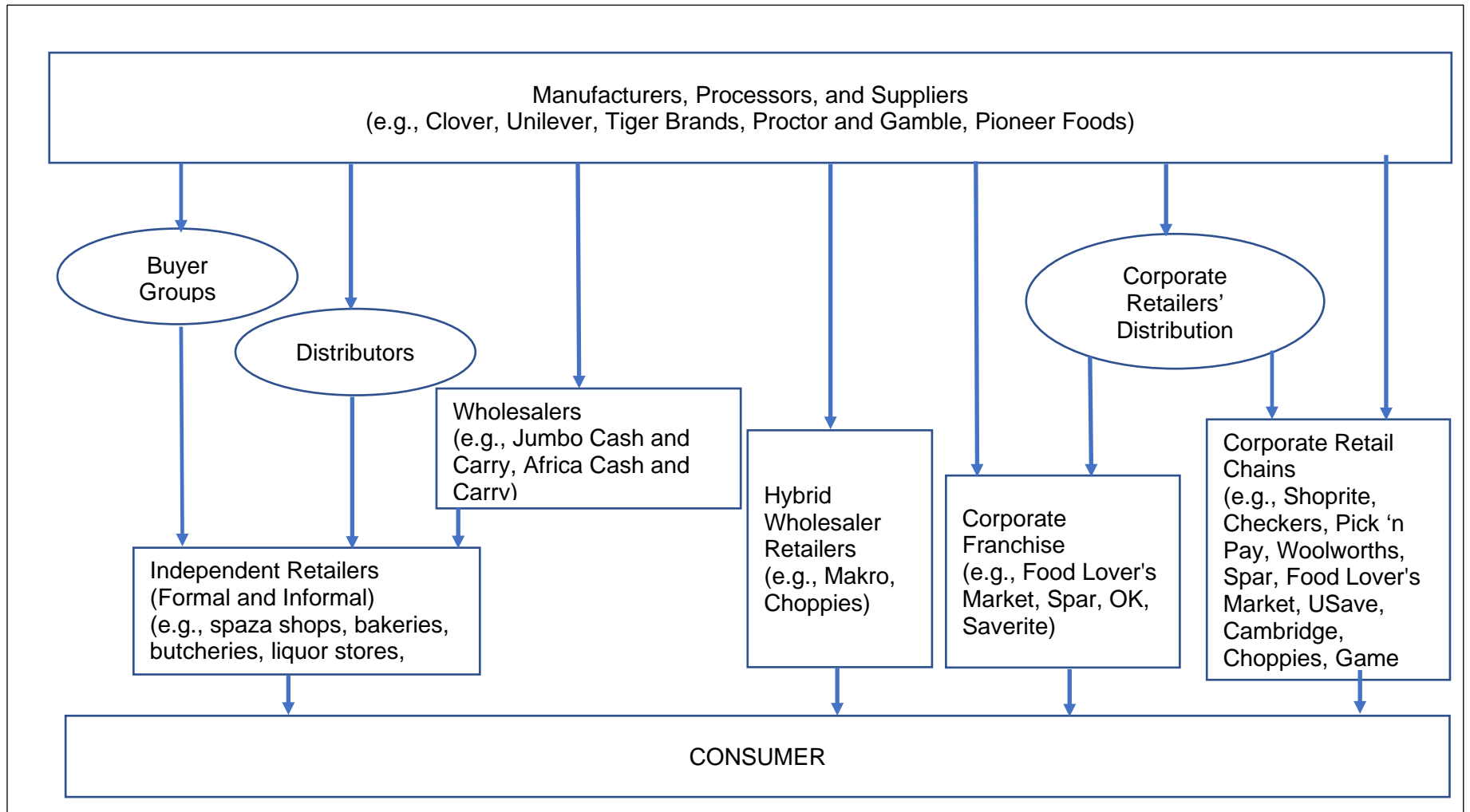


Figure 2:1. Value chain of South African food retail sector

(Source: Adapted from Ravhugoni & Ngobese, 2010; and Masscash/Finro Tribunal decision Case No: 04/LM/Jan09)

2.2.3.2 *Informal food retailers*

Informal food retailers are referred to as low-cost businesses that are not registered in any way (Petersen et al., 2019). They are also known as independent retailers that are privately owned and do not belong to any large chain store (Makhitha, 2017:418). They include hawkers or street vendors, township general dealers, spaza- or tuck shops, flea markets, taverns, or hair-salons (Hassan, 2019). The majority of these businesses are in townships and operate from private homes to serve immediate local markets within walking distance. They target lower living standard measure (LSM) customers in the peri-urban, township, industrial, and central areas of the city (Das Nair & Dube, 2015:12). According to Ahmed et al. (2015:7), independent retailers sell cheap fast-moving goods and easy meals, often a staple of low-income households struggling with rising food- and fuel prices.

Informal food retailers, unlike their counterparts in the formal retail sector, lack the requisite business systems, have less experience, and do not comply with acceptable business practices (Petersen et al., 2019). As a result, they take a long time to make their presence felt in the business world (Fatoki, 2014). Running an informal business has many challenges that prevent it from thriving (Willemse, 2011:59). The most challenging aspects, as pointed out by Fatoki (2014:5), stem from crime, poor cash flow, reduced stock levels, competition, transport costs, infrastructure, bad debts, social pressure from families and friends, lack of capital, overtrading, and procurement. Another challenge that Ahmed et al. (2015) highlight is inadequate infrastructure, lack of adequate water and sanitation, inadequate storage and non-existent refrigeration, all of which promote food contamination.

Despite the challenges faced by informal businesses, their relevance and importance has increased in recent years, particularly in developing countries (Petersen et al., 2019). Benjamin and Mbaye (2012:664) observe that in the developing countries, small businesses have positioned themselves at the forefront of improving the lives of billions of people.

For instance, a report published by the African Development Bank Group (ADBG) shows that nine out of ten employees in sub-Saharan Africa (SSA) are working in the informal sector (African Development Bank, 2013). In South Africa, informal retailers occupy a critical space in the food system. SMEs fulfil several roles, from job creation, and poverty reduction and to international competitiveness (Ciubotariu, 2013:202). It provides livelihoods, employment, and incomes for millions of workers and businesses (Fourie & Skinner, 2018). Its contribution to GDP remained 5% from 2001 to 2013, equating to R120 billion (Statistics South Africa, 2015). This sector accounts for between 16% and 18% of employment, and, according to the 2019 Quarterly Labour Force Survey second quarter statistics, 3 048,000 South Africans work in the informal sector (Stats SA, 2019:1).

This study looks explicitly at spaza shops as an example amidst a plethora of informal trade concepts like hawkers, shebeens, and general dealers, because they form the majority of the informal market. Therefore, in the following section, spaza shop characteristics are further discussed.

2.2.4 Profile of spaza shops

Spaza is a generic term derived from the colloquial isiZulu word, meaning 'hidden' or 'imitation of a real store' (Charman, Petersen & Piper, 2012; Lamb, Kunene & Dyili, 2019). A spaza shop is defined as a "business operating in a section of an occupied residential home or any other structure on a stand in a formal or informal township which is zoned for residential purposes and where people live permanently" (Ligthelm, 2008; Hare & Walwyn, 2019). Spaza shops play an essential role in food security by selling basic groceries (daily convenience goods) and fresh produce in South African towns, responding to local needs in a small neighbourhood within walking distance of people's homes, and the goods sold exclude liquor or alcoholic beverages and hazardous substances (Gastrow, 2018:1). Gastrow's definition is considered to be more detailed and widely accepted of a list of definitions of spaza shops.

The spaza shopping sector has evolved into a booming business. Nielsen's Shopper Trend study estimates that over 140 000 spaza shops are in operation around South

Africa and contribute close to R70,5 billion per annum to the local economy (Nielsen, 2017). The primary reason for this sector's growth was post-apartheid economic expansion and township populations (Petersen et al., 2019). Intelligence (2016) indicates that 40% of all South African food may be retailed through these outlets. Spaza shops play a prominent role in the economy (Cant & Wiid, 2013:713). As with the informal sector's size and contribution to economic activity, Hare and Walwyn (2019) emphasise the magnitude of spazas and their position in retail trade. They add that the value of this business segment is illustrated by the fact that the turnover of spaza retailers is greater than the total turnover of branded superettes.

Nevertheless, the spaza shop has come under threat as outsider networks have entered their turf and started pricing them out of the market (Tengeh, 2016). Upon arrival, these outsiders or non-South Africans who resorted to spaza shop operations presented a meaningful challenge to the indigenous spaza shop owners. The latter considered the former's participation as a threat (Liedeman et al., 2013). It is believed that between 2010 and 2015, the spaza shop industry witnessed the majority of immigrants (Liedeman et al., 2013; Tengeh, 2016). This has caused the closure of a significant number of native-owned spaza shops.

2.2.5 Challenges facing spaza shops

Despite the government's intervention to support the small business sector, the black spaza shop owners continue to face many challenges and uncertainties. South Africa faces one of the highest small and medium enterprise (SME) failure rates compared to its developing counterparts (Leboea, 2017). The results of the study conducted by ABSA Bank Small Business agree that small businesses face many challenges. The research also found that during the first 18 months of trading, 63% of small businesses failed (Kumah, 2014:1-8). Over 80% fail within the first five years from inception (Bushe, 2019). These are grim figures.

Many researchers have made a major contribution to the debate on the problems facing the small business sectors into which spaza shops fall (Bowen, Morara & Mureithi,

2009:2; Neneh & Van Aardt Smit, 2013:7; Fatoki, 2014:5). Although the small business challenges may seem common, it is essential to note that some of these issues are unique to South Africa. Reliable evidence shows that South African crime has a significant impact on businesses, particularly small businesses, including spaza shops (Cant & Wiid, 2013:6).

Other areas of concern facing South African spaza shop owners include 'poor cash flow, reduced stock levels, competition, transport costs, infrastructure, and bad debts' (Neneh & Van Aardt Smit 2013:7). Neneh and Van Aardt Smit (2017) indicate that social pressure from families and friends, lack of funds, overtrading, and procurement also play a role in the failure of spaza shops.

Above all, spazas also faces fierce competition from foreign-owned spaza shops, moving into township spaces (Liedeman et al., 2013). Petersen et al. (2019:31) stipulate that almost 72% of informal businesses have become foreign-owned, indicative of a strong presence of immigrant-run businesses. The next section discusses why so many retailers and brands are moving into township malls and how it affects spaza shops.

2.3 Impact on the spaza shops as a result of the malls in the townships

2.3.1 Introduction

After defining and examining the importance and relevance of national retailers and spaza shops, their impact on economic growth, this section takes an in-depth look at the effects of the business performance on spaza shops owing to the entry of shopping malls.

2.3.2 Expansion of national retailers into townships

Economic growth in Africa is primarily driven by the increasingly growing black middle class, which has seen an increase in income and, therefore, spending power (Mashaba & Wiese, 2016; Ligthelm, 2008:37). In South Africa, the middle-class customer is mainly a black customer living in townships (Donaldson et al., 2013). In agreement, a study by Marais et al. (2018) found that almost three-quarters of middle-income earners in

townships either planned to reside there for some time or considered the township their home and did not intend to relocate.

While the black middle class can afford to live in the suburbs, 53% remain in townships because of social and family relations (Mashaba & Wiese, 2016; McGaffin & Gavera, 2011; Demacon, 2010). Therefore, it is reasonable to conclude that the South African middle-class group is the driving force behind the growth of shopping in townships (African Development Bank, 2011; Burger et al., 2015).

The increased spending power of the black middle-class group is why big retailers in South Africa are moving to townships (Mashaba & Wiese, 2016; Strydom, 2011). The retail chains invest in the untapped township market, increasing the number of shopping mall developments in townships (Demacon, 2010; Ruhiiga, 2011).

Strydom (2015:140) argues that the growth of shopping malls in townships depends on a growing consumer base and attracting profitable anchor tenants such as large food retail chains offering its customers a wide range of perishable and non-perishable consumer products. Strydom (2015) concludes that these products are similar to those offered in the township by both the small formal and informal small businesses, and create what is known as an intratype competitive situation. Intratype competition refers to competition between similar store types in the same market (Ingene & Brown, 2019). These retail giants provide low-cost products by maintaining effective distribution systems, 'cheaper labour costs, supply chain ownership, and economies of scale' (Freedman et al., 2016:139).

The movement of national retailers into townships is accelerated by the development of shopping malls in townships, mainly occupied by the four large supermarket retailers as anchor tenants selling perishables, fresh produce and convenience food items (Tengeh, 2016). Accordingly, the national retailers operating from township malls are putting the spaza shops and independent retailers out of business (Petersen et al., 2019). It is against this backdrop that this study focuses on the impact of these national retailers on spaza shops and the following factors will measure this: distance from the mall (Madlala, 2015;

Ligthelm 2011), profits (Sangvikar, Kolte, & Pawar 2019), sales volume (Sangvikar, et al., 2019) and customer visits (Madlala, 2015; Ligthelm, 2011).

2.3.3 Factors that affect spaza shops

Overall, the entrance of mall developments to townships and its impact on spaza shops is well documented. Over the last ten years, Ligthelm (2011) conducted a study on the impact of shopping mall development on small township retailers at Soweto, Tembisa, Soshanguve, and Mamelodi, KwaMashu, and Khayelitsha. In his longitudinal study, he found out that the development of shopping malls negatively impacts small retailers such as street traders and spaza shops. In agreement with Ligthelm (2011), Madlala (2015) found in his study that spaza shops in the vicinity of Pick 'n Pay are likely to be impacted negatively, as shown in Table 2:1 below.

Table 2:1. Impact of township retailers on the spaza shops

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

Source: Adapted from Madlala (2015)

In pointing out some of the reasons why township shopping malls are considered to have a negative effect on spaza shops, Madlala (2015) found that distance from malls plays an important role, as indicated in Table 2:2. Madlala (2015) also observed that the number of customers visiting after the introduction of malls is affected.

Table 2:2. Percentage of small retailers in Soshanguve that reported a decline in business activity by distance from the mall

Distance from the mall	The decline in turnover (%)	The decline in profit (%)
Less than 1 km	80,0	75,0
1,1 to 2 km	71,4	61,9
2,1 to 3 km	78,9	73,7
3,1 to 4 km	60,0	70,0
4.1 to 5 km	30,0	36,8

Source: Adapted from Madlala (2015)

Furthermore, the study by Sangvikar et al. (2019), which focuses on the effect of formal retail business on informal local retail businesses, ascertains that shopping in townships has a negative impact on spaza shops. Also, Sangvikar et al. (2019) found that malls affect small business sales and profits. What follows is a brief outline of factors that were affecting spaza shops negatively, as highlighted above.

2.3.3.1 Influence of distance on spaza shops

Many studies have shown that small businesses close to shopping malls continue to experience decreased profits relative to other businesses (Mathenjwa, 2007; Ligthelm 2011; Madlala, 2015; Tengeh & Mukwarami, 2017). This is confirmed in a study by Dlamini and Mbele (2019) that seeks to determine whether distance impacts local traders in emerging markets. They found that distance is a crucial factor that determines the success or failure of small businesses. The majority of small businesses located less than one kilometre from shopping malls experience a downward profit trend, compared to those located more than five kilometres away (Mukwarami, 2017; Thantsha, 2016).

2.3.3.2 Perceived reduction in profit

Small retailers, mainly spaza shops in townships, buy stocks from bulk retailers and then apply a markup to the products to make a profit, resulting in higher prices. Profit is earned from an investment or operations after deductions (Colin et al., 2012). Spaza shops face many obstacles that hinder their ability to profit and thrive (Hare & Walwyn, 2019). Spaza shop owners usually have no formal business training and no knowledge of sound

business practices, leading to costly mistakes and unnecessary losses. They often receive no preferential treatment or discounts from wholesalers despite being loyal customers and have inconvenient and costly means of transporting goods to their shops. Owing to these challenges, many spaza shops are struggling to survive when they could otherwise thrive. The study conducted by Ligthelm (2011), entitled “The Impact of Shopping Mall Development in Township Areas on Small Township Retailers”, shows that the development of shopping malls in townships have a negative impact on spaza shops. Ligthelm observed that 75% of businesses located less than one km from the mall in Soshanguve, north of Pretoria, recorded a decline in profit, compared to 36.8% of those located about five km from the mall. Without assessing these small retailers' responses to competition, it is incomplete to understand the effect of retail competition from large retailers on small retailers. The following section deals with the responses of the small retailers to competition from large retailers.

2.3.3.2.1 Reduced sales turnover

Concerning changes in sales of small retailers, Charman et al. (2012) and Liedeman et al. (2013) have identified different business strategies that explain why national retailers are cheaper than their competitors. These strategies include maintaining an effective distribution system, price discounting, and economies of scale (Freedman et al., 2016:139). A growing number of organised retailers may reduce small unorganised retail sales as more and more customers are attracted to organised retail.

2.3.3.2.2 Unfair competition

Since formal retail stores carry a wide range of products, they have higher bargaining power with their suppliers. The economies of scale and bulk orders may lead to lower prices and enable them to pass this benefit on to customers, which small informal retailers view as a means of unfair competition (Yadav, Verma & Singh, 2016).

2.3.3.3 *Number of customers visiting after the introduction of malls*

One important advantage of shopping at spaza shops is the level of convenience they offer to their customers (Strydom, 2015). Locals buy from spaza shops because they are

situated within walking distance of their homes, making it easy for locals to access essential products more quickly (Fatoki, 2016). In addition, spaza shops open for long hours to serve locals because most trading happens between 6 am and 10 pm (Ligthelm, 2011). It allows consumers to buy their essential goods over longer periods than at large retail chains. However, locals who have supported spaza shops in the past, mostly owing to their convenient location and a smaller quantity of items (convenience store operational model), have abandoned these businesses (Strydom, 2015). Strydom (2015) further notes that locals are now supporting national retailers based in malls, as they are selling more product options at lower prices than spaza shops.

National retailers continue to attract customers to malls owing to price competitiveness, staff courtesy, cleanliness, product selection, and environment, ease of access, security, parking facilities, crowding, presence of eating areas, special events, rest areas, availability of smoking areas and children's convenience (Desai & Phadtare, 2017:437). They also have wider aisles to facilitate easy movement for browsing and shopping. Shoppers spend more time in the store if they have enough space while walking or looking at merchandise (Harris et al., 2017). Another important criterion that influences store selection is store image (Desai & Phadtare, 2017:438). Other attractive features of national retailers that impress locals are state-of-the-art technology, hassle-free payment services, and simple return or replacement policies for faulty goods (Desai & Phadtare, 2017:438).

To indicate the prevalence of customer visits following the development of a shopping mall in townships, Ganesh Sivaji and Chalam (2017) suggest that the number of customer visits to spaza shops is declining, resulting in a loss of revenue and, eventually, the closure of the establishments.

2.3.3.4 Perceived competitive price

2.3.3.4.1 Competitive price

Large formal retailers can supply products at a cheaper rate owing to economies of scale, resulting in competitive market prices. They can also give more discounts and offerings,

thus forcing informal retailers to do so, leading to lower margins (Yadav, Verma & Singh, 2016). However, the economies of scale are defined as the savings that companies achieve within an industry owing to increased volume (Lazenby, 2014). This may result in a cost reduction owing to the spread of costs over a more significant number of units. In simple terms, it means that an organisation will experience cost-saving as volume increases. The large formal retailers benefit from economies of scale because they can buy products in bulk, enabling them to keep the price of products constant or even decrease the cost of products and increase profits through volume of sales (Peterson et al., 2017).

Unlike national retailers, spaza shops do not have these cost advantages. Hence, they charge marginally higher prices than competing national retailers. Thus, the view of Tengeh and Mukwarami (2017) show that the price difference reflects higher operational costs of spaza shops owing to their inability to obtain supplies through network trading operations. Furthermore, Tengeh and Mukwarami (2017) maintain that transportation is one of the critical factors leading to higher costs. Hare and Walwyn (2019) note that transportation plays a crucial role in facilitating the efficient distribution of purchases and other supplies. Hare and Walwyn (2019) further state that the lack of cost-effective transport networks affects the spaza industry's growth. Kgaphola, Tawodzera, and Tengeh (2020) support this view that informal businesses like spaza shops usually use public transport and private cars to move their purchases from wholesalers and other related suppliers. With increasing fuel prices, spaza shop owners have to bear the high cost of several trips to carry purchases to their business premises.

2.3.3.4.2 Price discount

Price discount or price promotion refers to lower prices or something sold at a price below what is usually priced (Riesenberg et al., 2019). National retailers invest in local distribution centres, which cut costs and supply products to a larger population (Farfan, 2019). These savings are passed through to the consumer. It is no secret that consumers are looking for ways to cut back on expenses, and grocery purchases easily take up a large portion of their budgets.

2.3.3.5 *The perceived increase in better quality*

In their study, Yadav, Verma and Singh (2016) found that small retailers perceive that large retailers are providing consumers with better service such as more variety, quality, branded merchandise, replacement and warranty, payment service, and many more. This leads to an increase in the consumer quality of service expectations. This will push them to offer customer services close to one of the large retailers, which will result in an increase in business operating costs and may have an impact on their profitability.

2.3.3.6 *Perceived reduction in employment of spaza shops*

While large retailers are providing direct employment in the retail sector, they are also driving the growth of some economic activities, which, in turn, will open up employment opportunities for many people (Joseph, 2008). Employment in small retail shops in the vicinity of a mall may be adversely affected, but the additional jobs created will be much higher than those lost (Yadav, Verma & Singh, 2016). An important point to be noted is that while the jobs that are being displaced by large retailers are the low-end, low-quality, under-productive ones, the new jobs created are the high-quality, productive ones. It also generates several unskilled jobs for sorting, packing, grading, labeling, and many more (Joseph, 2008).

2.3.3.6.1 Shutting down of stores

In a competition between informal retail outlets and large retailers, Madlala (2015) found that some small retailers reported a decline and said that 'two to three shops' had been closed since its opening. In agreement, Yadav, Verma and Singh (2016) indicated that opening up large retailers in the vicinity of small retailers has led to a loss of business and, ultimately, to the closure of a significant number of neighbourhood stores. The explanation for this is the increase in buying power of large retailers, which, in turn, has led to large retailers being able to sell products at a lower price than small retailers in many instances (Madlala, 2015). While the cost of operating large retail stores is higher than that of small retail stores, large retail stores remain cheaper (Hübner & Schaal,

2017). According to Hübner and Schaal (2017), large retailers remain cheaper than small retailers owing to efficient distribution.

2.3.3.6.2 Running on losses

The number of large retail giants in townships is steadily increasing. The findings related to this are that, owing to their large size, there is a chance for customers to move to these attractive stores, leading to a decrease in the sales of small retailers and, eventually, their profits would be negatively impacted (Yadav, Verma & Singh, 2016).

2.4 Strategies of spaza shops owners to competition to ensure their survival

Spaza shops are facing growing competition from major supermarket chains located in shopping malls. In order to succeed in the retail sector, owners of spaza shops need to find a sustainable competitive advantage, which sets them apart from rival businesses. Business is said to have a sustainable competitive advantage when current or future rivals can not replicate or it will cost a great deal for them to imitate (Kuncoro & Suriani, 2018).

Evans (2016) refers to competitive advantage as attributes that allow the business to outperform its rivals. Business needs to have four attributes to provide an advantage (Lazenby, 2018). The first attribute is that the business resources need to be inimitable; rivals cannot easily imitate them. Value is the second attribute that provides a competitive advantage in the market, which implies that it should be useful to the company. The results produced by the use of that resource are desirable for the customer. The third attribute necessary for the business to gain a competitive advantage is scarcity. The resource may be valuable to the business, but competitive advantage cannot be created if it is not rare. Owning a patent is an example of rareness or scarcity. The last characteristic of competitive advantage is substitutability. The resources should not be able to be substituted. For example, the expiring patent of medication can be substituted with generics.

To find a sustainable competitive advantage, owners of spaza shops need to have a detailed understanding of the spaza shop environment and a deep analysis of its

competitors, including customers (Lazenby, 2018). Porter (cited in Lewis, 2017) has included a framework for analysing competitors and understanding industries. Additionally, Porter focused on the internals of a business and how businesses can leverage internal competencies for competitive advantage (Lewis, 2017). This model is called the five forces of competition. The five forces mentioned include “the threat of new entrants, the bargaining power of customers, the bargaining power of suppliers, the threat of substitute products, and competitive rivalry” (Lazenby, 2018).

Spaza shops are, therefore, in a position to use the competitive advantage framework of Porter to develop strategies to exploit all of the competitive advantages. They can also take advantage of being small in size to adapt quickly to the needs of customers and to provide personalised customer service (Wiid, Cant & Makhitha, 2016).

According to Badenhorst-Weiss and Cilliers (2014), many conditions could lead spaza shops to sustainable competitive advantage. The first condition include goods that stores sell: uniqueness, savings for the consumer in terms of time, money and energy, environmental friendliness, and convenience. The second condition is the service that businesses provide, especially customer closeness, which can lead to superior value-adding service and an outstanding shopping experience. How businesses charge, how they offer low prices or value at likely higher prices, how they sell, and the business hours expected by customers.

In agreement with the previous line of discussion, Ligthelm (2011:147) maintains that while spaza stores sell similar goods to supermarkets in malls, they are better positioned to provide customer service, better product quality, and at the same time sell cheaper products than supermarkets in malls. Ligthelm's findings indicate that spaza shops need to find their competitive advantage in survival strategies. The survival strategies include “the re-alignment of product lines, the reduction of product lines and stock levels, the modification of pricing strategies to ensure sustainability, the implementation of convenience premiums and a strong focus on customer service” (Ligthelm 2011:148).

The next section discusses different ways that spaza shop owners can have a detailed knowledge of their industry.

2.4.1 Market knowledge

As mentioned in the previous section, spaza shop owners can develop their competitive advantage if they have a thorough knowledge of their market environment, including customers and competitors (Lamb et al., 2015). The real challenge of small businesses is to identify the target audience and find customers (Kotler, Keller, Ang, Tan & Leong, 2018). In order to overcome this challenge, small businesses need to have knowledge about different aspects of the target audience, such as market size, potential market segments, niches, and customer needs, as well as knowledge about their competitors (Kotler et al. 2018).

Wiid, Cant and Makhitha (2016) agree that the typical marketing mistake spaza shops face is appealing to the right customers, that is, failing to define the target market clearly. It is particularly ironic that spaza shops cannot define their target markets because they are much better positioned to reach their market segments than their larger competitors are.

Scarborough (2011:250) encourages the use of a strategic method called a customer-driven strategy. The strategy is used by small businesses that lack the financial and physical resources of their rivals to appeal to their customers. Businesses should try to appeal to their target customers in many ways when following a customer-driven marketing strategy. This includes the product sold, the music played in the store, the layout, and decor of the store (Scarborough, 2011:250).

2.4.2 The target audience of spaza shops

Customers buy from spaza shops because of their low prices, good service, personal qualities such as friendliness and fairness; being the only shop in the area, having the right stock, good quality, early opening and late closing (Pride & Ferrell, 2010:567). Most

of these customers are price-sensitive (Lamb et al., 2010:414). This suggests that customers strive to pay low prices.

Strydom (2013:2870) found, in his study, that the target audience for spaza shops is individuals who fall into low and middle-income households. They have been living in the township for more than ten years, and they are price-sensitive. The target audience buys high-quality products (groceries) outside the town and opts for daily top-ups or small items such as bread, milk, etc. in spaza shops. This segment prefers spaza shops because they are conveniently situated closer to the customers' homes (Strydom, 2011:171; Strydom, 2013:2870).

From this discussion, it can be concluded that the target audience of spaza shops is price-sensitive and they prefer to buy small items from spaza shops. Owners of spaza shops should follow the survival strategies in order to stay competitive amidst large shopping malls.

2.4.3 Generic competitive strategy options

The rivals would rarely sell the same items. In some instances, goods can differ in many ways. Even if two items are physically identical, the corresponding services can differ. Some of the factors that can be used to differentiate one product offering from another are the speed of service, credit terms provided, delivery arrangements, personal attention from a salesperson, and warranties. In addition, a higher price can be justified by a unique and appealing mix of goods and services (Kotler et al., 2018). A possible strategy option would be to develop a niche market. While a niche strategy may initially be beneficial, rivals will inevitably follow suit. It is doubtful that strategy would provide the basis for long-term sustainable growth for spaza shops, resulting in a less competitive strategy. The challenge facing the growing business can be seen in the change from relatively narrow market niches that leverage a small selection of distinctive products and services to a situation in which it serves a greater number of market segments with far broader skills and knowledge base (Wiid, Cant & Makhitha, 2016).

A second strategy choice, which refers to cost or price competitiveness, appears to be less appealing as it is unlikely that many spaza shops will compete successfully on price, given their size. It is unlikely that merely being the cheapest is a winning strategy, particularly for spaza shops. The lower price leads to lower margins and the failure to fund future growth. Besides, price is often viewed as an indicator of quality, and too low a price can mean low quality to customers, whether right or not (West, Ford & Ibrahim, 2015). It is not wrong to have lower costs or charge lower prices, but growth is less likely to follow if lower costs or prices are the sole basis for competitive advantage.

Lazenby (2018) agrees that spaza shops will instead select differentiating options other than low prices based on their competitive advantage. When entrepreneurs realize that prices have become the most important differentiator, they should be innovative and create new value for their customers. Competition on non-price variables, e.g., innovation, product attributes, service, product quality, advertisement, and packaging, is essential to business growth (Whalen et al., 2016). The more market entrants, the greater the distinction of goods should be to achieve exclusivity. In the sense of competition, entrepreneurs should ensure that there is a meaningful distinction in response to consumer needs. As a result, differentiation continues to be the most common strategy choice for small businesses to gain a competitive edge.

Spaza shop owners can therefore differentiate themselves by providing customers with a unique value package in terms of operational excellence (best, lowest, or lower price), product leadership (best product, high quality and customer intimacy (best service, including quick response and convenience). Customers may see value as more for less money, better or extra services, or speed and delivery. Some clients may put greater emphasis on lower costs, while others may appreciate more time or convenience. Combinations of such variables, such as delivery speed and lower prices, would be pursued by clients (Lamb et al., 2015). The longevity and success of spaza shops seems to lie in the differentiation of a business with a specific value package based on experiences obtained from competitors and customers.

Moreover, the study by Ligthelm (2011) entitled *Survival Analysis Of Small Informal Businesses In South Africa, 2007-2011* identified business management skills together with human factors, specifically entrepreneurial actions, as the strongest predictors of small business survival.

2.4.4 Entrepreneurial actions

In deciding whether a business prospers, the human element is considered the overwhelming force (Ligthelm, 2011). Ligthelm suggested that small businesses' sustainability and growth should be based on clear, positive-motivated business intentions and conduct (entrepreneurship and management) on the part of the owner to achieve the desired outcome. This proposal is confirmed by Gustomo et al., (2019), that entrepreneurial and management actions predict small business survival. Read et al. (2016) refer to entrepreneurship as the activity of setting up a business or businesses, and taking on financial risks in the hope of profit. Read et al. (2016) further argue that not all entrepreneurship is beneficial to economic growth and development. The following entrepreneurial categories are distinguished: productive, non-productive, and even destructive (e.g. illegal activities). Productive entrepreneurship encompasses the exploitation of profitable opportunities with inherent business growth prospects. Non-productive or informal entrepreneurship is essentially business formation aimed at survival from a situation of unemployment and poverty.

Entrepreneurial actions such as updating business, operational, and marketing plans, and regularly analysing the competitive environment lead to strategies adjustment. Adaptive strategies such as changing/limiting the product range and reducing operating costs should continuously be part of the small business owner activities to ensure long-term business sustainability.

2.5 Conclusion

A wide range of literature on the development of shopping malls in townships has been developed in light of the previous discussion. The majority of studies have discussed the movement of retail giants into townships as part of their growth strategies. While there is

extensive literature on the impact of large retail giants such as Wal-Mart on small international retailers, little has been discovered about the impact of South African retail giants such as Pick 'n Pay and Shoprite on small retailers in South Africa, in particular on incredibly small township retailers such as spaza shops. Little effort has been devoted to learning about the responses of these local township businesses to the large South African retailers' competitive pressures. This research tries to cover the gap in the literature.

Chapter 3: Research methodology

3.1 Introduction

This chapter discusses the methodology that was used in this study. It presents the philosophical assumptions underpinning this research and outlines the research methodology, design, sample selection used, the data collection methods, data analysis, and ethical considerations.

In the following sections, the parameters are presented in detail.

3.2 Research philosophy

This section looks into two approaches to research methods in social science. These methods are the interpretivist approach and the positivist approach (Tracy, 2016). The interpretivist approach is used to gain insight into individuals and communities (Saunders, Lewis & Thornhill, 2016). This approach favours qualitative methods of research, such as observation, interviews, and focus groups.

Alternatively, positivism is the approach that relies on the study of social facts in a systematic and scientific way (Sekaran & Bougie, 2013). Using this approach, a researcher will evaluate hypotheses by re-testing and reviewing results to ensure that they are compatible with sociological, behavioural theories. Positivism favours a quantitative approach: data in numerical form that can be analysed in a scientific way (Saunders et al., 2016).

For the purpose of this study, the positivist approach was chosen because it is analytical in interpretative in nature.

3.2.1 Research design

The research design is the overall strategy that the researcher uses to incorporate the study's various components coherently and logically while ensuring that the research problem is addressed adequately (Dikko, 2016:521).

The three types of research are explorative, descriptive, and exploratory (Bryman et al., 2018). The goal of exploratory study is to explore subjects about which the researcher does not know anything or has little prior knowledge of. Ultimately, the researcher forms a basic understanding that will form the basis for further studies. As a result, this type of research is qualitative in nature because there is no need to be absolutely precise or accurate.

The second research type is descriptive, meaning it is used to describe. This type is performed on subject matters about which the researcher already knows something and wants more to describe it better, with more accuracy. Descriptive studies are generally quantitative in nature. The third research type is exploratory. It is also referred to as causal or predictive research. This type of research looks at the cause and effect relationships amongst variables.

For the purpose of this study, a descriptive type was adopted. The preferred research design for the descriptive method is quantitative research. This is standardised data from a large number of respondents. Researchers can use telephone-based surveys, online surveys, or a questionnaire type of survey (Tracy, 2019).

3.2.2 Sampling strategy

A sample is a subset of a population or universe considered reflective of the total population (Boddy, 2016:5). Sampling can be an effective way to collect data without using the entire population, particularly where the researcher has budgetary and time constraints (Etikan et al., 2016:1). To obtain unbiased sampling, the two types of sampling methods that can be used are probability sampling and non-probability sampling (Etikan & Bala, 2017).

In probability sampling, each member is given the same chance of being part of the sample. This method of sampling works better with a very reliable and up-to-date sampling system. It is the preferred method for carrying out any form of statistical analysis (Bryman et al. 2018:173). There are four main probability sampling types: simple random sampling, stratified-, cluster-, and systematic sampling (Boddy, 2016:5).

With the non-probability sampling method, members of the population are selected based on non-random methods, and everyone has a chance of being included. This type of sampling enables the researcher to select a sample based on its ease of generality, but the concern is that it has a high risk of sampling bias (Etikan & Bala, 2017). This approach is suitable for the qualitative study. The probability sampling strategy of this study was a simple random strategy owing to its ease of use and reliable population representation.

3.2.3 Sample size

This study's target population consists of spaza shop owners within the Bloemfontein township area, which encompasses Bochabela, Bloemanda, Freedom Square, Grassland, Heidedal, Joe Slovo, Namibia, Phahameng, and Rocklands locations. In these locations, the spaza shops are within a five-kilometre radius of the Twin City Mall, Lemo Mall, and Rocklands Shopping Centre. According to Bullen and Brack (2013), the minimum sample size for any meaningful result is 100. A population of less than 100 is deemed small, and thus the entire population should be surveyed. Using the Mangaung Metropolitan Municipality registered spaza shop list, it was found that the total population of spaza shops is approximately 190. For the purposes of this study, the sample size of 140 was, therefore, selected to mitigate the risk of refusal to participate by some units of the target population or in the event that some spaza shops are out of business or have been sold to foreigners (primarily, Bangladeshis, Ethiopians, and Zimbabweans).

Table 3:1. Total number of spaza shops

Bloemfontein Townships	Total number of spaza shops	Malls
Bochabela location	9	Twin City
Bloemanda	7	Rocklands Shopping Centre
Freedom Square	48	Lemo Mall
Heidedal	17	Twin City
Grassland	21	Twin City and Lemo Mall
Joe Slovo	13	Lemo Mall
Namibia	26	Lemo Mall
Phahameng	33	Lemo Mall
Rocklands	16	Rocklands Shopping Centre
Total spaza shops	190	

3.2.3.1 Inclusion criteria

Respondents suitable for inclusion in this study are South African spaza shop owners based in Bochabela, Bloemanda, Freedom Square, Grassland, Heidedal, Joe Slovo, Namibia, Phahameng, and Rocklands locations in Bloemfontein.

3.3 Data collection

In support of the research design, a questionnaire was used as the data collection tool, as this is useful for providing discussions of the variables of interest (Tracy, 2019). The justification for using a questionnaire was based on the research design employed, and the stated objectives. The questionnaire was made available to the respondents in an online format. The questionnaire was distributed to all respondents using the WhatsApp application and emails, and their contact details were obtained from the registered spaza shop database list from the municipality. This approach was adopted to avoid physical contact with respondents as a precautionary measure against the Covid-19 pandemic. Furthermore, the online version is much easier for the researcher to use as it omits the data entry stage, which is more tedious in the printed paper version. Therefore, it will decrease the likelihood of introducing errors during the data entry process.

3.3.1 Research Instrument

The questionnaire format was divided into two sections to ensure that it is easier for the respondent to navigate and understand. Section A of the questionnaire was focused on biographical information, including background information such as the location of the business, race, age, gender, the highest level of education, and business experience.

3.3.1.1 Section B

Section B was further divided into two sections. The first section focused on questions that seek to understand the impact on spaza shops of the entrance of shopping malls in townships. Fifteen questions were formulated to test the perception of the respondents regarding the impact on spaza shops by the entrance of shopping malls in townships. The questions were developed based on the Ligthlem (2011) study and that conducted by Yadav, Verma and Singh (2016). The dimensions of the questions were described in Chapter 2, the literature review, and are stated as follows:

- The perceived reduction in profit
- Number of customer visits
- The perceived competitive prices
- The perceived increase in better service
- Perceived reduction in employment of spaza shops

The second part of the questions was formulated to probe the perceptions of respondents of the different competitive strategies used by spaza shop owners to ensure their co-existence with shopping malls. A total of nineteen questions were formulated based on a study conducted by Ligthlem (2011). The questions focused on determining whether the respondents were aware of the strategies used to respond to competitive pressure from national retailers in the shopping mall. The dimensions of the questions were described in Chapter 2, the literature review, and are formulated as follows:

- Entrepreneurial acumen

- Competition from malls
- Competitive advantages of spazas

The intent of the questions corresponds with the study objectives, as highlighted in the Chapter 2. The questionnaire design uses a 5-point Likert scale, which helps to classify opinions from 'strongly agree' to 'strongly disagree' on the scale. The Likert scale is chosen as it is easy to construct and produces highly reliable data (Bryman et al., 2018). The 5-point Likert scale is used as follows:

- (1) Strongly disagree
- (2) Disagree
- (3) Neutral
- (4) Agree
- (5) Strongly Agree

The questionnaire is included as Annexure B.

3.4 Data analysis

Data analysis includes data management before data entry. Data were cleaned and checked to ensure suitability before entry. Responses were coded onto a single coding sheet, and data obtained from the survey were analysed using descriptive statistics such as frequency tables (Bryman et al., 2018). The nominal data were analysed using frequency distribution and correlation coefficient. The range and the standard deviation were calculated as measures of spread. The ordinal data were then ranked from the highest mean value to the lowest mean value. For occurrences where two or more mean values were similar, the proposition with the lowest standard deviation was ranked higher than a lower standard deviation. The standard deviation provides insight into the spread of responses from the target population concerning the same proposition.

3.5 Reliability and validity

An expert was asked to comment on the representativeness of questions, suitability, and structure of the questionnaire. The expert suggestions were then used to make amendments to the questionnaire.

3.5.1 Reliability

Reliability refers to whether the data collection techniques and analytic procedures will reproduce consistent results if repeated on another occasion or are replicated by another researcher (Bryman et al., 2018:36). Other reliability forms are stability, internal reliability, and inter-observer consistency (Heale & Twycross, 2015:66). Heale and Twycross (2015) further argue that, although reliability is important to every study, it is not sufficient unless combined with validity. The internal reliability of the instrument was used to test the variables using the Cronbach Alpha. Cronbach Alpha provides a measure of the internal consistency of a test or scale, and it is expressed as a number between 0 and 1 (Bryman et al. 2018:36). Cronbach Alpha coefficient scores are described as 'excellent (0.93–0.94), strong (0.91–0.93), reliable (0.84–0.90), robust (0.81), fairly high (0.76–0.95), high (0.73–0.95), good (0.71–0.91), relatively high (0.70–0.77), slightly low (0.68), reasonable (0.67–0.87), adequate (0.64–0.85), moderate (0.61–0.65), satisfactory (0.58–0.97), acceptable (0.45–0.98), sufficient (0.45–0.96), not satisfactory (0.4–0.55) and low (0.11)' (Taber 2018). For the purposes of this study, Cronbach Alpha coefficient scores with a value of more than 0.70 were acceptable (Heale & Twycross, 2015). Cronbach Alpha coefficient scores were calculated using the SPSS computer program.

3.5.2 Validity

Tracy (2018) defines validity as the degree to which the test measures what it claims to measure. Different ways of establishing validity are face validity, concurrent validity, predictive validity, construct validity, and convergent validity (Bryman et al., 2018). This study applied the following checks:

- Face validity concerns whether or not an indicator appears to reflect the content of the concept in question. The questionnaire's face validity was used in this study.

This means that a process was followed to evaluate the questionnaire's ability to measure what the researcher intended to measure with maximum accuracy. The questionnaire was referred to someone knowledgeable on the subject to assess whether questions were likely to test what they intended to do.

- Content validity was also assessed. This refers to how the measurement device covers the investigative question (Bryman et al., 2018). Content validity was achieved through a process of careful definition of the research through the literature review. The expert commented on the representativeness and suitability of the questions and the questionnaire's structure. The expert suggestions were then used to make amendments to the questionnaire.

3.6 Ethical considerations

Research ethics defines how ethical principles can be incorporated into research practice at all stages of the research, from the design, data collection, data analysis, and presentation of results (Saunders et al., 2016). Several ethical principles should be considered when performing research (Bryman et al. (2018:120). At the core, these ethical principles stress the need to obtain informed consent from potential respondents, do good and minimise the risk to harm respondents, protect their privacy, avoid deceptive practices and give respondents the right to withdraw from the research (Bryman et al., 2018:132).

Each prospective respondent was provided with an information leaflet and an informed consent form. The researcher observed ethical considerations by ensuring that there were no foreseeable risks associated with the study. Respondents were informed that their participation is voluntary and that they were at liberty to withdraw from the study without consequences. The questionnaire would take approximately 20 minutes to complete. No incentives would be paid to respondents, nor would respondents be charged to participate. Only the researcher would have access to the completed questionnaires. Anonymity would be maintained because questionnaires would be coded, and the researcher would not associate data with specific respondents. The research report would be shared with the UFS upon completion of the study. After the data was

extracted, a completed soft copy of questionnaires would be saved for backup purposes on two memory sticks and stored in two separate locations (memory sticks would be locked in a cabinet for safety in both the researcher's office and home).

3.6.1 Permission to conduct the study.

The permission to conduct a study refers to the researcher's approval from the gatekeepers or organisation involved before getting permission from the respondents (Byerley et al., 2017). For the purposes of this research, permission was obtained from Bochabela, Bloemanda, Freedom Square, Grassland, Heidedal, Joe Slovo, Namibia, Phahameng, and Rocklands location councilors in order to conduct this study.

3.6.2 Do not harm

Researchers needed to consider the principle of 'no harm' regarding the study subjects to ensure that no potential harm was inflicted on the participants. Conflict might have occurred between the right to know, which will be beneficial to the society and the right of privacy advocated to protect the individual (Orb, Eisenhauer & Wynaden, 2001; Tracy, 2019:234). For the purposes of this study, the researcher ensured that the respondents were not exposed to any harm during the research study.

3.6.3 Reputational harm

The researcher ensured that the questionnaire was structured to not cause reputational harm to respondents participating in this study or to the Mangaung Metropolitan Municipality.

3.6.4 Voluntary participation

Voluntary participation refers to the exercise of free will by the respondent in determining whether to participate in a study activity (Tracy, 2019). According to Sekaran and Bougie, (2013), it is crucial to assure the potential respondent that participation in the research is entirely voluntary and that they will be free to discontinue participation at any time.

Furthermore, the information should indicate that refusal to participate or the decision to withdraw will not result in any penalties or loss of benefits to which the participant is otherwise entitled. For the purposes of this study, all respondents participated in this research did so voluntarily. The researcher explained to them their right to withdraw from the study if their rights were violated.

3.6.5 Informed consent

Informed consent is about respondents giving their permission to be part of a study, and they must be given pertinent information to give informed consent to participate (Tracy, 2019). For this study, respondents were fully informed about the research's purpose and the process to follow. They read an electronic informed consent statement at the beginning of the survey, and they clicked the 'agree' button to give consent for being part of the study. If they did not wish to participate in this research study, they declined participation by clicking on the 'disagree' button.

3.6.6 Confidentiality and privacy

Confidentiality and privacy pertain to the treatment of information that respondents have disclosed with the expectation that it will not be divulged without permission. Respondents should be informed of the precautionary measures that will be taken to protect the confidentiality of the data (Bryman et al., 2018:122). The researcher ensured the respondents that the information provided by them would be treated with the strictest confidentiality at all times. Information obtained during the research that may reveal the respondents' identity was not mentioned anywhere, and no one was able to connect respondents to the answers they gave. The questionnaire from the respondents was treated with the utmost confidentiality and used solely for the study.

3.6.7 Safeguarding of data

The researcher will save soft copies of respondents' answers on two memory sticks for backup purposes. The two memory sticks will be stored in two different locations for five years (in a locked cabinet at both the researcher's office and home) for future research

or academic purposes. Future use of the stored data will be subject to further research ethics review and approval, if applicable. The two memory sticks will be physically destroyed after five years.

3.6.8 Loss of work time

Time loss is a potential risk, but the researcher encouraged respondents to complete the questionnaire after hours.

3.7 Demarcation of the study

The primary purpose of this research that will be conducted in the Bloemfontein area is to investigate the impact of national retailers on local spaza shops. This study will focus on Twin City Mall, Lemo Mall, and Rocklands Shopping Centre, where the spaza shop owners will be sampled.

3.8 Conclusion

The chapter has presented the research methodology used in the study. It began with research philosophy, after which various types of research design were discussed, and the descriptive method was chosen for this study. Next, the sampling strategy and sampling size were all discussed. In the data collection section, the method selected for this study was online questionnaires. Cronbach's alpha was chosen to measure the internal reliability of the study and the statistical technique chosen for validity was face validity and content validity. Lastly, the description of how the ethics were adhered to was also presented. In the next chapter, the results of the study are presented.

Chapter 4: Presentation of results

4.1 Introduction

The previous chapter gave a detailed account of the research design and methodology used during the research. The ethical consideration of the study was also elaborated on and adhered to during the distribution of the surveys. This chapter discusses the data analysis and findings from 104 questionnaires completed by spaza shop owners who operate their business in townships near shopping malls. The data for this study were collected using structured questionnaires. The data is divided into three main sections. Section 1 focuses on the impact of malls on spaza shops. Section 2 deals with strategy activities, and Section 3 gives a detailed account of the entrepreneurial knowledge of the respondents.

The data are presented using tables and graphs, followed by a thorough explanation analysing the information, as depicted in the charts and tables.

4.2 Response rate

One hundred and forty (N=140) questionnaires were distributed to respondents using an online Survey Monkey. Of 111 who responded to the invitation, only seven were rejected. In essence, 104 responses were obtained, suggesting that 74.3% were completed and used for analysis.

The response rate for this study is 74.3%. According to Carley-Baxter et al. (2013), a sufficient response rate for an online survey is 57.1%; therefore, the response rate was adequate for this study.

The next section gives the analysis of the results of the test instrument.

4.3 Analysis and interpretation of biographical data

The focus of this section is to provide an insight into the respondents in the form of their demographic profiles. The demographic profile includes the race, age, gender, education level, and work experience of the respondents. Demographics are presented in the following sections.

4.3.1 Race

This question aimed to require respondents to indicate their race to determine the race distribution race in the group of spaza shop owners. Table 4:1 shows the different races of spaza shop owners doing business in Bloemfontein townships.

Table 4:1. Depiction of responses according to nationality

		Frequency	Percent	Valid Percent	Cumulative Percent
	Ethiopian	32	28.8%	30.8%	30.8%
	Bangladeshis	46	41.4%	44.2%	75.0%
	Black South African	19	17.1%	18.3%	93.3%
	Missing	7	06.3%	06.7%	100.0%
	Total	104	93.7%	100.0%	
Missing	System	7	06.3%		
Total		111			

Table 4:1 depicts the distribution of the respondents in Bloemfontein townships that participated in the study. The majority of respondents are Bangladeshis (41.4%). Ethiopians are the second largest ethnic group at 32%, while black South Africans are the third largest at 28.8%. The totals above reveal that spaza shops are mostly occupied by foreigners (75%). They have found a niche market for themselves in the Bloemfontein spaza shop sector, specifically in the townships. The result is consistent with the study conducted by Hare and Walwyn (2019), which found a significant increase in Bangladeshi and Ethiopian spaza shops in South African townships.

4.3.2 Age

The biographical item is the age of the respondents. The purpose of inclusion was to determine the distribution of the age of respondents in the spaza shop industry.

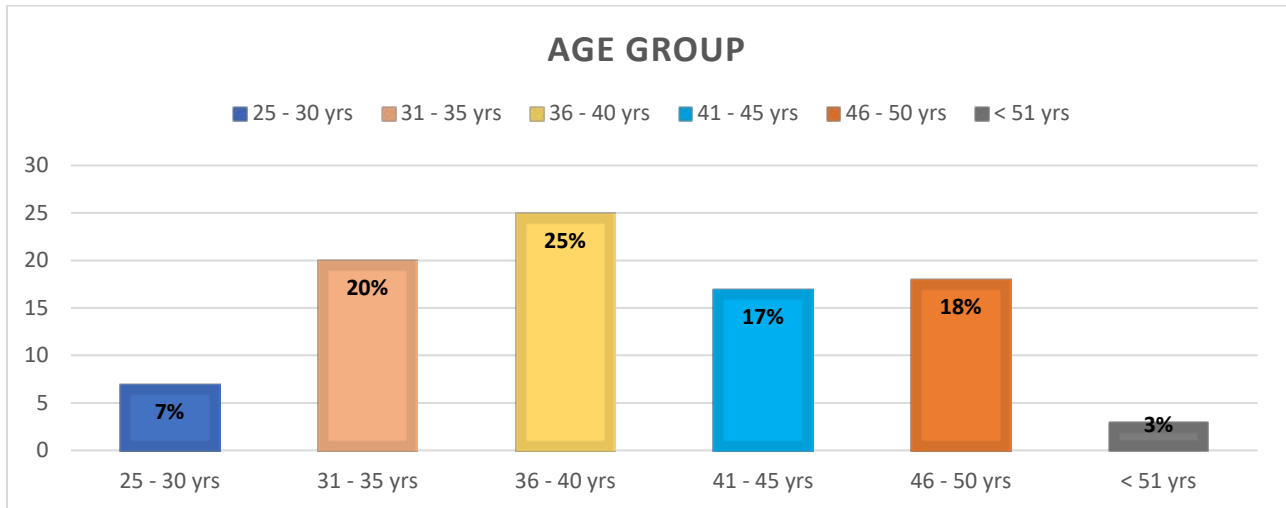


Figure 4:1. Graphical depiction of responses according to age

Figure 4:1 shows that most respondents (25%) were aged between 36 and 40, with another 20% of respondents aged between 31 and 35. The overall age response indicates that most participants are younger than 45 years of age (69%). This may be explained by the fact that young foreigners coming to South Africa are more likely to move from their countries of origin owing to their youthful mobility and a sense of finding new opportunities. In their countries of origin, a high level of contestation exists for scarce resources. As a result, the South African market provides them with many opportunities to invest in spaza shops. On the other hand, South Africa's young people prefer to be employed instead of starting their own businesses.

4.3.3 Education level

This question sought responses from respondents about their different levels of education.

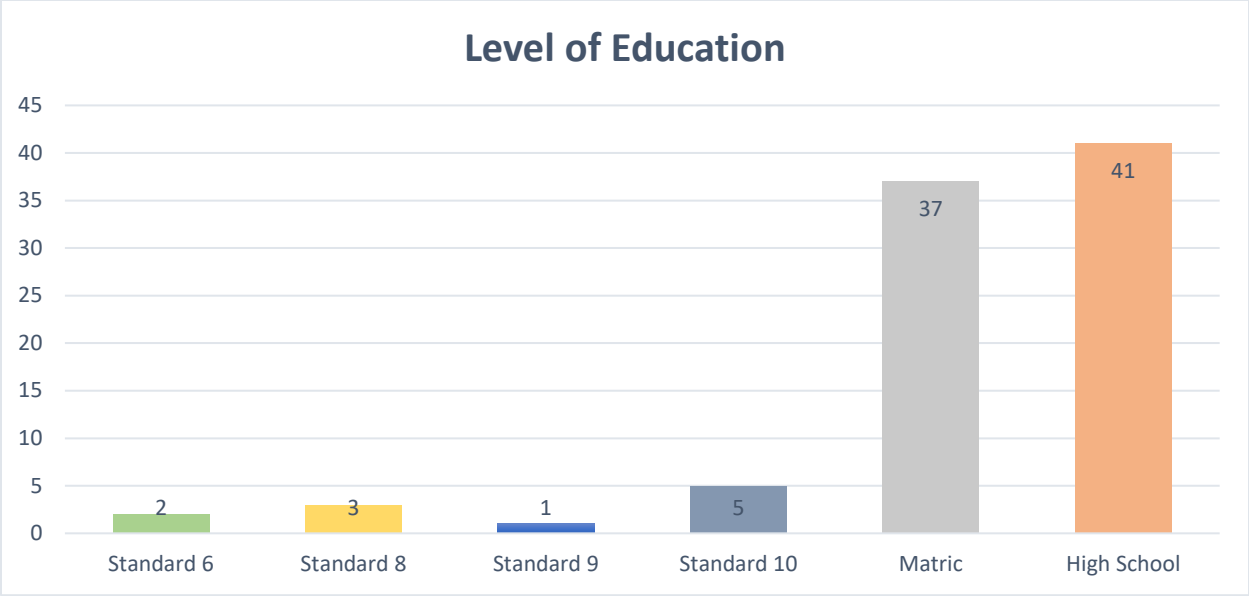


Figure 4:2. Graphical depiction of responses according to the highest level of education

Figure 4:2 indicates how respondents are distributed across different education levels. The majority of the respondents (41%) reached the high school level, but it is not clear whether they completed it or not. However, 37% of respondents indicated that they had obtained matric. According to Table 4:1 respondents come from different nations, but the results in Figure 4:2 show that respondents from other countries have either completed matric or a level equivalent to matric. The results show that none of the respondents have a post-matric qualification.

4.3.4 Gender

This question required respondents to indicate their gender, seeking to determine the distribution of gender categories among them. Table 4:2 reveals that 75% of spaza shop owners are foreign males, while South African males own 10.8%. South African women run just 6.3 % of the spaza shops. These results suggest that women are under-represented in the spaza shop business. This trend may be explained by the fact that most South African foreigners come from Islamic countries where patriarchy is dominant.

This cultural practice continues to replicate itself in business undertakings of foreigners. Similarly, South Africa has a trend where males dominate economic activities in the business environment.

Table 4.2. Breakdown of responses according to gender

		Gender								
		South Africans		Foreigners		Ethiopian				
		Male	Female	Male	Female	Male	Female	Missing	Total	
	Frequency	12	7	46	0	32	0	7	104	
	Percent	10.8%	6.3%	41.4%	0.0%	28.8%	0.0%	6.3%		
	Valid Percent	11.5%	6.7%	44.2%	0.0%	30.8%	0.0%	6.7%		
	Cumulative Percent	11.5%	18.3%	62.5%		93.3%		100.0%		
Total	111	18.3%		44.2%		30.8%		6.7%	100.0%	

4.3.5 Number of years running the business

Respondents were asked to indicate the number of years they have been running the spaza shop.

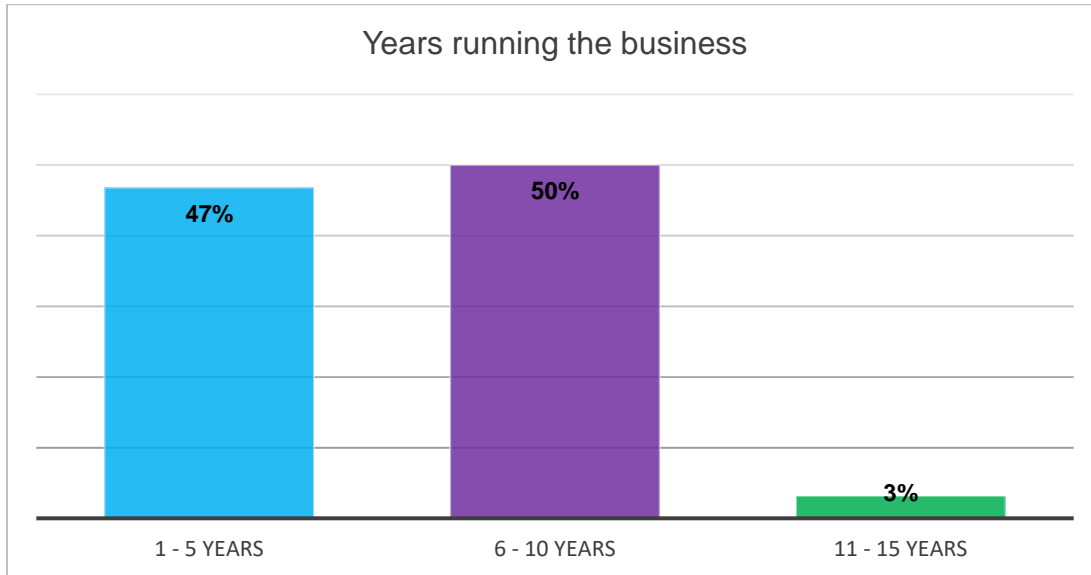


Figure 4:3. Experience distribution

The results presented in Figure 4:3. show that the majority of the respondents (97%) had fewer than ten years' work experience, and of those 97%, 47% had fewer than five years' work experience. However, this large percentage is offset against 3% of the respondents having more than ten years' work experience.

4.3.6 Trading hours

Respondents were asked to indicate when they open their shops in the morning, and the time they close in the evening.

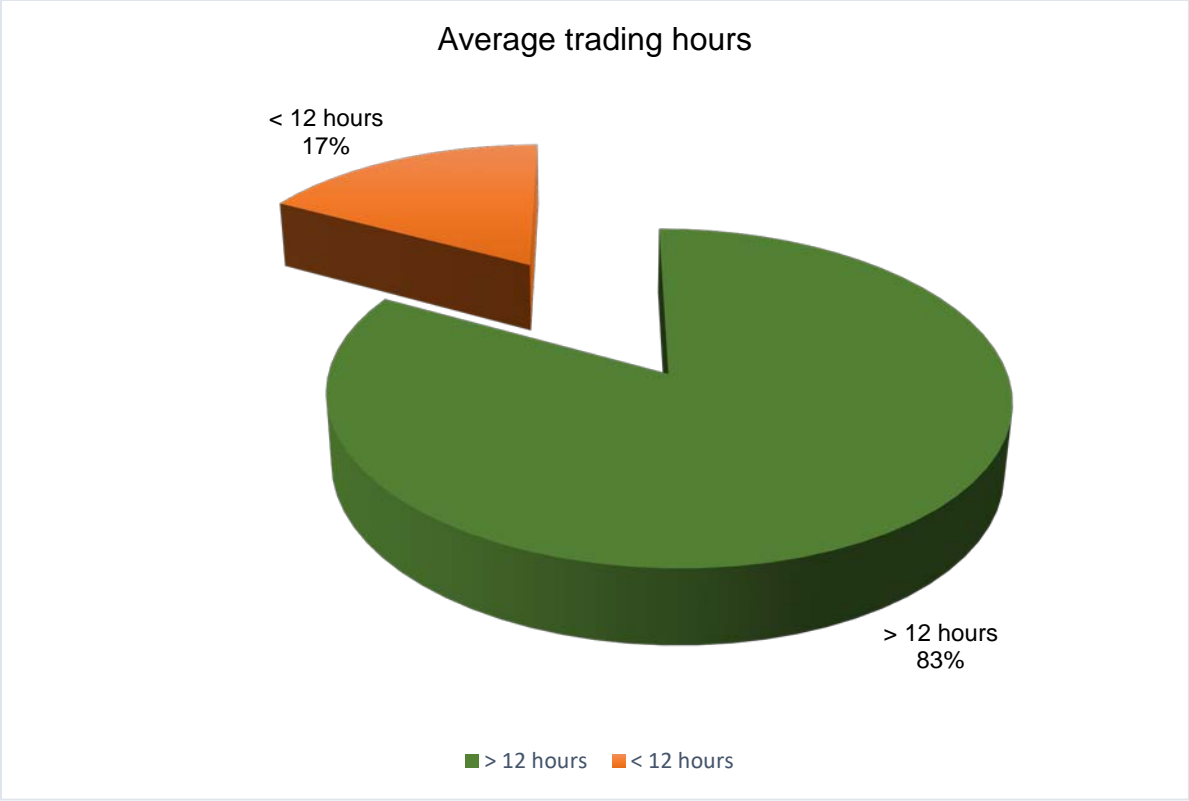


Figure 4:4 Spaza shop average trading hours

Figure 4:4 shows the opening and closing times of spaza shops. Most respondents (83%) open their spaza shop for more than 12 hours. They open at 06h00 and close at 22h00. The results are consistent with the study conducted by Charman, Petersen, and Piper (2012), which found that the spaza shops are open for extended hours as they serve residents throughout the day, both before and after work hours. Of the respondents, 17%, however, operate for fewer than 12 hours. Most of them are Blacks, and they trade from 07h00 in the morning and close at 18h00 in the afternoon.

4.3.7 Ownership of the business premises

Table 4:3. Ownership of the business premises

Ownership	
Rented	80.21%
Owned	19.79%

Table 4:3 indicates that 80.21% of the respondents do not own their business premises. All of those (100%) are run by foreigners. Foreign businessmen rent the premises from which they run their business from residents, and a growing number of them are now operating out of shipping containers in the yards of locals. This trend could be explained by the foreigners' business model, which forces local owners out of business, lowering spaza shop prices and pushing many locals to lease their shopping space to foreigners. This observation is consistent with a study done by Charman, Petersen, and Piper (2012).

4.4 Descriptive analysis and interpretation of results of Section B of the questionnaire

In this section, the Section B quantitative analysis of the completed questionnaire is presented and discussed using descriptive statistics. As explained in Chapter 3, Section B consisted of two sections: 34 five-point Likert-scale questions ranging from 'strongly disagree' to 'strongly agree'. The first section focused on items that seek to understand the impact on spaza shops by the entrance of shopping malls into townships.

An analysis of the various sections of the questionnaire is provided below using explanatory tables and figures to help the researcher identify the impact of spaza shops owing to the entry of the shopping mall near a spaza shop. Before the analysis, it was essential to ensure that the results were reliable and credible. Thus, the reliability of the instrument was tested, and the scores that emerged are presented in the next section.

4.4.1 Analysis of results and test instruments

This section discusses the reliability of the study as a whole. The Cronbach's alpha coefficient is calculated to assess the construct reliability (internal consistency) of the different constructs in the questionnaire by means of item analysis (Taber, 2018).

According to Taber (2018), the overall Cronbach's alpha value for reliability can be interpreted as follows:

- Cronbach's alpha above 0.8 = good reliability
- Cronbach's alpha between 0.6 and 0.8 = acceptable reliability
- Cronbach's alpha below 0.6 = unacceptable reliability

In Table 4:4, Cronbach's alpha (coefficient alpha) estimates are reported in the second last column. Table 4:4 shows the impact of spaza shops on the entry of shopping malls to summarize items for four constructs.

Table 4:4. Table of Cronbach's Alpha Coefficient reliability estimates for impact on spaza shops of shopping malls

Variables/Constructs of the impact of spaza by malls	Items	Items left out	Cronbach's alpha coefficient	Reliability interpretation
Perceived reduction in profit	Q1, Q2, Q3, Q4	Q4	0.71	Acceptable reliability
Perceived competitive prices	Q7, Q8, Q9		0.73	Acceptable reliability
The perceived increase in better service	Q10, Q11, Q12		0.72	Acceptable reliability
Perceived reduction in employment of spaza shops	Q13, Q14, Q15		0.79	Acceptable reliability

Cronbach's alpha coefficient assessed the internal consistency of responses. The reliability estimates for 'Perceived reduction in profit' were 0.63, below the threshold of

0.7. However, the Q4 variable was excluded from the reliability analysis to improve the Cronbach's alpha score to 0.71.

Other Cronbach's alpha scores were 0.73, 0.72, and 0.79 for responses to 'Perceived competitive prices', 'Perceived increase in better service', and 'Perceived reduction in employment of spaza shops', respectively. This indicated acceptable reliability.

Concerning the strategies of spaza shop owners, a reliability test was conducted for three constructs: entrepreneurial acumen, competition from shopping malls, and spaza shop competitive advantage. In Table 4:5 the score for the entrepreneurial acumen construct is 0.87, and for mall competition is 0.73, and the spaza's competitive advantage is 0.88. The reliability of all three constructs is good and acceptable.

Table 4:5. Table of Cronbach's Alpha Coefficient reliability estimates for strategies of spaza shops

Variables/Constructs of the strategies	Items	Items left out	Cronbach's alpha coefficient	Reliability interpretation
Entrepreneurial acumen	Q1, Q2, Q3, Q4, Q5, Q6, Q7, Q8		0.87	Good reliability
Mall Competition	Q9, Q10, Q11, Q12, Q13, Q14	Q9	0.73	Acceptable reliability
Spaza Competitive Advantage	Q15, Q16, Q17, Q18, Q19		0.88	Good reliability

4.4.2 Impact of spaza shops as a result of the entry of shopping mall into the township

Four constructs were used to determine the overall level of impact on the spaza shop owing to the entry of shopping malls into Bloemfontein townships. The questionnaire's analysis was based on the 5-point Likert scale, where 1 is 'strongly disagree', and 5 is 'strongly agree'. The first construct is discussed in the next section.

4.4.2.1 *Perceived reduction in profit*

All questions relating to the 'perceived reduction in profit' construct were grouped to test whether the respondents perceived an increasing number of large retailers in townships could reduce the profits of spaza shops. Table 4:6 shows that most respondents (80.22%) agree or strongly agree (overall agree) that since the shopping malls opened, their spaza shops are more likely to be less profitable owing to competition from national retailers. The findings in Table 4:4 are consistent with studies conducted by Madala (2015) and by Ligthelm (2011), which found that spazas charge prices slightly higher than those of the national retailers. National retailers can leverage economies of scale to keep prices of products constant or decrease costs and increase profits through volume of sales. Spazas, on the other hand, are undercut by retailers because they usually buy from wholesalers in limited quantities, thus driving up their costs. Another notable cost driver of the spaza shop is transportation. Spaza shops typically use public transport and private cars to move their purchases from wholesalers and other related suppliers. With increasing fuel prices, spaza shop owners have to bear the high cost of several trips to carry purchases to their business premises. As a result, customers abandon spaza shops for national retailers.

Table 4.6. Frequencies and percentages of items of the perceived reduction in profit construct

	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree		All		
	Column %	N	Column %	N	Column %	N	Column %	N	Column %	N	Column %	N	Weight
Since the shopping mall opened, my spaza shop is more likely to be less profitable owing to competition from national retailers.	2.20%	2	9.89%	10	7.69%	8	62.64%	65	17.58%	18	100%	104	3.84
There has been a decline in profits since the opening of the shopping mall near your spaza shop	0.00%	0	27.47%	29	5.49%	6	63.74%	66	3.30%	3	100%	104	3.43
National retailers within the shopping mall dominate the retail market through their performance	2.20%	2	5.49%	6	29.97%	31	43.96%	46	18.68%	19	100%	104	3.71
Sales declined as customers are gradually shifting towards the shopping mall near your spaza shop.	0.00%	0	32.97%	34	3.30%	3	57.14%	59	6.59%	7	100%	104	3.37

Other reasons that national retailers continue to attract customers are staff courtesy, cleanliness, product selection, environment, ease of access, security, parking facilities, crowding, presence of eating areas, special events, rest area, smoking area, and children's convenience area. Figures 4:5 – 4:7 are the graphical presentations of the 'perceived reduction in profit'.

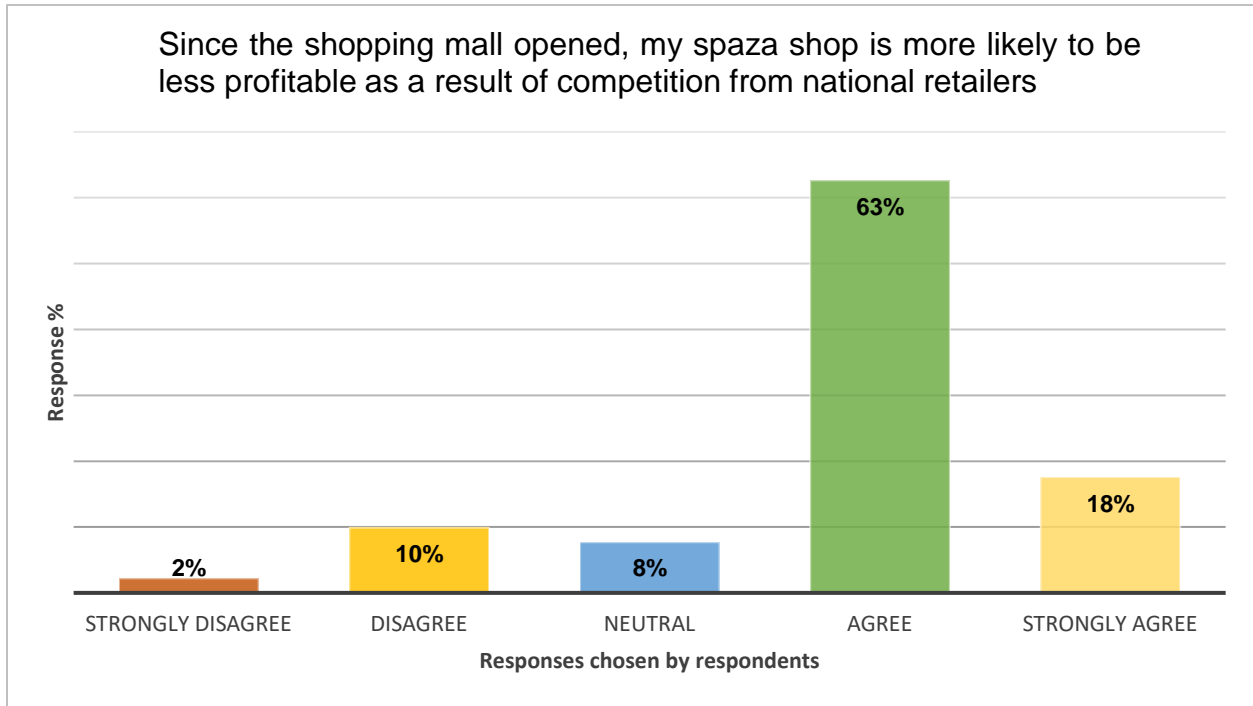


Figure 4:5. Profitability of spaza shops

The results in Table 4:6 indicate that 67.04% of respondents agree or strongly agree (overall) that their profits have declined since the shopping malls opened near spaza shops.

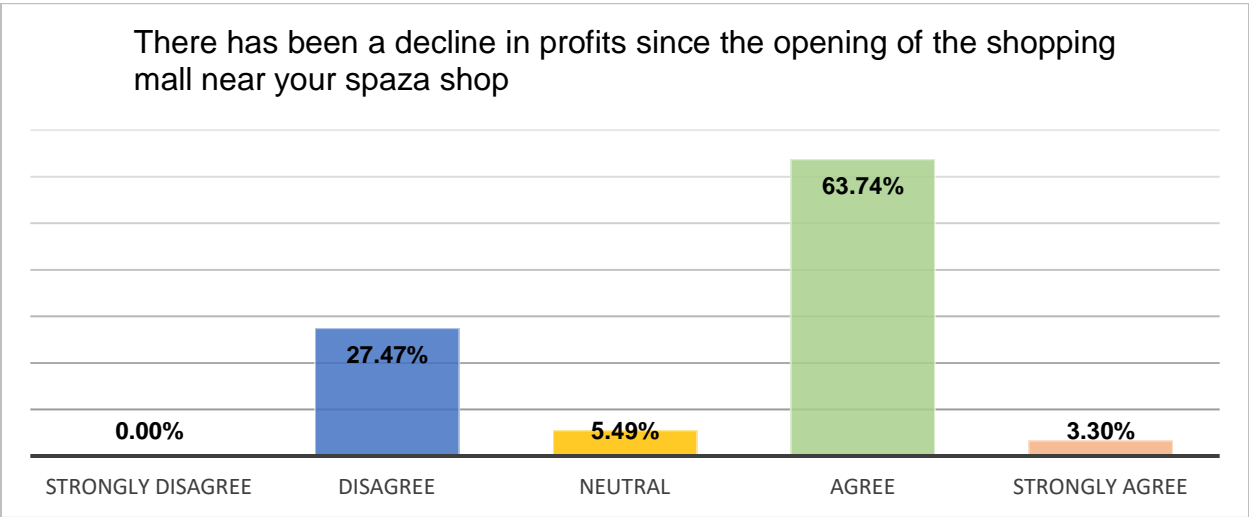


Figure 4:6. Decline in profits

In terms of 'Decline in sales' in Table 4:6, 62.64% of respondents agreed that the shopping mall's national retailers dominate the retail market through their performance. In Figure 4:7 the results show the respondents' views about the decline in sales as consumers continuously move to the shopping mall near the spaza shops. 63.73% of respondents disagreed with the statement, and 3.3% were neutral.

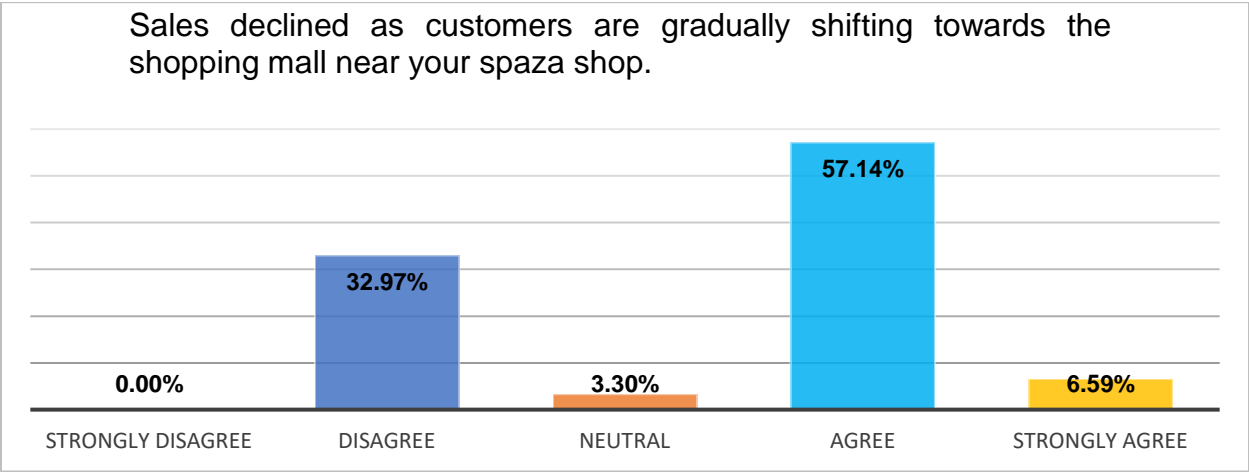


Figure 4:7. Decline in sales

The next section sought the opinions of respondents regarding the number of customer visits since the newly developed shopping malls.

4.4.2.2 The number of customer visits construct

This section looked into the number of customer visitors to spaza shops with the advent of township malls. Figure 4:8 provides the results of respondents' perceptions regarding their experience of pedestrian volumes since the shopping mall's opening. The results indicate that 48.35% of the respondents agree that the spaza shops have experienced fewer pedestrian volumes since the shopping mall's entrance. However, a high percentage of 60% of respondents disagreed with the statement that the spaza shop benefits from the pedestrian volumes generated by the shopping mall's opening nearby. The explanation for this finding, as per literature, is that shopping malls generate pedestrian volumes. Many small businesses have taken advantage of the changes in traffic and pedestrian flow generated, in particular, hawkers and hairdressers, but spaza shops don't benefit from this traffic. They are directly competing with the national retailers in shopping malls.

Overall, 52.75% of respondents agreed that the spaza shops experienced fewer pedestrian volumes since the shopping mall's opening, and 6.59% were neutral, while 41% disagreed. A total of 78% of the respondents disagreed that the spaza shop benefits from the pedestrian volumes generated by the shopping mall's opening nearby, compared to 12.1% who agreed. The balance of 9.9% was neutral.

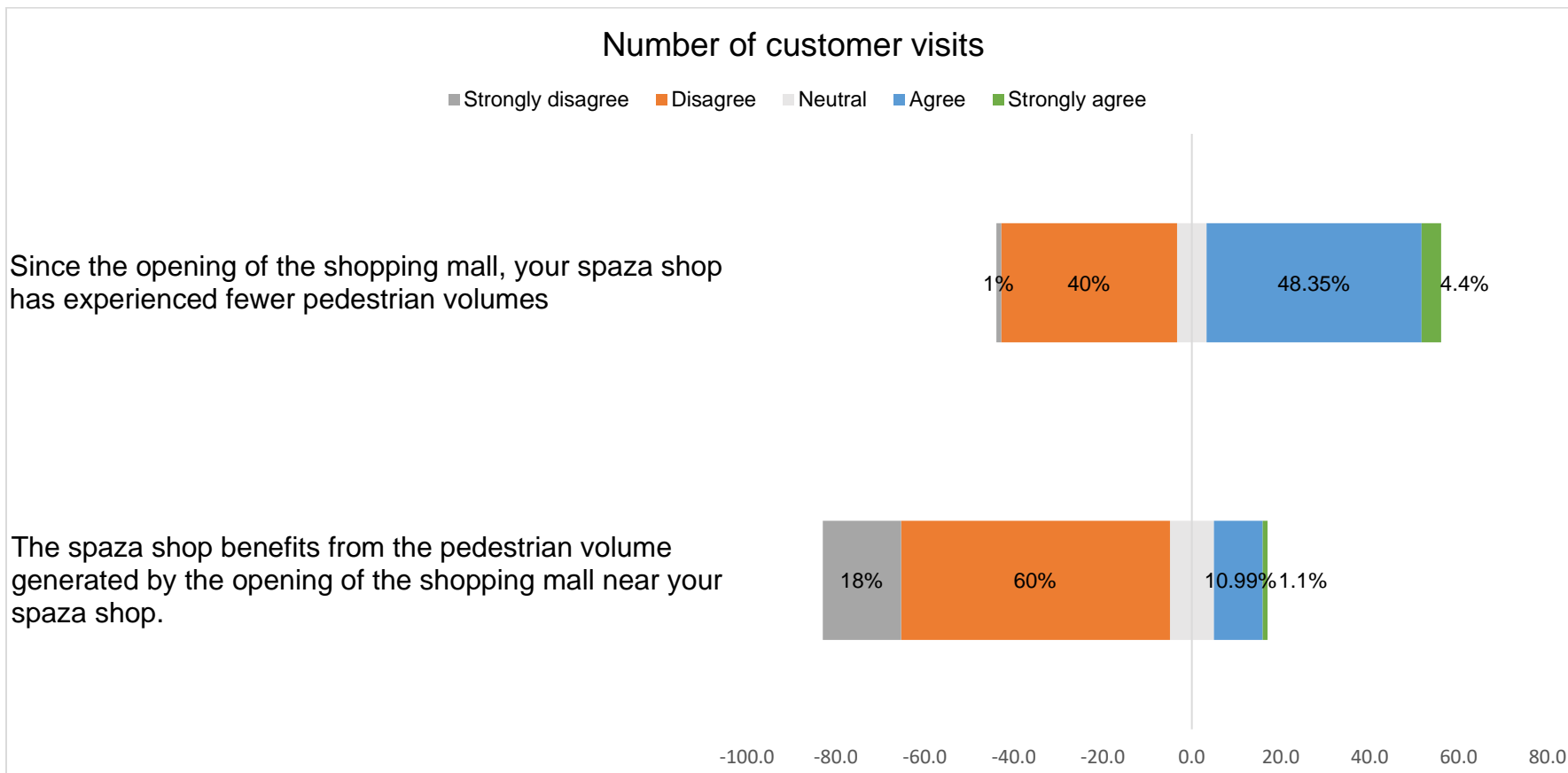


Figure 4:8. Number of customer visits

4.4.2.3 *Perceived competitive prices*

In this section, the opinions of respondents were sought to comment on a national retailer's cost advantage in shopping malls and how the customers benefit from it. Figure 4:9 shows that 65.93% of the respondents agreed that the shopping mall's retail shops regularly offer discounts, with 28.57% of the respondents strongly agreeing. Furthermore, 81.32% of respondents agreed that retail shops inside the shopping mall offer customers volume discounts, followed by 13.19% who strongly agreed, and 3%, who disagreed. Similar to 'perceived reduction in profit', the explanation why retailers can pass on wholesaler discounts to customers is that they can leverage economies of scale to keep the prices of products low.

PERCEIVED COMPETITIVE PRICES

Strongly disagree Disagree Neutral Agree Strongly agree

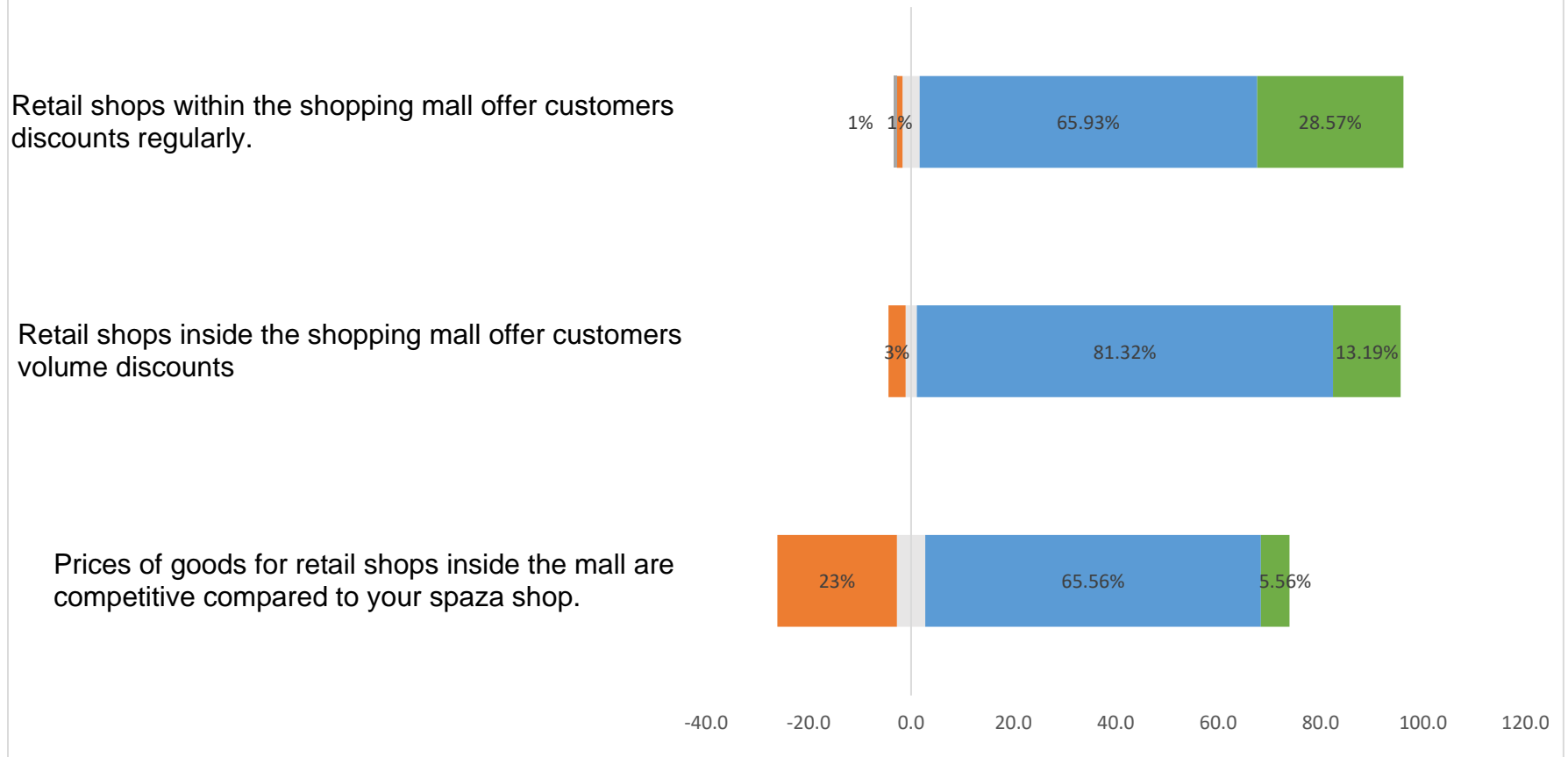


Figure 4:9. Perceived competitive prices

4.4.2.4 The perceived increase in better service

This section aims to seek the views of respondents regarding the customer's expectations of the standard of service at spaza shops owing to the opening of the shopping mall.

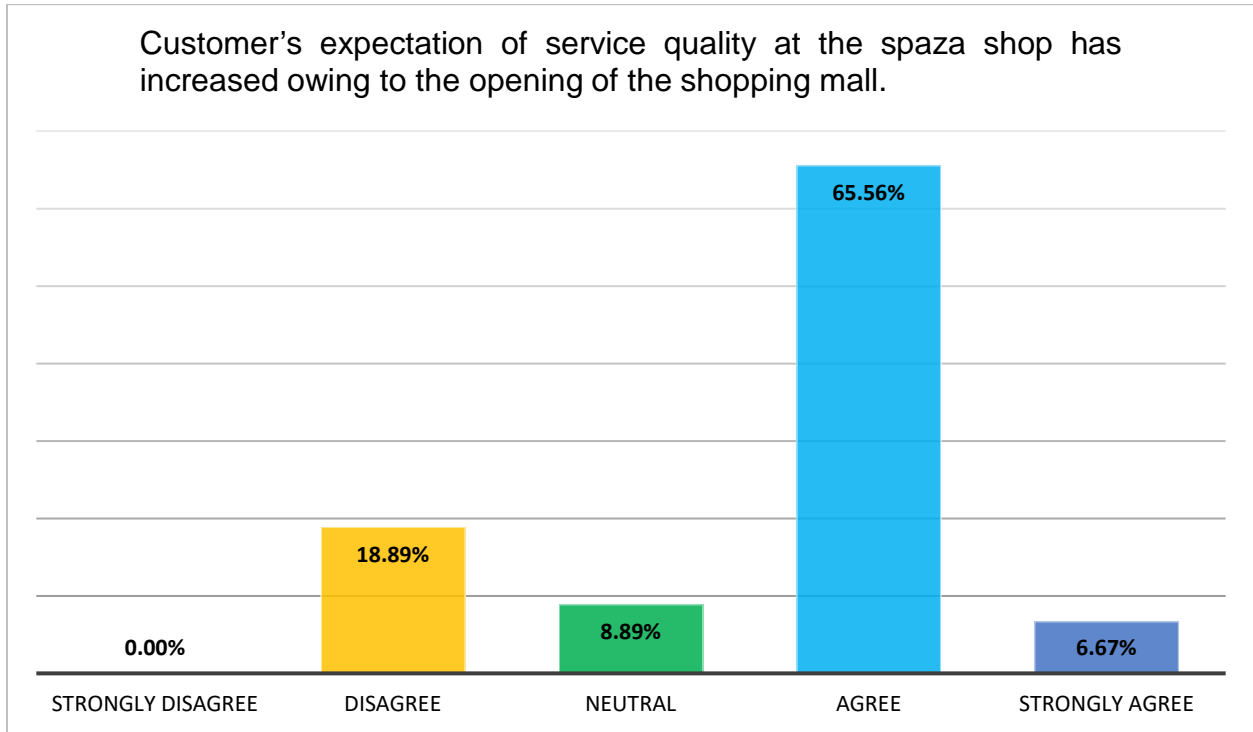


Figure 4:10. Customer's expectation of service quality

In Figure 4:10, the majority (65.56%) of the respondents have agreed that expectations have increased owing to the shopping mall's opening. However, 18.89% disagreed with this statement, and 8.89% of respondents were neutral.

The results of Figure 4:11 show that the majority of the respondents (62.22%) agree that customers' demand for branded merchandise has increased owing to the opening of a shopping mall near the spaza shop area, with 4.44% strongly agreeing with the statement. Only 17.78% of the respondents disagreed with the statement. A total of 15.56% remained neutral.

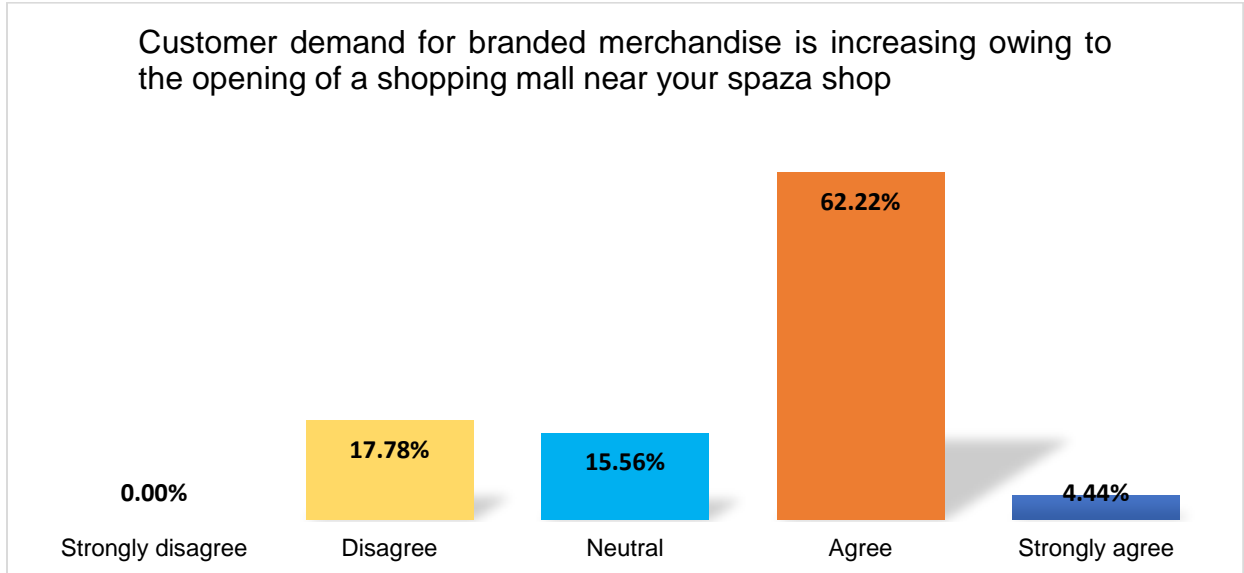


Figure 4:11. Customer's demand for branded merchandise

The literature agrees with the results of Figure 4:12 and Figure 4:13 that national retailers offer better service to customers than spaza shops. They provide a broader range of products, better quality products, branded merchandise, replacement and warranties, payment service, and much more. This leads to an increased demand by customers for improvement in the standards of service.

4.4.2.5 Perceived reduction in employment of spaza shops

Respondents were asked to present their views regarding the level of employment of spaza shops in a shopping mall's vicinity.

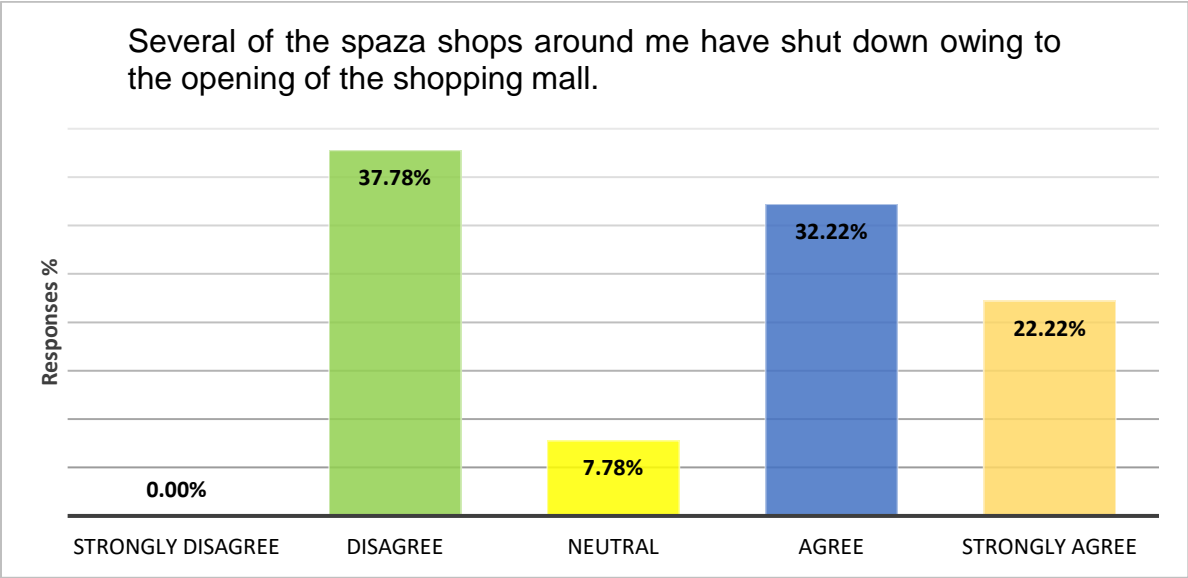


Figure 4:12. Several shut down spaza shops

Figure 4:12 shows that a total of 54.44% of respondents indicate that several of the spaza shops have shut down owing to the shopping mall's opening in the township, with 37.78% in disagreement. While large retailers are providing direct employment in the retail sector, they are also driving the growth of some economic activities, which, in turn, will open up employment opportunities for many people (Joseph, 2008). However, employment in small retail shops in the mall's vicinity may be adversely affected, but the additional jobs created will be much higher than those lost (Yadav, Verma & Singh, 2016). An important point to be noted is that while the jobs that are being displaced by large retailers are the low-end, low-quality, under-productive ones, the new jobs created are the high-quality, productive ones. It also generates several unskilled jobs for sorting, packing, grading, labeling, and many more (Joseph, 2008).

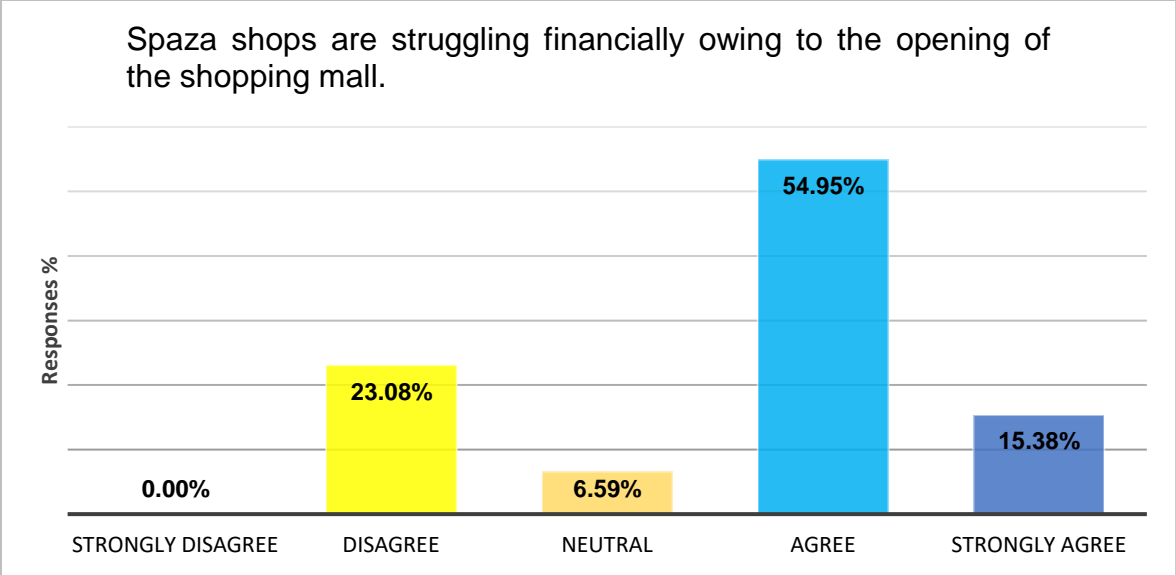


Figure 4:13. Spaza shops struggling financially

In response to whether spaza shops are struggling financially owing to the opening of the shopping mall, a total of 70.33% of respondents indicated that they agreed with the question. However, 23.08% of respondents disclosed that they disagreed with the statement.

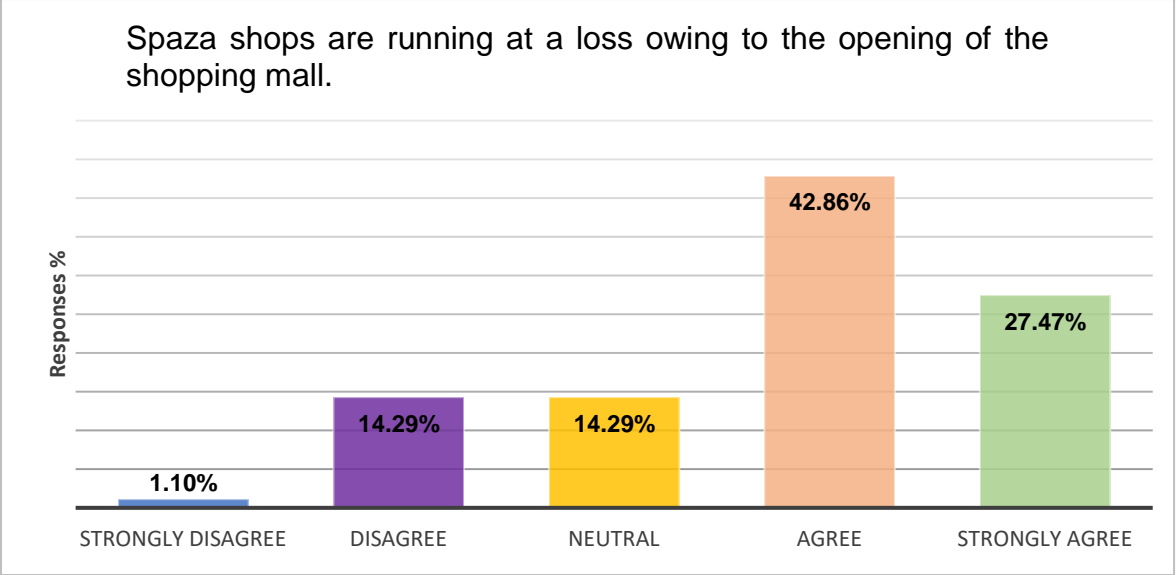


Figure 4:14. Spaza shops running at a loss

Respondents were asked to indicate whether spaza shops are running at a loss owing to the shopping mall's opening. Of the respondents, 70.33% agreed with the statement, and 14.29% were neutral, while 15.39% disagreed.

The four constructs above indicate that most respondents agree that spaza shops are impacted by national retailers residing in shopping malls. After determining the impact on the spazas, it was important to identify the different competitive strategies to be used to increase the survival rate of spaza shops. The section below provides an analysis of competitive strategies.

4.4.3 Strategies of spaza shop owners to competition to ensure their survival

The questionnaire in this section sought the opinions of respondents concerning the different competitive strategies that spaza shops might use to increase the chances of survival from the competition by national retailers.

4.4.3.1 *Entrepreneurial acumen*

This section looked at the human element (entrepreneurship) in the survival of spaza shops. Respondents were asked to indicate the extent to which the entrepreneurial activities in Figure 4:15 could be applied to the regular operation of their spaza shops.

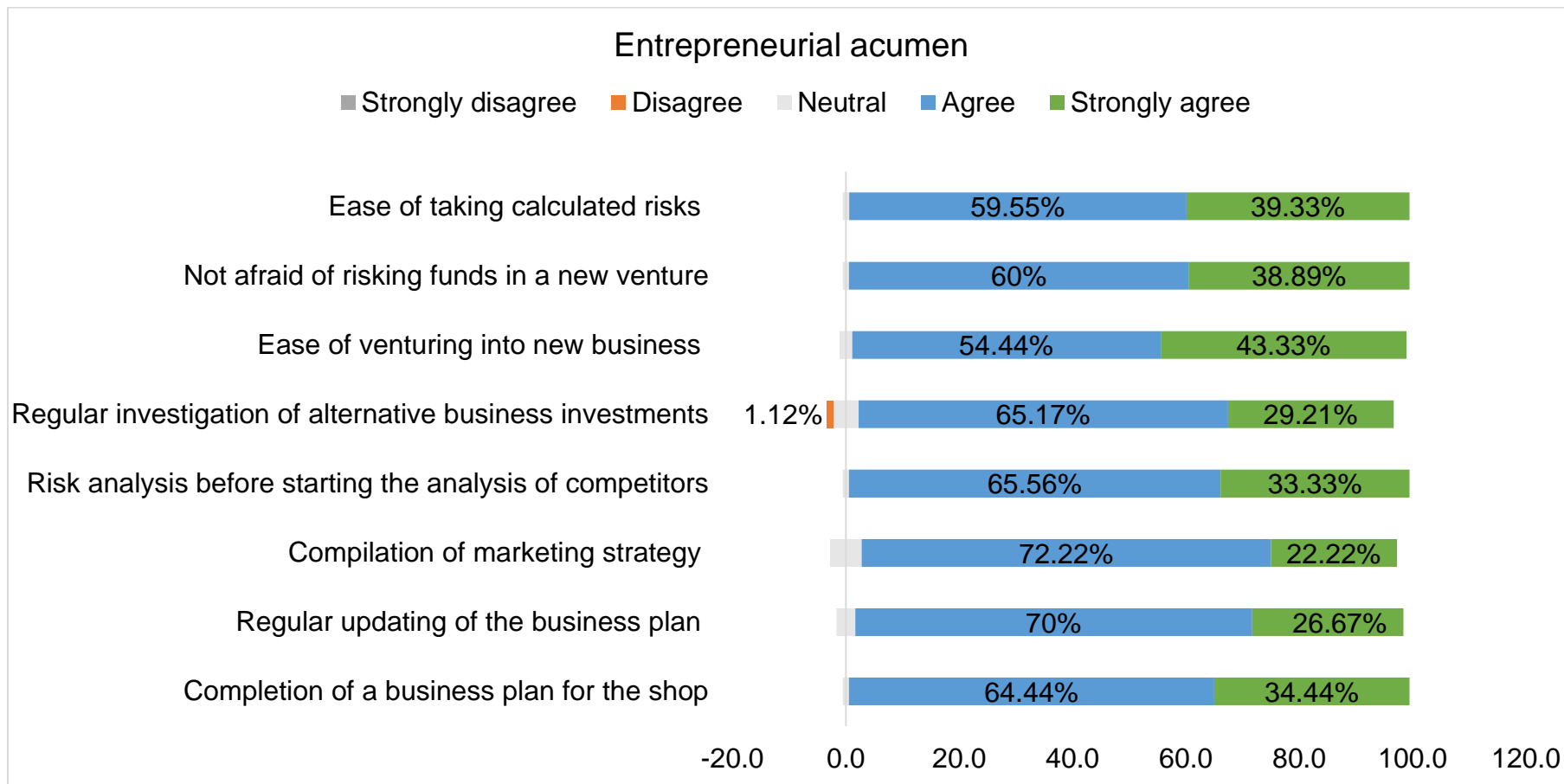


Figure 4:15. Entrepreneurial acumen

Figure 4:15 above contains information about entrepreneurial acumen.

The majority of respondents agree with Ligthelm's (2011) findings and with the Gustomo, Ghina, Anggadwita, and Herliana (2019) studies that small business owners need a mixture of knowledge and understanding of the operational, resource, financial, and other functions of enterprises. This entails essential skills such as compiling and reviewing business plans, operations plans, and marketing plans, and regularly analysing the competitive environment to ensure the long-term business sustainability of small businesses.

4.4.3.1 Competition from the mall

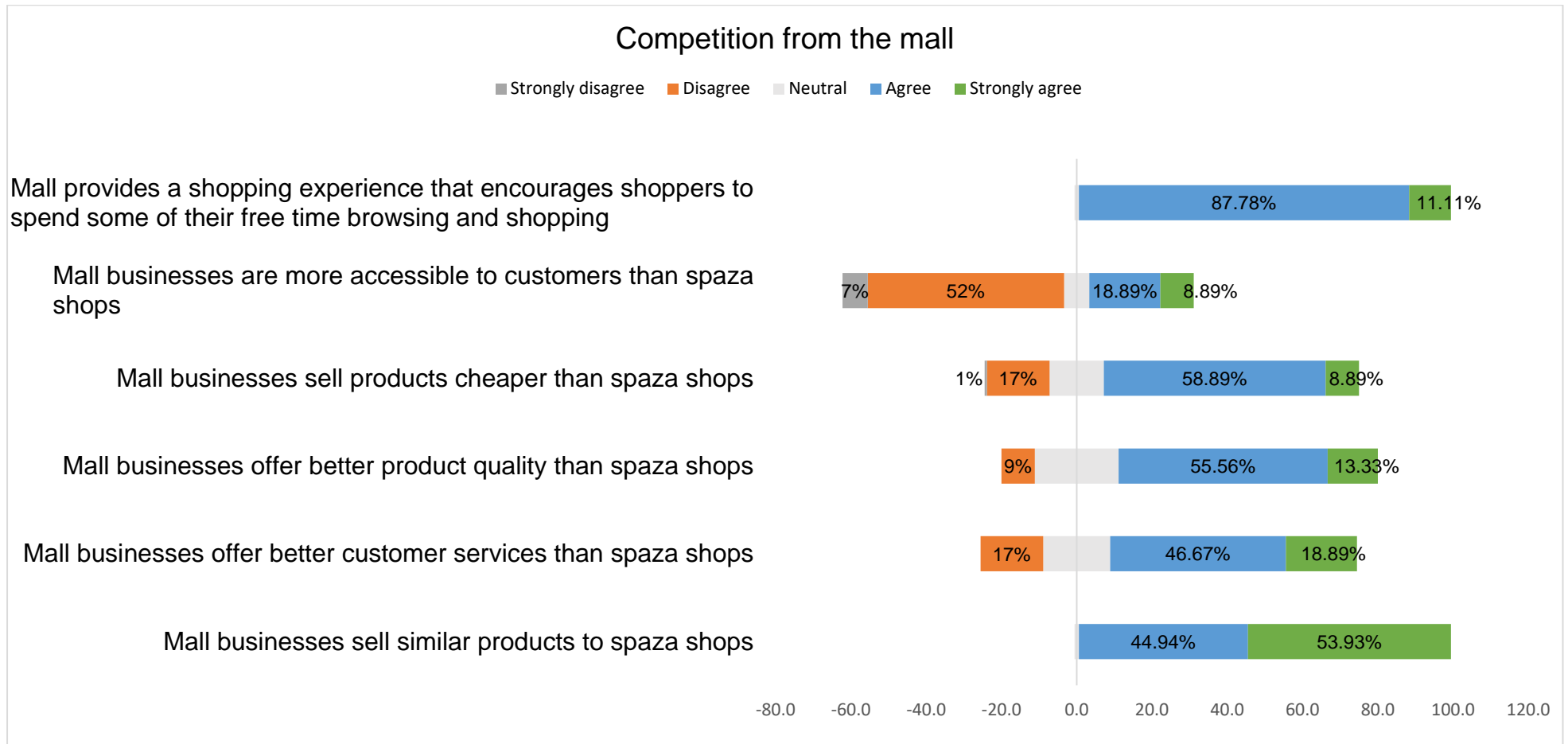


Figure 4:16. Competition from the malls

Figure 4:16 reflects the competition of national retailers in the newly developed shopping mall and their competitive threat to spaza shops. The findings show that 87.78% of respondents agree that shopping malls draw customers with a shopping experience that allows them to spend more time. National retailers are cheaper than spaza shops, using economies of scale to undercut them. The majority of respondents agree with the factors that make national retailers more attractive than spaza shops, such as providing better quality products and better quality service. Of particular note is that 52% of respondents indicated that malls were not better placed to attract customers than spaza shops.

4.4.3.2 Competitive advantages of spaza shops

Table 4:7. Frequencies and percentages of the items of competitive advantages of spaza shops

	Strongly disagree		Disagree		Neutral		Agree		Strongly Agree		All	
	Column %	N	Column %	N	Column %	N	Column %	N	Column %	N	Column %	N
Providing credit attracts customers.	0%	0	0.00%	0	0.00%	0	45.45%	47	54.55%	57	100%	104
Longer hours attract customers.	0%	0	0.00%	0	2.22%	2	40%	42	57.78%	60	100%	104
Product offerings in smaller quantities attract customers	0%	0	0.00%	0	0.00%	0	48.89%	51	51.11%	53	100%	104
Providing a safe environment for customers.	0%	0	0.00%	0	0.00%	0	33.33%	35	66.67%	69	100%	104
Providing excellent service attracts customers.	0%	0	0.00%	0	0.00%	0	41.11%	43	58.89%	61	100%	104

Table 4:7 identifies actions that the spaza shop may apply to counter the competition experienced by businesses in the mall. The majority of the respondents either agreed or strongly agreed that making interest-free credit available and selling products in small quantities such as bread (half a loaf), loose cigarettes, etc. would attract customers. Apart from low prices, most respondents agree or strongly agree that the practice of providing excellent service, a safe environment, passing on wholesaler discounts to customers, and extended trading hours, are some of the factors that can be used to distinguish one spaza shop from others.

From this discussion, it can be concluded that the target audience of spaza shops is price-sensitive, and they prefer to buy small items from spaza shops. Owners of spaza shops should follow survival strategies in order to stay competitive amidst large shopping malls.

4.5 Inferential analysis and interpretation of results

In this section, the Section B quantitative analysis of the completed questionnaire will be presented and discussed using inferential statistics. An overview of the different parts of the questionnaire will be presented via the explanatory tables.

Table 4:8. Dependent variables by distance from the mall

Dependent variables	Distance from Mall	N	Means	Test Statistic	p-value
Perceived reduction in profit	Less than 1 km		1.913043	F=2.4669	0.0917
	1-2 km		2.352941		
	3-5 km		2.238095		
Perceived competitive prices	Less than 1 km		1.934783	chi-square = 1.2008	0.5486
	1-2 km		2.220588		
	3-5 km		2.380952		
The perceived increase in better service	Less than 1 km		2.217391	F=1.6984	0.1899
	1-2 km		2.401961		
	3-5 km		2.68254		
Perceived reduction in employment of spaza shops	Less than 1 km		2.376812	F=4.1078	0.02028
	1-2 km		2.735294		
	3-5 km		3.222222		

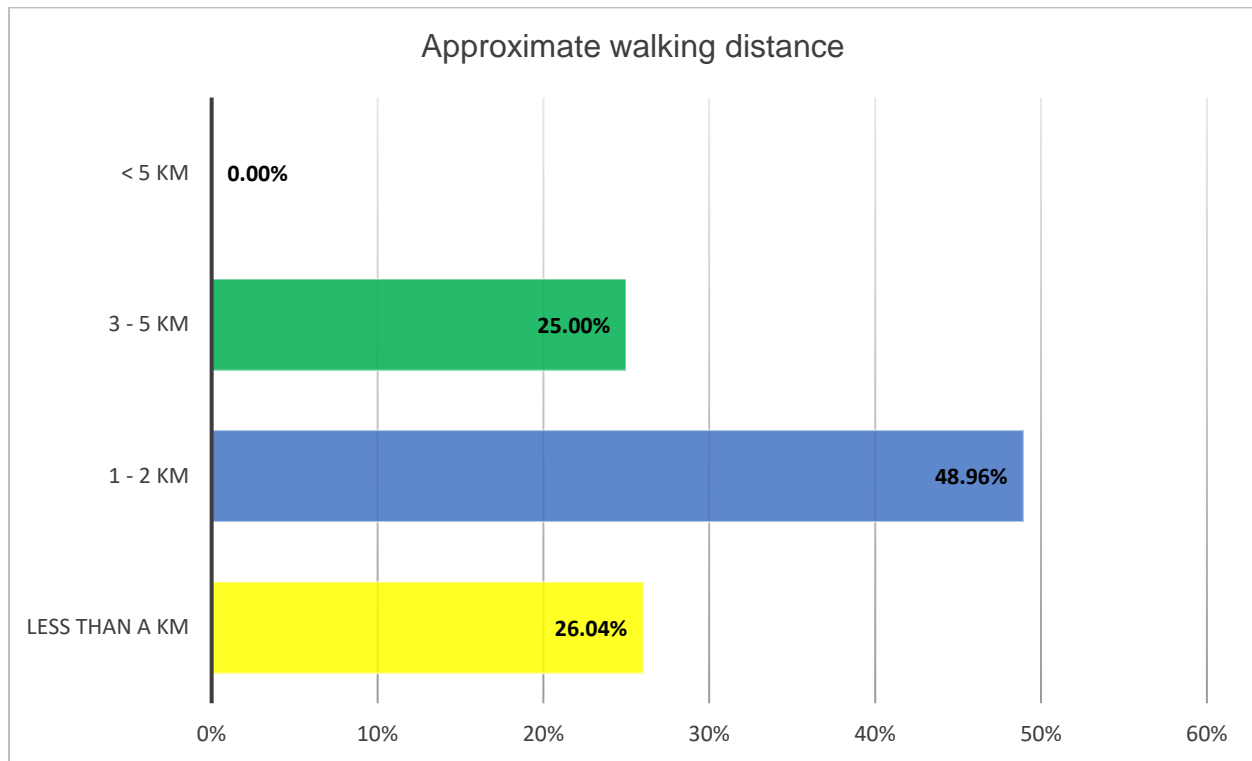


Figure 4:17. The distance of the spaza shop from the shopping mall

ANOVA and its non-parametric alternative, the Kruskal-Wallis test, were used to compare the group's means using the shopping malls' distance as the independent variable. The purpose of ANOVA and Kruskal-Wallis analysis was to ascertain how shopping malls impact spaza shops within different radiuses. The analysis was to see whether there is a statistically significant between spaza shops that are less than kilometres away from the shopping malls. The analysis also included those between 1 and 2 kilometres from the malls and those between 3 and 5 kilometres from the malls.

ANOVA uses an F statistic, while the Kruskal-Wallis test uses the Chi-square statistic (Smit & Larson, 2019). Both are testing for the equality of three or more groups. If their corresponding p-values are less than 0.05, then one can conclude that the group means are significantly different.

To determine which of the groups' means is different from each other, post-hoc tests were used. The post hoc test for ANOVA is the Tukey's multiple comparison test. If the ANOVA is significant, look at the t statistic and p-value ($Pr>|t|$) of the Tukey's multiple comparison test and identify the two groups with p-value <0.05 . These will be the groups that make the ANOVA significant. Given the results of Table 4:8, it can be concluded that the three distance groups were different in the 'perceived reduction in employment' construct ($F=4.1078$, $p\text{-value}=0.02028$). In other words, distance affects 'perceived reduction in employment', or a relationship exists between distance category and 'perceived reduction in employment'. Tukey's multiple comparison test suggests that the actual difference is between the spazas less than a kilometre away and those 3-5 km away ($t=2.86, p=0.0149$).

ANOVA assumes normality and equal variance of the data (the response variable). Normality is checked by looking at the residual QQ plots. Equality of variance is checked by looking at residual vs fitted values plots. If the QQ plot residuals are very close to the 45 degrees dotted line, then the response variable is standard. If the red line in the residuals vs values plot is close to the horizontal dotted line, equality of variance is met. For example, for 'perceived reduction in employment' against distance category, we had.

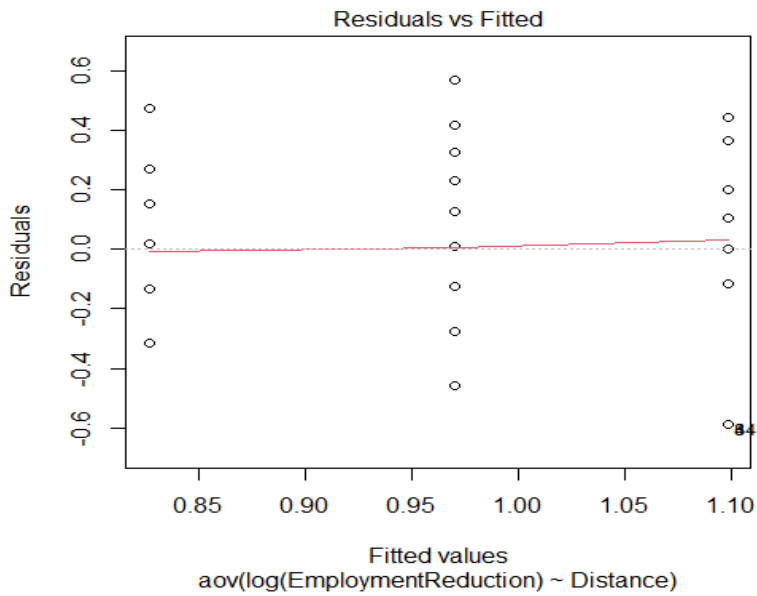


Figure 4:18. Residual vs Fitted QQ plots

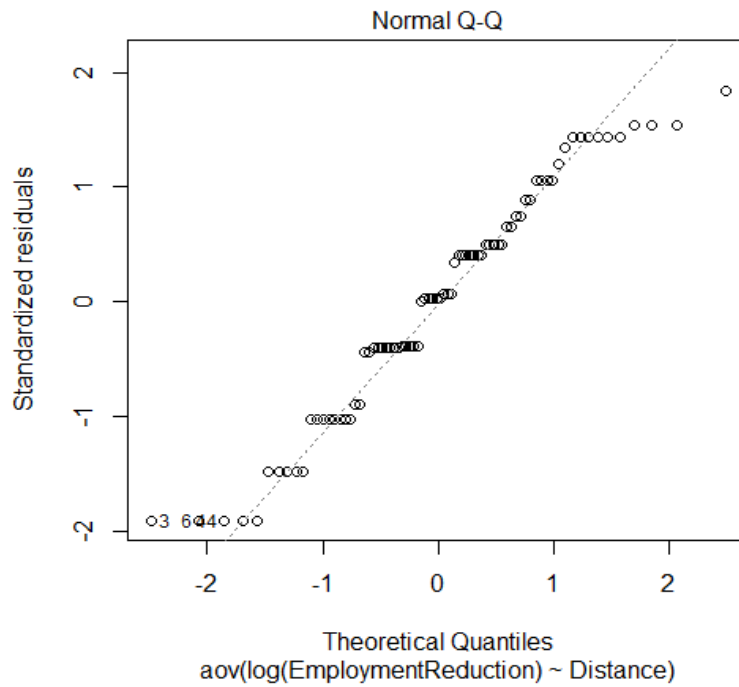


Figure 4:19. Normal QQ plots

In the view of Figure 4:18, it is seen that the red line is very close to the horizontal dotted line, so there is no pattern in the residuals. This means the equality of variance assumption is met. In Figure 4:19, it can be seen that most of the residuals are not far removed from the 45 degree dotted line. So the normality assumption is met. It is important to ensure that the data meeting the above assumption, 'perceived reduction in employment' was log-transformed

When the response variable does not meet the normality and equality of variance assumptions, and log transformation does not improve normality and equality of variance assumption, ANOVA cannot be used. Then the Kruskal Wallis Test is used. For example, perceived competitive prices did not meet the required assumptions. To determine whether distance groups differ on 'perceived competitive prices', the Kruskal Wallis Test was used. The test revealed that the mean differences were statistically insignificant (chi-square=1.2008, p-value=0.5486). In other words, there is no relationship between distance from shopping mall and perceived competitive prices. This means that the perceived competitive price dimensions are similar in all three distance categories. As such, respondents in all three distance categories feel that the shopping malls provide discounts to customers on a regular basis.

Sometimes it happens that the normality assumption is met, but the equality of variance is not met. In this case, the means test (not assuming equal variances), also called the Welch Test, is used. For example, 'perceived entrepreneurial acumen' met normality but did not meet equal variance. To determine whether the race groups differ significantly on 'entrepreneurial acumen', the Welch Test was used. The Welch test revealed a significant difference between the race group concerning 'entrepreneurial acumen' ($F = 8.8299$, $p\text{-value} = 0.0006716$). Following this, between which race groups the difference in 'entrepreneurial acumen' lies, post-hoc t-tests with non-pooled sd were conducted. The post-hoc t-tests revealed that the mean difference in 'entrepreneurial acumen' between Blacks and Ethiopians was highly significant (holm adjusted $p\text{-value} = 0.0022$), and the mean difference in 'entrepreneurial acumen' between Blacks and Bangladeshis was also

highly significant (holm adjusted p-value=0.0014). This suggests that there is a general difference of opinions between Black owners and foreign owners (Ethiopians and Bangladeshi) on entrepreneurship acumen. While Figure 4:15 shows that there is general agreement among groups of respondents on all dimensions of the entrepreneurial acumen construct, the statistical results suggest that the degree to which the results are similar, is different. This suggests that there is a general difference of opinions between Black owners and foreign owners (Ethiopians and Bangladeshi) on entrepreneurship acumen. The reason may be related to both local and foreign owners' business practices and not so much on formal education. Although the study finding shows that both groups have the same level of education, in the literature, the business practices of both parties are significantly different, and the primary explanation relates to the cultural differences and context of the individuals involved (Basardien et al., 2014). These distinct differences between the two groups have resulted in foreigners using superior business strategies to outsmart their South African counterparts (Hare & Walwyn, 2019). These business strategies relate to purchasing methods, where foreigners make joint purchases and are therefore eligible for bulk discounts, which directly affect their pricing strategies and competitiveness. Locals, however, don't buy in bulk or share transport costs with other spaza shop owners and don't have enough business skills to run spaza shops.

4.6 Conclusion

In this chapter, the findings from the research study were presented and discussed. The demographic data were analysed as well as the descriptive statistics. Subsequently, the inferential statistics, including the results from the ANOVA, were also discussed. The conclusions and recommendations for this study are presented in the following chapter.

Chapter 5: Conclusions and Recommendations

5.1 Introduction

Chapter 4 dealt with the findings and interpretations of the quantitative data of the study. The data were analysed in consideration of the biographical variables, the impact on spaza shops resulting from the entry of shopping malls into the township, and strategies of spaza shop owners to compete to ensure their survival. This chapter aims to reflect on the study and to summarise the findings of the study. This chapter further addressed the responses to the study's primary and secondary objectives, as set out in Chapter 1. However, this chapter will also describe the problems that were encountered and the limitations of the study. The chapter will conclude with recommendations for spaza shop survival strategies as well as recommendations for further research.

5.2 Summary of the study

The overarching research objective of the study was to investigate the impact of the entry of national retailers into the Bochabela, Bloemanda, Freedom Square, Grassland, Heidedal, Joe Slovo, Namibia Phahameng, and Rocklands locations on South African-owned spaza shops in Bloemfontein. To address this, the following secondary research objectives were set:

5.2.1 Secondary Objective 1

The first secondary objective was to define retail and spaza shops according to literature. To address this objective, a literature review was conducted by the researcher. In Chapter 2 of the study, the researcher presented definitions of retail and spaza shop. Based on the researcher's literature review, Kotler and Keller's definition of retail (See Section 2.2) and Gastrow 's definition of a spaza shop (See Section 2.2.4) were adopted for this study.

5.2.2 Secondary Objective 2

The second secondary objective was to review the impact on spaza shops according to literature following TwinCity, Lemo Mall, and Rocklands Shopping Centre's entry into the township. A field study was conducted to address this objective. Before the field study, the detailed literature review covered in Chapter 2 indicated various factors that impact spaza shops owing to the entry of shopping malls into townships. The factors identified were grouped as constructs (See Section 5.2.1) and discussed to provide some insights into the impact on spaza shops (See Sections 2.3.3). After the field study, the findings were analysed and interpreted (See Sections 4.6.1.1 and 4.6.1.5). The findings were based on the perceived reduction in profit constructs, the number of customer visits constructs, the perceived competitive prices, the perceived increase in better service, and the perceived decline in spaza shops' employment.

In the perceived reduction in profits, the study's findings established that spaza shops are more likely to be less profitable owing to competition from national retailers based in township malls. The results showed that spaza shops charge prices slightly higher than national retailers. A possible explanation for the disparity in pricing was that national retailers could leverage economies of scale to keep prices of products constant or decrease costs and increase profits through volume of sales. Also, the well-developed supply chain sets them apart from spazas.

At the number of customer visits, the study revealed that spaza shops had experienced fewer pedestrian volumes since the shopping mall's opening. The findings revealed that the retail shops within the shopping mall regularly offer discounts to customers in the perceived competitive prices construct.

At the level of the perceived increase in better service construct, the literature review found that small retailers regard national retailers as offering better service to customers, such as more variety, quality, branded products, replacement and warranties, payment service, and much more. The results of the study, in agreement, indicated that improved

service contributes to an increase in the consumer level of service expectations. As a result, consumers get used to this kind of service and demand the same from spazas.

Concerning the perceived reduction in employment level, the literature review covered by Chapter 2 shows that some spaza shops have been closed down owing to competition from national retailers resulting in job losses. Similarly, the study's findings established a relationship between unemployment in spaza shops and the newly established shopping malls. Although national retailers provide direct employment in the retail sector, employment in spaza shops in a mall's vicinity may be adversely affected.

5.2.3 Secondary Objective 3

The third secondary objective was to determine the strategies of spaza shop owners to deal with competition in order to ensure their survival, according to literature. To address this objective, a field study was conducted by the researcher. Before the field study, the literature was used to identify different competitive strategies that enable spaza shop owners to run sustainable businesses. The literature review covered in Chapter 2 revealed that successful business is influenced by various factors, such as entrepreneurial traits, understanding influences of the business climate, and business acumen. In support of the literature, the study's findings showed that all skills discussed above were essential for running a successful small business.

At the entrepreneurial acumen level, the study established that individual traits play an important role in running a successful business. The study findings revealed that individuals need to apply different initiatives to their spaza shops (See Figure 4:15). These initiatives were regarded as strategies that spaza shop owners could employ to stay competitive in their spaza shops.

At the business environment level, the literature review established that competitor analysis has an essential role in its strategic position. Understanding who your rivals are and what they are offering, their pricing structure, strengths and weaknesses, and how

they attract customers. The study results identified several aspects that differentiate national retailers from spaza shops (See Figure 4:16).

The final aspect of the competitive strategy was identifying key activities that spaza shops undertake to gain a competitive advantage in the retail sector. In the study, various strategies were suggested for consideration in competing in the spaza shop sector (See Section 4.4.3.3).

In conclusion, the results show that spaza shops within a distance of two kilometres have been negatively impacted by competition from national retailers based in township shopping malls. The dominant reasons for the impact are price differences, physical features of the store, increased competition levels, quality of service and products, and decreased customer volumes. Therefore, the primary objective of this study was achieved.

Given these findings, the next section provides some recommendations for how spaza shops can enhance their competitiveness in Bloemfontein townships.

5.3 Recommendations

The recommendations were formulated and discussed to help improve South African the low levels of competitiveness of black-owned spaza shops. This was done to enable spaza shop owners to become more competitive following the entry of shopping malls into townships.

- **Proper consultation with local businesses within a radius of two kilometres of the shopping mall.**

The findings of the study show that spaza shops within a radius of two kilometres of township shopping malls are negatively affected by national retailers. The developers of the township shopping malls need to employ a consultative process with local businesses as early as in the planning and development phase. The purpose of the

consultative process should be to minimise the impact that national retailers have on spaza shops. The process should come up with ways in which the spaza shops could benefit from the establishment of township shopping mall. The local government should facilitate this process and put measures in place to ensure a win-win situation for both shopping malls and spaza shops.

- **South African local spaza shop owners are encouraged to network and cooperate with each other when confronted with competition from national retailers, as a tactic for their own survival**

The study has shown that foreign owners benefit from collective buying, and the sharing of transport costs. They are usually cheaper than their South African counterparts. Local spaza shop owners would also benefit from such activities, since the study found that they did not cooperate with one another. This practice will enable locals collectively to negotiate better prices deals when they buy in bulk. They could also share transport costs and, in this way, their overheads will be more manageable, which would allow them to pass this gain on to their customers. This action will encourage price-sensitive customers to return to local spaza shops and continue to buy from them. As a result, spaza shops will survive the presence of national retailers in shopping malls. When the network of spaza shop owners is large enough, they can cut the intermediaries and buy directly from suppliers such as Clover, Tiger Brands, Unilever, Pioneer Foods, and Nestlé.

- **Business support must be extended to local spaza shop owners**

The results of the study show that local owners lack the requisite knowledge and skills to run spaza shops, and operate on gut feel. Training is necessary to equip spaza shop owners with the skills they need to run their shops successfully. Business management training workshops will be sufficient to improve their understanding of the business world and the dynamics involved. It would be beneficial if government,

in partnership with non-government organisations, were involved in the training of the spaza shop owners regarding business skills. This kind of knowledge, if applied correctly, can ensure the survival of spaza shops.

- **Government should put the South African spaza shop owners through a structured support programme through the Department of Small Business Development to help them transition from being survivalists, to being small businesses and eventually, to being a micro-enterprise that can possibly be formalised at a later stage**

The results of the study indicate that national retailers and foreign shop owners dominate the spaza shop sector, which has resulted in black South African shops being closed down. As a result, employment levels are adversely affected. Government should invest in this sector in the form of training and financial assistance. This sector provides a livelihood to the unemployed, who find it difficult to enter the formal economy owing to their education level. Therefore, with the necessary support, this sector can employ even more people.

- **Government, through the Department of Home Affairs and the South African Revenue Services, should regulate the entrance of immigrants into the country**

Foreign immigrants should only be allowed into the country if they possess specialist or unique skills or knowledge that the unemployed South Africans do not possess. It is clear from the findings that foreign immigrants are taking over this sector while South African spaza shops are going out of business. The vulnerable South Africans in the informal sector should be protected by government through their policies from foreigners who are fronting as South African spaza shops while taking away the livelihoods of unemployed South Africans.

5.4 Limitations of the study

The study's limitations include those aspects that may have challenges to this research. Given that the study focused on only Bloemfontein townships, the results may not necessarily be generalised across the spaza shop industry. It is proposed that further research extends the analysis to other spaza shops in South Africa.

Additionally, it would be necessary for future researchers to investigate consumers' attitudes towards buying from spaza compared to big retail chains in townships to determine areas of improvement for spaza. Furthermore, the findings of this study are restricted to spaza shops. Therefore, it allows researchers to expand their future studies into other informal township businesses such as general dealers, hawkers, and fruit and vegetable stores.

Finally, it should be noted that the limitations listed above do not necessarily negate the contributions of this research but open avenues for future studies.

5.5 Conclusions

The purpose of this study was to investigate the impact of the entry of national retailers into the Bochabela, Bloemanda, Freedom Square, Grassland, Heidedal, Joe Slovo, Namibia Phahameng, and Rocklands locations on South African-owned spaza shops in Bloemfontein. The major findings of the study were that spaza shops within a radius of two kilometres from the shopping malls are negatively by national retailers based in the shopping malls. Local spaza shop owners, therefore, need to implement measurable competitive strategies to improve competitiveness in the retail industry.

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7. Appendix A – Questionnaires



DIRECTORATE
OFFICE OF THE
CITY MANAGER

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2nd Floor, Bram Fischer Building, De Villiers Street, Bloemfontein
Tel: +27(0)51 405 8621, Fax: +27(0)51 405 8108

Your Ref:	Our Ref: Monyeke L.A
Room 201, Bram Fischer Building	Date: 14 July 2020

Mr. G.M Masisi

Sir

REQUEST FOR PERMISSION TO ACCESS AND USE MANGAUNG METROPOLITAN MUNICIPALITY SPAZA SHOPS LIST

The above matter refers.

We acknowledge the receipt of your email and your letter dated the 7 July 2020.

We have noted the contents of your request to conduct a research in Mangaung Metro Municipality. Permission is hereby granted, and a relevant Municipal Official will assist you in your research request.

Yours Faithfully


Adv. Tankiso Mea
City Manager

8. Appendix B – Questionnaires

8.1 Section A: Demographics

This section seeks some background information about you. It is important to obtain this information, as this will have a bearing on the results of the survey.

1. Please indicate your age:

2. Please indicate your gender (Please mark with X):

Male	
Female	
Prefer not to say	

3. Please indicate your highest education

4. Please indicate your race:

Asian	
African	
White	
Coloured	
Indian	

5. How long have you been running this business?

6. At what time in the morning do you open your spaza shop? _____

7. At what time in the afternoon do you close your spaza shop? _____

8. Ownership of the business premises (Please mark with X):

Owned	
Rented	

9. Please indicate the age of business:

10. Please indicate the approximate walking distance of your spaza shop from the shopping mall:

Less than 1 km	
1–2 km	
3–5 km	
< 5 km	

8.2 Section B: Research questionnaires

8.2.1 Impact of spaza shops as a result of the entry of shopping malls into the township

The statements below relate to the impact on spaza shops as a result of the entry of the shopping mall near your spaza shop, which is either Twin City Mall, Lemo Mall, or Rocklands Shopping Centre. Please read the statements below and indicate your perception ranging from 1 to 5, where 1 is strongly disagree, and 5 is strongly agree, by ticking the corresponding number in the 5-point scale below:

1=strongly disagree 2= disagree 3= neutral 4= agree 5= strongly agree

Please tick only one number for each statement

Perceived reduction in profit								
1	Since the shopping mall opened, my spaza shop is more likely to be less profitable as a result of competition from national retailers	Strongly disagree	1	2	3	4	5	Strongly Agree
2	There has been a decline in profits since the opening of the shopping mall near your spaza shop	Strongly disagree	1	2	3	4	5	Strongly Agree
3	National retailers within the shopping mall dominate the retail market through their performance	Strongly disagree	1	2	3	4	5	Strongly Agree

4	Sales declined as customers are gradually shifting towards the shopping mall near your spaza shop.	Strongly disagree	1	2	3	4	5	Strongly Agree
Number of customer visits								
5	The spaza shop benefits from the pedestrian volume generated by the opening of the shopping mall near your spaza shop.	Strongly disagree	1	2	3	4	5	Strongly Agree
6	Since the opening of the shopping mall, your spaza shop has experienced lower pedestrian volumes	Strongly disagree	1	2	3	4	5	Strongly Agree
Perceived competitive prices								
7	Prices of goods for retail shops inside the mall are competitive compared to your spaza shop.	Strongly disagree	1	2	3	4	5	Strongly Agree
8	Retail shops inside the shopping mall offer customers volume discounts	Strongly disagree	1	2	3	4	5	Strongly Agree
9	Retail shops within the shopping mall offer customers discounts regularly.	Strongly disagree	1	2	3	4	5	Strongly Agree
The perceived increase in better service								
10	Customers' expectation of service quality at the spaza shop	Strongly disagree	1	2	3	4	5	Strongly Agree

	has increased owing to the opening of the shopping mall.							
11	Customers demand more variety now with the entry of the shopping mall near your spaza shop.	Strongly disagree	1	2	3	4	5	Strongly Agree
12	Customer demand for branded merchandise is increasing owing to the opening of a shopping mall near your spaza shop	Strongly disagree	1	2	3	4	5	Strongly Agree
Perceived reduction in employment of spaza shops								
13	Several of the spaza shops around me are shut down owing to the opening of the shopping mall.	Strongly disagree	1	2	3	4	5	Strongly Agree
14	Spaza shops are struggling financially owing to the opening of the shopping mall.	Strongly disagree	1	2	3	4	5	Strongly Agree
15	Spaza shops are running at a loss owing to the opening of the shopping mall.	Strongly disagree	1	2	3	4	5	Strongly Agree

8.2.2 Strategies of spaza shop owners to competition to ensure their survival

The statements below relate to the competition from the mall, which is either Twin City Mall, Lemo Mall or Rocklands Shopping Centre, the competitive advantage of spaza shops, and entrepreneurial acumen of spaza shop owners. Please

read the statements below and indicate your perception ranging from 1 to 5, where 1 is strongly disagree, and 5 is strongly agree, by ticking the corresponding number in the 5 point scale below:

1=strongly disagree 2= disagree 3= neutral 4= agree 5= strongly agree

Please tick only one number for each statement

Entrepreneurial acumen								
1	Completion of a business plan for the shop	Strongly disagree	1	2	3	4	5	Strongly Agree
2	Regular updating of the business plan	Strongly disagree	1	2	3	4	5	Strongly Agree
3	Compilation of marketing strategy	Strongly disagree	1	2	3	4	5	Strongly Agree
4	Risk analysis before starting the analysis of competitors.	Strongly disagree	1	2	3	4	5	Strongly Agree
5	Regular investigation of alternative business investments	Strongly disagree	1	2	3	4	5	Strongly Agree
6	Ease of venturing into new business	Strongly disagree	1	2	3	4	5	Strongly Agree
7	Not afraid of risking funds in a new venture	Strongly disagree	1	2	3	4	5	Strongly Agree
8	Ease of taking calculated risks	Strongly disagree	1	2	3	4	5	Strongly Agree
Competition from the mall								
9	Mall businesses sell similar products to spaza shops	Strongly disagree	1	2	3	4	5	Strongly Agree

10	Mall businesses offer better customer services than spaza shops	Strongly disagree	1	2	3	4	5	Strongly Agree
11	Mall businesses offer better product quality than spaza shops	Strongly disagree	1	2	3	4	5	Strongly Agree
12	Mall businesses sell products cheaper than spaza shops	Strongly disagree	1	2	3	4	5	Strongly Agree
13	Mall businesses are more accessible to customers than spaza shops	Strongly disagree	1	2	3	4	5	Strongly Agree
14	Mall provides a shopping experience that encourages shoppers to spend some of their free time browsing and shopping	Strongly disagree	1	2	3	4	5	Strongly Agree
Competitive advantages of spaza shops								
15	Providing credit attracts customers.	Strongly disagree	1	2	3	4	5	Strongly Agree
16	Longer hours attract customers.	Strongly disagree	1	2	3	4	5	Strongly Agree
17	Product offerings in smaller quantities attract customers	Strongly disagree	1	2	3	4	5	Strongly Agree
18	Providing safe environment for customers.	Strongly disagree	1	2	3	4	5	Strongly Agree
19	Providing excellent service attracts customers.	Strongly disagree	1	2	3	4	5	Strongly Agree

9. Appendix C – Ethical Clearance



General Human Research Ethics Committee

14-Aug-2020

Dear Mr Moanaco Masisi

Ethics Clearance: **The impact of the entry of national retailers into townships on South African spaza shops in Bloemfontein**

Principal Investigator: Mr Moanaco Masisi

MODIFICATIONS REQUIRED

Your research proposal with title: **The impact of the entry of national retailers into townships on South African spaza shops in Bloemfontein** has been considered by the Ethics Committee. However, the committee will only be able to approve this research once a revised application or supplementary documentation is received as per the following provisions:

In response to the modifications required, you stated that data collection has not yet been done and that you “changed it to the future tense”. However, it is still not clear whether or not data collection has been done. Your research proposal clearly speaks of a data collection process already completed. See paragraph 3.7 of your proposal. On the application form, the research design also still refers to data collection already done. The assumption that data collection has already taken place, is confirmed in your sampling method (para 3.5) and sample size (para 3.6).

Please clarify this point. If data collection has not taken place, then please amend the application and supporting documents so that the information provided aligns.

Please note that your application will be withdrawn if you do not respond with these modifications in 30 days time.

Yours sincerely

Dr Adri Du Plessis

Chairperson: General/Human Research Ethics Committee

Adri du Plessis

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10. Appendix D– Language Editing Certificate

Editing Certificate

Dr. Johan Coetzee
UFS Business School
University of the Free State
Bloemfontein

Editing of Master’s Thesis

I, Marietjie Alfreda Woods, hereby certify that I have completed the editing and correction of the field study, **The impact of the entry of national retailers into townships on South African spaza shops in Bloemfontein** by **Gosiame Masisi**, submitted in partial fulfilment of the requirements for the degree **Magister in Business Administration** at the **UFS Business School, University of the Free State**.

I believe that the thesis meets with the grammatical and linguistic requirements for a document of this nature.

Name of Editor: Marietjie Alfreda Woods

Qualifications: BA (Hons), Practical Copy-editing and Proofreading



Signature:

Contact Number: 083 312 6310

Email address: rickywoods604@gmail.com

Date Issued: 3 November 2020